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Item 1 – Cover Page

FORM ADV – PART 2A

FIRM BROCHURE FOR: **CLEARMARK PARTNERS, LLC**
25 NEWBRIDGE ROAD, SUITE 202
HICKSVILLE, NY 11801

FIRM BROCHURE DATED AS OF: **MARCH 31, 2021**

CONTACT INFORMATION: **GEORGE KOO, CFA, CPA**
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CHIEF COMPLIANCE OFFICER

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This brochure provides information about the qualifications, business practices and investment advisory services of Clearmark Partners, LLC (the “Adviser”). The Adviser is registered with the United States Securities and Exchange Commission (“SEC”) as an investment adviser under the federal Investment Advisers Act of 1940, as amended (the “Advisers Act”). The information contained in this brochure has not been approved or verified by the SEC or any state securities authority.

If you have any questions about the contents of this brochure, please direct them to the person named at the telephone number or e-mail address specified in the Contact Information set forth above.

Additional information about Clearmark Partners, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov. The Adviser’s CRD Number is 286482.

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Item 2 – Material Changes

None.

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Item 4 – Advisory Business

Clearmark Partners, LLC (“Clearmark”) was organized as a New York limited liability company on January 7, 2009 in the State of New York. Clearmark is owned by Koo Capital Advisors, LLC, and Hillcrest Capital Advisors, LLC, each of which is the direct owner of 50% of the outstanding membership interests in and a control person of Clearmark. Koo Capital Advisors, LLC and Hillcrest Capital Advisors, LLC are holding companies only and do not engage in any investment advisory or other securities-related activities. George Koo, who is currently the Chief Executive Officer and sole employee of Clearmark, is the sole owner of Koo Capital Advisors, LLC and Hillcrest Capital Advisors, LLC.

Clearmark provides discretionary investment management and advisory services, and financial planning services to insurance companies, corporations, institutions, unaffiliated retirement plans, pension plans, qualified clients, and high net worth individuals. Clearmark’s investment services are based on each client’s needs, objectives, time horizons, risk tolerances and other individualized circumstances. Clearmark’s investment advisory and portfolio management services include, but are not limited to, the following:

- Investment strategy,
- Financial planning,
- Investment policy development,
- Asset selection and allocation,
- Risk management and tolerance,
- Portfolio monitoring and rebalancing,
- Investment reporting and review.

Clearmark considers each client’s needs and works with the client to develop an Investment Policy Statement (“IPS”). The IPS serves as a guide for Clearmark to select securities to realize the client’s investment return objectives in a manner consistent with the client’s time horizons, risk tolerances, regulatory requirements, tax position, capital restraints, and other individualized circumstances. Clearmark’s current clients provide it with a broad mandate in terms of their objectives and risk tolerances and allow Clearmark the investment discretion and authority to act on the client’s behalf in order to select investment securities and execute transactions without permission from the client prior to each transaction.

Clearmark seeks to make its investment decisions in a manner consistent with the fiduciary duties it owes to its clients and without consideration of Clearmark’s own economic, investment or other financial interests or the interests of its affiliated persons. To meet its fiduciary obligations, Clearmark attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios.

Accordingly, as a matter of policy, Clearmark seeks fair and equitable allocations of investment opportunities/transactions among its clients to avoid favoring one client over another over time.

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Additionally, Clearmark will allocate investment opportunities and transactions that it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time.

At present, Clearmark is solely dependent upon the continuing investment advisory and strategic services of its Chief Executive Officer, George Koo. Should Clearmark no longer have the services of Mr. Koo, Clearmark will be at significant risk unless a suitable manager could replace him and offer the comparable level of services to the clients of Clearmark. Clearmark has been training several individuals capable of offering selected services to its clients. Clearmark believes that over the course of time, such individuals will be able to provide all the services that Mr. Koo currently provides. However, a material risk for clients to consider is management risk.

George Koo is the investment adviser and sole employee of Clearmark. All research and support services are under the direction of Mr. Koo. Currently, Mr. Koo has contracted with a consulting services company to provide outsourced services for fundamental, technical, and quantitative research services. In the future, Clearmark plans to hire additional personnel to provide such services.

A. Areas of Investment –Fixed Income, Equity Securities, Derivatives, Real Estate Securities, & Private Placement Securities

Clearmark provides investment management and advisory services with respect to investments in the following areas:

- Fixed income investments including, but not limited to:
 - Government Securities,
 - Municipal Securities,
 - Mortgage-Backed Securities,
 - Asset-Backed Securities,
 - Corporate Bond Securities.
- Equity securities & Exchange Traded Funds,
- Derivative Securities to manage and hedge risks:
 - Options,
 - Forwards, and
 - Futures.
- Real Estate Securities such as investments in real estate investment trusts and mortgage-related securities,
- Private Placement Securities.

Investing in securities of any type involves risk of loss that a client or prospective client of Clearmark should be prepared to bear. Therefore, clients should consult with their Certified Public Accountant or other adviser for alternative advice regarding Clearmark's investment management and advisory services before entering into an investment advisory agreement.

