



Hillman Capital Management, Inc.
Uncommon Foresight

Frequently Asked Questions – Through

December 31, 2020

Hillman Value Strategies

- Hillman Advantage Value Equity Portfolio
- Hillman Focused Advantage Value Equity Portfolio
- Hillman Value Fund

Hillman Capital Management, Inc.
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Hillman Capital Management, Inc. reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. It should not be assumed that any of the investment recommendations or decisions we make in the future will be profitable. All investments have risk of loss.

Hillman Capital Management, Inc. is a registered investment adviser. Registration does not imply a certain level of skill or training.

HCM-21-08

Mutual Fund Disclosures:

An investment in the Hillman Value Fund (the “Fund”) is subject to investment risks, including the possible loss of some or the total principal amount invested. There can be no assurance that the Fund will be successful in meeting its investment objective. Generally, investment in the Fund will be subject to the following additional risks: Cybersecurity Risk, Investment Advisor Risk, Market Risk, Risks from Writing Options, Sector Focus Risk, COVID-19 Risk, Small-Cap and Mid-Cap Companies Risk, and Value Risk. More information about these risks and other risks can be found in the Fund’s prospectus.

An investor should consider the investment objectives, risks, and charges and expenses of the Fund carefully before investing. The prospectus contains this and other information about the Fund. A copy of the prospectus is available at HCMFunds.com or by calling Shareholder Services at (855) 400-5944. The prospectus should be read carefully before investing.

ALPS Distributors, Inc. is the distributor of the Hillman Capital Management Funds, 1290 Broadway, Suite 1000, Denver, CO 80203.

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Firm Information	
Company Name	Hillman Capital Management, Inc. Also Known as: HCM
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Telephone	240-744-4500
Primary Client Contact	Peter W. Beebe President Investment Committee Member Email: pete@hillmancapital.com Office: 240-744-4502 Mobile: 847-784-8198
Primary Investment Contact	Mark A. Hillman Chief Executive Officer and Chief Investment Officer Email: mark@hillmancapital.com Office: 240-744-4510 Mobile: 410-279-7763
Trading/Back Office Contact	Jeffrey T. Long Director of Systems & Operations Email: jeff@hillmancapital.com Office: 240-744-4508 Mobile: 703-474-9714
Compliance	C. Frank Watson III Chief Compliance Officer Email: compliance@hillmancapital.com Office: 919-706-4101 Mobile: 252-452-0797
Web Address	www.hillmancapital.com
Brief Firm Overview	<p>HCM is a corporation formed under the Maryland General Corporation Law for the primary purpose of engaging in investment management. The corporation was founded in February 1998 and is registered with the SEC as an investment adviser under the Investment Advisors Act of 1940. HCM is an independent entity with majority ownership controlled by the employees and principals of the corporation.</p> <p>HCM invests in quality businesses that we believe possess sustainable competitive advantages. We purchase shares of these well managed enterprises at times when markets have undervalued them relative to our established quantitative measures. We have adhered to this discipline through multiple market cycles for over 20 years. Mark Hillman launched the HCM value investment philosophy and process in 1995 and the strategy has been managed under the sole discretion of HCM's Chief Investment Officer continuously since that time.</p>
What are the total assets managed by the firm in your investment philosophy?	As of December 31, 2020, HCM manages greater than \$250 million and advises more than \$200 million in assets in the Hillman Capital Management value investment philosophy.
GIPS Compliance	HCM claims compliance with Global Investment Performance Standards (GIPS®). HCM has been independently verified for the period April 1, 1998 through December 31, 2018. The verification report is available upon request. Please refer to the Composite Presentations and Disclosures attached to the end of these materials.
GIPS Verifier	The Spaulding Group, 33 Clyde Road, Suite 103, Somerset, NJ 08873
Legal Counsel	Venable LLP, 750 East Pratt Street, Suite 900, Baltimore, Maryland 21202 Todd Gustin, Partner

HCM Portfolio Summary

Portfolio Name	Hillman Advantage Value Equity	Hillman Focused Advantage Value Equity	Hillman Value Fund
Asset Class	Value Equity	Value Equity	Value Equity
Benchmark	Russell 1000 Value	Russell 1000 Value	Russell 1000 Value
Inception Date	1/1/1996	1/1/1995	12/29/2000
Current Capacity	Over \$30 billion	Over \$10 Billion	Over \$30 billion
Morningstar ID	SAUSA002FJ	SAUSA002FI	HCMAX
# of Positions	~45	~ 20	~ 30 to 40
Turnover	~20-40%	~20-40%	~48% (Source:Morningstar.com)
Investment Vehicle	Separately Managed Account	Separately Managed Account	Mutual Fund
Accept ERISA Assets	Yes	Yes	Yes
Accept Plan Assets	Yes	Yes	Yes
Redemption Frequency	Daily	Daily	Daily
Minimum Direct Account	\$2,000,000	\$2,000,000	\$5,000
Minimum Wrap Account	\$ 100,000	\$ 100,000	\$5,000

HCM Portfolio Asset Summary

As of December 31, 2020

Portfolio Name	Hillman Advantage Value Equity	Hillman Focused Advantage Value Equity	Hillman Value Fund (HCMAX)
Assets Under Management (AUM)	\$7,825,505	\$38,256,456	\$131,640,856
Assets Under Advisement (AUA)	\$37,928,819	\$3,258,506	-
Total Assets	\$45,754,234	\$41,514,962	\$131,640,856

Investment Philosophy and Objectives

Describe the Investment Philosophy	<p>HCM's value investment philosophy is to invest in quality businesses that we believe have sustainable competitive advantages, at times when markets have undervalued their shares relative to our established quantitative measures. We have deployed this discipline through multiple market cycles for over 25 years.</p> <p>HCM believes:</p> <ol style="list-style-type: none"> 1) Companies with sustainable competitive advantages will outperform the broad market over time. 2) Market volatility can be exploited to purchase companies at a discount to their intrinsic value. 3) A consistent adherence to a discipline based on fundamental valuation techniques will produce results.
Describe the Investment Strategies	<p>HCM delivers our value investment strategy across 3 portfolio concentrations and in a hedged equity portfolio.</p> <p>The HCM value investment strategy invests primarily in U.S. stocks of businesses with market capitalization profiles of greater than \$3 billion.</p> <p>The Hillman Advantage Value Equity Portfolio invests primarily in U.S. stocks of larger companies, with total positions of approximately 45 stocks. This portfolio is benchmarked against the Russell 1000 Value Index.</p> <p>The Hillman Focused Advantage Value Equity Portfolio invests primarily in U.S. stocks of larger companies, with total positions of approximately 20 stocks. This portfolio is benchmarked against the Russell 1000 Value Index.</p>

	<p>The Hillman Value Fund (HMAX) invests primarily in U.S. stocks of larger companies, with total positions of approximately 30-40 stocks. This Fund is benchmarked against the Russell 1000 Value Index.</p>
<p>Describe the Investment Objectives</p>	<p>The objective of each of the HCM Value Portfolios is to deliver returns, utilizing a high active share construct, that meet or exceed the portfolio benchmark.</p> <p>There is no guarantee that the portfolio will outperform, or even match, the corresponding equity market over the long term. The portfolio may produce a level of tracking error relative to its benchmark that is consistent with a more active approach to investing in equities.</p>

Describe the Investment Process

HCM's investment process combines clear qualitative and quantitative standards with a distinctly intuitive exploratory approach. We surface candidates for investment by searching across industries and markets, keeping both our eyes and minds open. We have no industry bias and build high "active share" portfolios of approximately 20 to 50 positions.

A. Universe Definition

All companies that trade directly on US exchanges with a market cap of 3 billion dollars or larger at the time of inclusion.

B. Establishing the HCM Qualified Universe (Bottom-Up Fundamental)

Qualitative Concerns

First, we analyze the factors contributing to a candidate company's sustainable competitive advantage, including:

1. Is the company an industry leader or does it dominate a certain niche market?
2. Has management been prudent and proactive over various economic cycles?
3. Does the company have pricing power with customers?
4. Does the company have purchasing power with suppliers?
5. Do barriers to entry exist for prospective competitors?
6. Does the company have a strong brand/franchise with brand loyalty?
7. Does the company deliver excellent products or services?
8. Does the company provide outstanding customer service?
9. Does the company have enough financial flexibility to weather short term problems, an economic downturn or increased competitive pressures?