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1. Fixed Income Investments

The Fixed Income Investments include U.S. government and agency securities, investment grade Municipal securities, investment grade Corporate bonds, investment grade Mortgage-Backed Securities, investment grade Asset-Backed Securities, and investment grade Municipal Securities. These investments are typically long-term holdings that will be assessed in light of client needs and will not be subject to frequent trading.

Generally, investments in this category will be measured by duration and be determined in relation to client goals. Since duration measures the timing of cash flows, it is also a risk measure in light of changes in general interest rates. To manage the duration risk, Clearmark could use investments in Exchange Traded Funds and other instruments.

2. Equity Securities & Exchange Traded Funds (ETF)

Equity securities consist of the common and preferred shares of companies. Typically, Clearmark will focus mainly on U.S. companies that have large and medium capitalizations, which are the largest companies in the nation. Holdings in these securities will vary in amount and timing. Clearmark performs its analytical work to select companies based on many factors such as corporate earnings, cash flow, credit metrics, etc. Clearmark has developed models to rank the various companies in accordance with each company's fundamental metrics and uses these models as screening tools for securities selection. The holding periods will vary by client and the amounts to invest will be dependent upon the proportion of the total assets of the client.

Exchange Traded Funds (ETF) are securities that collectively aggregate Equity Securities of many companies to gain a diverse portfolio of companies that would share one or more common characteristic such as index, market capitalization, industry, industry sector, geographic region, etc. These ETFs enable investors to gain investment exposure to selected areas while offering the benefits of diversification and lower transaction costs within a group of companies. Clearmark performs its analytical work to select industrial sectors for consideration based upon economic forecasts and corporate prospects. Clearmark has developed models to rank the various industrial sectors in accordance with each sector's fundamental metrics and uses these models as screening tools for securities selection. The holding periods will vary by client and the amounts to invest will be dependent upon the proportion of the total assets of the client.

3. Derivative Securities

Clearmark intends to utilize risk management strategies to manage market volatility. Clearmark may engage in strategies to gain exposure on unique market opportunities. Clearmark may invest a portion of the assets for client portfolios in this strategy to manage the volatility of returns, as well as capitalizing on certain unique opportunities. Clearmark will analyze these unique circumstances using fundamental, technical, and quantitative techniques to manage the reasonable risk exposures to acceptable levels.

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The instruments used may involve, but not limited to, investments in exchange-traded funds, options, futures, swaps, and other derivative securities.

4. Real Estate Securities

Investments in Real Estate Securities consist primarily of fixed income and equity investments in publicly traded Real Estate Investment Trusts (REIT) and other real estate and real estate related securities. Generally, Clearmark would use ETFs to increase or decrease market exposure to these securities. Real Estate enterprises include activities such as leasing, construction, ownership, management, financing, or sale of residential, commercial, or industrial real estate. The Real Estate Securities include securities issued by companies primarily engaged in businesses that sell or offer products or services that are closely related to the real estate industry.

Clearmark engages in the analysis of Real Estate Securities by evaluating the fundamental, economic, technical, and quantitative aspects of the Real Estate enterprises. Such aspects include: geographic economic conditions, enterprise financial condition, financial performance, etc.

5. Private Placement Securities

Clearmark may invest in Private Placement Securities. Private Placements Securities consist of investment-grade U.S. and foreign U.S. denominated private securities that are not registered under federal or state securities laws. These securities can only be purchased or sold in a transaction exempt from registration. Private placements are offered to a limited number of potential investors who meet certain eligibility criteria to enable the transaction to qualify under securities law registration exemptions. Private Placement Securities are most often corporate bonds, but investments can also be made in other security types including, but not limited to, project finance, credit tenant leases and leveraged leases.

Clearmark performs fundamental, technical, quantitative analyzes on these securities to compare them to public securities to determine if these securities offer higher opportunities for return over comparable public securities. Given the inherent illiquidity of these securities, investments in Private Placements are suitable for long term investors.

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B. Material Risks – Fixed Income, Equity Securities, Exchange Traded Funds, Real Estate Securities & Private Placement Securities

For definitions of the risks listed below, please refer to Appendix A – Definition of Risks and Risks of Loss. The following sections represent the material risks associated with investments in the above categories:

1. Fixed Income Investments

Fixed Income Investments are subject to, but not limited to, the following material risks: Capital Loss Risk, Credit Risks, Extension Risk, Exchange Traded Notes Risk, Government Sponsored Entities Risk, Income Risk, Inflation Risk, Inflation Indexed Securities Risk, Interest Rate Risk, Liquidity Risk, Lower Rated Securities Risk, MLP Risk, Municipal Securities Risk, Non-Government Securities Risk, Prepayment Risk, Reinvestment Risk, and Vintage Year Risk.

2. Equity Securities & Exchange Traded Funds (ETF)

Investing in Equity Securities and Exchange Traded Funds are subject to, but not limited to, the following material risks: Allocation Risk, Capital Loss Risk, Company risk, Credit Risk, Equity Securities Risk, Exchange Traded Funds (ETF) Risk, Index Performance Risk, Initial Public Offering Risk, Liquidity Risk, Market Risk, MLP Risk, Preferred Stock Risk, and Short-term Trading Risk. For a complete listing of the definitions of the risks, please refer to Appendix A – Definition of Risks and Risks of Loss.