If a company possesses the correct blend of the above criteria, it is concluded that the company does maintain a sustainable competitive advantage and is added to the **HCM Qualified Universe** (currently 150-200 names).

C. Multi-Factor Valuation Ranking of HCM Qualified Universe

Executed across the HCM Qualified Universe from least expensive to most expensive.

*Important to Note: A name could qualify to be in the HCM qualified universe and never be included in an HCM portfolio, due to valuation considerations.

Valuation metrics utilized in ranking process:

- a. Discounted Cash Flow Model
- b. Price to Book
- c. Price to Sales

D. Portfolio Construction- Buy Discipline

The most attractively valued securities are included in each respective portfolio subject to concentration parameters.

E. Portfolio Constraints

Position sizes, rebalancing protocols, as well as industry and sector constraints are portfolio specific and highlighted below.

F. Sell Discipline

- a. Valuation exceeds 1% to 20% premium to intrinsic value of the business.
- b. Portfolio diversification constraints are breached.
- c. Company no longer meets the criteria to be eligible for the HCM Qualified Universe.

<p>Portfolio Construction Specifics:</p> <ul style="list-style-type: none"> • Positions • Sector & Industry Weightings • Re-balance Protocols 	<p>Hillman Advantage Value Equity Portfolio:</p> <ul style="list-style-type: none"> • Positions – 45 securities are purchased in equal proportion, with each stock representing approximately 2.2% of portfolio value. • Sector & Industry Weightings – No sector may represent more than 25% and no sub-industry more than 10% of total portfolio value at time of purchase. • Re-balance Protocols – Buy if position < 1.5% of total market value and Sell if position > 2.9% of total market value. <p>Hillman Focused Advantage Value Equity Portfolio:</p> <ul style="list-style-type: none"> • Positions – 20 securities are purchased in equal proportion, with each stock representing approximately 5% of portfolio value. • Sector & Industry Weightings – No sub-industry may represent more than 25% of total portfolio at time of purchase. • Re-balance Protocols – Buy to 5% if position < 2.5% of total market value and Sell to 5% if position > 10% of total market value. <p>Hillman Value Fund (HCMAX):</p> <ul style="list-style-type: none"> • Positions – Approximately 30-40 equity securities • Sector & Industry Weightings – Generally speaking, no industry may represent more than 25% of total portfolio at time of purchase. • Re-balance Protocols – Equity positions will likely be trimmed if position > 5%. • Options may represent up to a 10% potential increase in equity exposure
<p>Describe the Sell Discipline</p>	<ol style="list-style-type: none"> 1. Sell all shares if a portfolio holding is removed from the HCM Qualified Investment Universe (HCM-QIU). 2. Sell all shares if the price of a security exceeds fair value using all quantitative measures. 3. Trim back position if risk parameters are exceeded. 4. Sell if portfolio diversification constraints are breached
<p>What is the competitive edge/source of active value of investment philosophy and process?</p>	<p>HCM’s “qualified” universe of companies deemed to have sustainable competitive advantage forms the bedrock of HCM’s advantage over peers. By focusing FIRST on the identification of companies we believe have a sustainable competitive advantage, HCM identifies outstanding businesses, unbiased by current valuation. Thus, HCM believes the philosophy approaches qualitative analysis with an enhanced degree of objectivity. The universe of companies compiled, bottom-up analyzed company by company over 25 years, paired with a prudent valuation approach formulates the competitive advantage Hillman Capital Management aims to realize.</p>

Investment Risk Management

<p>Describe your investment risk management process.</p>	<p>HCM takes four primary steps to manage portfolio risk:</p> <p>Fundamental – The creation of HCM’s Qualified Universe of investment candidates serves to keep the strategy focused on businesses that are more in control of their own destiny. A competitive analysis is conducted to identify industry leaders with financial flexibility and competitive advantages within their marketplace. We believe that investing exclusively in these types of businesses helps to mitigate risk.</p> <p>Valuation Discipline – By focusing on the businesses in the HCM Qualified Universe that are the most attractively valued for inclusion in a portfolio, HCM is building in a downside exposure risk metric. There is no guarantee that a name will not decline more in value, but by investing based on the discount to intrinsic value of the business, HCM is managing that risk.</p> <p>Diversification – The strategies incorporate diversification limits at the sector, industry and security levels in the portfolio construction portion of the investment process.</p> <p>Sell Discipline – The ongoing investment process addresses security specific risk. A strict adherence to fundamental valuation parameters supports the downside risk management relative to holdings in the portfolio. A continuous review of the sustainability of the competitive advantage of a business and removal of businesses from the qualified universe when that advantage is no longer present may mitigate company specific risk. The final component within the sell discipline is the rebalancing of the portfolio preventing extremes in security, sector or industry weightings.</p>
<p>How do you manage portfolios during volatile markets?</p>	<p>For HCM, volatility presents the opportunity to further invest or establish new positions in high quality businesses with competitive advantages that the market has mispriced, based on HCM’s assessment. When the mispricing is material, with the business trading below the HCM view of intrinsic value, HCM will invest. Volatility often creates opportunities to trim positions and to realize gains when selling overvalued securities.</p>
<p>Is there an independent risk committee for monitoring investment risk and changing risk limits?</p>	<p>HCM’s Investment Committee exercises supervision and control over the investment management of all client assets managed by HCM. The Committee approves all discretionary investment strategies (including related risk limits), delegates investment authority to designated Portfolio Managers, and monitors market, economic and geo-political developments to identify potential and emerging risks to HCM’s value investment philosophy, process and strategies.</p> <p>The Investment Committee members include: Mark Hillman (Chair/CEO/CIO), Peter Beebe (President), Frank Watson (CCO) and Trevor Lee (Analyst). The Committee meets quarterly, or more often as necessary or appropriate.</p>
<p>Describe any oversight committees.</p>	<p>HCM’s Executive Committee provides oversight of the Firm’s operations and policies. The purpose of the Executive Committee is to assist the Firm in fulfilling its oversight responsibilities relative to the risks inherent in the business and to monitor and provide guidance as to the appropriate policies and processes. The Executive Committee members are the CEO, President, Secretary and Chief Compliance Officer.</p>

Investor Services and Reporting	
Describe the nature and frequency of information provided to investors.	<p>The Hillman Value Portfolios are delivered through separately managed accounts, model delivery and commingled funds. Comprehensive monthly reporting on separately managed accounts is usually available from the client's custodian. HCM provides a high degree of transparency to investors through quarterly performance reporting including, but not limited to:</p> <ul style="list-style-type: none"> □ Portfolio and benchmark performance □ Portfolio sector and industry exposure □ Transactions, income and capital gains □ Market and Holdings Review
Risk Management	
Indicate the types of insurance that are in place.	<p>Commercial Liability Worker Comp and Employer Liability Financial Institutions Bond Errors & Omissions Cyber and Privacy</p>
Describe the firm's disaster recovery/business continuity plan.	HCM has a formal business continuity plan and procedures that provide for routine data back-up, both on-site and off-site, and include resumption and restoration plans addressing clients, client data, portfolio management, trading, network, applications and facilities.
Describe the firm's vendor management program.	HCM has established vendor management policies and procedures that requires due diligence on all vendors prior to engagement and subjects all vendors to periodic monitoring and review as part of a comprehensive vendor management program.
Explain counterparty risks to which your firm is exposed and how you mitigate these risks.	HCM primarily invests in exchange-traded assets with a two-day settlement cycle. In the US, these trades clear through DTC. Trades are generally DVP and thus do not expose the firm to counterparty risk.
Operations	
Where is the cash held?	All client cash is held at custodial institutions.
How is the cash managed?	HCM intends generally to be fully invested and hold minimal cash balances, generally less than 5%, but subject to individual client directions and restrictions.
How do you deal with redemptions?	To fund a redemption request, holdings within an individual separately managed portfolio are generally sold in such a way as to keep each security weighting in line with the appropriate target.
How are client fees calculated and debited?	HCM's management fees are generally payable quarterly, in advance. If management begins after the start of a quarter, fees will be prorated accordingly. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed. With client authorization, fees are normally debited directly from client accounts.
Who is authorized to execute trade orders?	Mark Hillman is the Portfolio Manager for each of the HCM Portfolios. As such, he is authorized to approve trade orders to initiate or add to positions, and to reduce or remove positions. Portfolio Managers may delegate trade execution to qualified persons.
In what sequence are orders placed with brokers?	Generally, new accounts are traded as assets are received, subject to client restrictions or unless traders/portfolio managers determine a different strategy should be employed. Existing accounts are traded, and model updates signaled in compliance with the Firm's trading rotation policy to ensure that clients are treated equitably and fairly.
How are fills allocated among accounts with the same broker?	Block trades are allocated across participating client accounts at the average price for those trades.

What types of orders are placed to initiate positions (e.g. market, limit, stops)?	Portfolio Managers determine the appropriate execution strategy for each position. Generally, HCM places its orders as market orders.
Do you perform an analysis of best execution?	<p>HCM seeks to obtain the best reasonably available execution price, however the firm may not obtain the lowest commission or best net price on any particular transaction. Trades are allocated to broker-dealers in such a way as is considered in the best interest of clients. When given the opportunity to make brokerage determinations, HCM considers a number of judgmental factors, including, without limitation, clearance and settlement capabilities; quality of confirmations and account statements; the ability of the broker to settle the trade promptly and accurately; the financial standing, reputation and integrity of the broker-dealer; the broker-dealer's access to markets, research capabilities, market knowledge, any "value added" characteristics, the Company's past experience with the broker-dealer, past experience with similar trades, and other factors. Recognizing the value of these factors, HCM may pay a brokerage commission higher than that of another broker for effecting the same transaction.</p> <p>HCM reviews broker-dealer performance on a quarterly basis as part of HCM's ongoing review of brokerage for client accounts.</p>
Regulatory & Compliance	
Is the firm registered with any regulatory bodies?	Hillman Capital Management, Inc is registered with the SEC as an Investment Adviser. Registration does not imply a certain level of skill or training. A copy of HCM's form ADV can be found at: http://hillmancapital.com/Portals/0/adv.pdf
Are there any material, criminal, civil or administrative proceedings pending against the firm or any of its principals, or have there ever been such matters?	No. There are no criminal, civil or administrative proceedings pending against HCM or any of its principals, nor have there ever been any such matters.
Who is the firm's Chief Compliance Officer?	C. Frank Watson III
Do any of the firm's principals have other business involvement, which would present conflicts of interest?	No. Principals are prohibited from involvement in any competing business or endeavor that may pose a conflict of interest to HCM. Each principal is required to devote such time as deemed necessary for the proper performance of such principal's duties.
Do the firm's funds/accounts trade between themselves?	No.
What is the firm's personal trading account policy?	Personal accounts are allowed, but active trading is strongly discouraged and closely monitored. Employees of HCM may not invest in securities being considered for recommendation or recommended by the Firm, except in the following circumstances: (1) accounts solely managed by HCM that are traded in a like manner as all other similarly situated client accounts (as verified and approved by Compliance); or (2) 401k and 529 plans where only mutual funds may be selected as investments (non-brokerage accounts); (3) accounts where the employee has no investment discretion and where the account manager has attested in writing that the employee has no investment discretion; or (4) if such holding has been pre-cleared by the Chief Compliance Officer. All personal trades are subject to pre-clearance, not including money market instruments, open end mutual funds and government securities. Purchases are subject to a holding period requirement. Pre-existing accounts are grandfathered subject to the same requirements for all new trades.
Do you vote proxies?	HCM votes proxies on behalf of accounts unless otherwise specified by clients.

Firm Structure

Please give a brief history of the firm.	<p>Hillman Capital Management, Inc. (HCM) is an independent boutique value equity investment manager incorporated in the state of Maryland since 1998 and registered with the SEC as an investment adviser under the Investment Advisors Act of 1940.</p> <p>Mark Hillman launched HCM's value investment strategy in 1995 and has continuously managed the portfolios as HCM's Chief Investment Officer since that time. The firm deploys the same investment philosophy of owning high quality businesses with competitive advantages at discounts to their intrinsic value across the portfolios managed by the firm.</p>
Describe the firm's ownership structure, name of its owners, and their role within the firm.	After one year of history at the firm, employees may own stock or may be issued options to acquire stock. Fully vested and diluted, employees own 88% of the Firm.
Where do the primary trading, research, and portfolio management activities take place?	All business activities take place in HCM's office in Bethesda, MD.
List all Branch Offices or other locations.	None
Are investors notified in the event of changes in key personnel?	Yes
Describe any key person provisions.	If any of the key investment management staff, Mark Hillman or Trevor Lee, dies or is disabled for a period of more than 60 consecutive days or resigns as a Portfolio Manager, investors will receive prompt notification. If a Portfolio Manager should be unable to act, and no other Portfolio Manager has been designated by the Investment Committee, the Investment Committee has the authority to manage effected portfolios until such time as it designates a Portfolio Manager.
Describe the firm's compensation philosophy.	<p>HCM's compensation philosophy is that compensation programs should be structured to align with the Company's goal hierarchy, which is as follows:</p> <ul style="list-style-type: none"> □ Duty to Clients □ Profitability □ Growth <p>Our compensation program incorporates a mix of compensation components, namely:</p> <ul style="list-style-type: none"> □ Base salary □ Annual bonuses for investment management and support teams □ Stock Option program <p>We believe that compensation programs must be based on performance, with metrics and measurement periods tailored to the specific job, and not encourage excessive risk-taking. Our compensation programs emphasize 'total compensation' and incorporate a mix of compensation components, which we believe must be competitive to attract and retain qualified and productive employees. Compensation for individuals in similar jobs should be appropriately differentiated to reflect individual contributions.</p> <p>Bonus distributions to investment team members will be merit based and reflect the long-term impact an individual has on the investment philosophy, process and performance of the full suite of HCM strategies.</p> <p>HCM believes that a long-term stock option program as a component of compensation supports focusing the attention on the Company's long-term objectives and aligns the interests of our employees with those of our investors. Every employee of HCM is either an equity holder or has options scheduled to vest within a twelve-month period.</p>

Senior Investment Professional Biographies

<p>Mark A. Hillman Chief Executive Officer and Chief Investment Officer</p>	<p>CEO and Chief Investment Officer, founded HCM in 1998, bringing into the firm assets of predecessor companies he established in the early 1990's. His first investment advisory company, Custom Asset Management, merged with Menocal Capital Management in 1993 and he became Chief Investment Officer of the combined firms. A graduate of Tufts University, he has done graduate coursework at Harvard University Extension School. An expert sailboat racer, he has competed successfully in National and World Championships over four decades.</p> <p>As the architect of the firm's proprietary value investment philosophy and process and Chief Investment Officer at HCM, Mark Hillman continues to lead the investment process. For over two decades, his investment results have spoken for themselves and have been recognized by investors and media alike. He has appeared in Fortune Magazine, The New York Times, MSN Money, USA Today, Bloomberg News, Dow Jones MarketWatch, The Baltimore Sun, The San Francisco Chronicle, Bloomberg Television, Kiplinger's and Forbes.com</p> <p>Education:</p> <p>Tufts University, BA, Economics</p> <p>Harvard University Extension School</p>
<p>Trevor Lee Analyst and Investment Committee Member</p>	<p>Analyst, focuses on assessing the competitive dynamics and valuation of companies. Trevor joined HCM in 2008 and is a member of the HCM Investment Committee. Trevor evaluates companies from the unique perspective of his solid background in marketing and product development for Fortune 500 companies, including Proctor and Gamble, Kraft, and Sara Lee.</p> <p>Education:</p> <p>Tufts University, BA, Economics and History</p> <p>The Wharton School of the University of Pennsylvania, MBA</p>