3. Derivative Securities

Investing in Derivative Securities is subject to, but not limited to, the following material risks: Call Options Risk, Capital Loss Risk, Derivatives Risk, ETF Risk, Index Performance Risk, Liquidity Risk, Market Risk, Options Risk, and Short-Term Trading Risk. For a complete listing of the definitions of the risks, please refer to Appendix A – Definition of Risks and Risks of Loss.

4. Real Estate Securities

Investing in Real Estate Securities is subject to, but not limited to, the following material risks: Capital Loss Risk, Company Risk, Concentration Risk, Credit Risk, Equity Securities Risk, ETF Risk, Extension Risk, Income Risk, Inflation Risk, Interest Rate Risk, Liquidity Risk, Management Risk, Market Risk, MLP Risk, Prepayment Risk, Real Estate Risk, and Vintage Year Risk.

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5. Private Placement Securities

Investing in the Private Placement of Securities is subject to, but not limited to, the following material risks: Capital Loss Risk, Extension Risk, Foreign Securities Risk, General Partners Risk, Liquidity Risk, Market Risk, MLP Risk, Private Placement Risk, Reinvestment Risk, Restricted Securities Risk, and Vintage Year Risk.

C. Alternative Asset Investments

Clearmark provides investment management and advisory services with respect to the following categories of alternative areas of investments:

Alternative Asset Investments:

- Interest Rate Swaps,
- Credit Default Swaps.
- Alternative assets such as:
 - Distressed debt,
 - Venture capital,
 - Subordinate debt, and
 - Mezzanine debt.

Clearmark may invest in Alternative Asset Investments such as: limited partnership interests and member interests of limited partnerships, limited liability companies and other similar entities which, in turn could invest or purchase interests in venture, buyout, mezzanine, distressed debt and infrastructure investments. Alternative Assets are managed by general partners that exhibit managerial experience and expertise. Clearmark may invest in the entity that the general partner has created to manage the variety of investment interests. Clearmark will evaluate the general partner's track record and/or market expertise. Factors in Clearmark's evaluation will be focused on diversification on the basis of underlying company investments, sector, vintage (the year the initial funds for the alternative asset were raised) and the general partners.

D. Material Risks – Alternative Assets

Investing in Alternative Assets is subject to, but not limited to, the following material risks: Capital Loss Risk, General Partner Risk, Liquidity Risk, MLP Risk, and Vintage Year Risk. For a complete listing of the definitions of the risks, please refer to Appendix A – Definition of Risks and Risks of Loss.

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E. Additional Disclosure on Derivatives and Options Risks

Short term holding period strategies could employ investment instruments to manage risk such as derivatives. Clients should be aware that derivatives could increase or create material risks of loss to their accounts. Derivatives, such as options and futures, involve a contract to purchase a security at a given price, not necessarily at a fair market value, depending upon the market conditions. Such an options contract may expire “out of the money” resulting in minimal or no value, as well as the possibility of significant loss of capital in the client’s account due to the leveraged nature of options.

Additionally, an uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a “naked” or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options contracts on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option transactions also involve material risks including but not limited to, Call Option Risk, Derivative Risk, Equities Risk, Market risk, Options Risk, Inflation Risk, and Interest Rate Risk, among other risks. For a complete listing of the definitions of the risks, please refer to Appendix A – Definition of Risks and Risks of Loss.

Investing in securities of any type involves risk of loss that a client or prospective client of Clearmark should be prepared to bear. Therefore, clients should consult with their Certified Public Accountant or other adviser for alternative advice regarding Clearmark’s investment management and advisory services before entering into an investment advisory agreement.

F. Wrap Fee Program Disclosure

Clearmark does not have any wrap fee programs for its clients.

G. Assets Under Management

Clearmark accepts only discretionary accounts for investment management.

As of December 31, 2020, Clearmark managed regulatory assets with a fair market value of \$471,879,409 in discretionary accounts. Clearmark did not manage any non-discretionary accounts.

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Item 5 – Fees and Compensation

Clearmark is compensated based on the assets under management (“AUM”). The advisory fees are negotiable with specific breakpoints for which fees are reduced for higher levels of AUM. Clients execute an investment advisory agreement that stipulates that clients may terminate the agreement with 90 days’ written notice.

The advisory fees are billed quarterly and are based on the “agreed upon” AUM value as follows:

- For insurance clients, the “agreed upon” AUM value for billing is the fair market value of AUM.
- For all other clients, the “agreed upon” AUM for billing is the fair market value of AUM.

Clearmark uses the value of the account as of the last business day of the billing quarter, after considering any deposits, withdrawals, and adjustments, for purposes of determining the market value of the assets upon which the advisory fee is based.

Advisory Fee Schedule based on a Per Annum Percentage of “agreed upon” AUM:

1. Fixed Income Securities (no minimum) – fee per annum:
 - a. First \$50 million 0.25%
 - b. Next \$100 million 0.20%
 - c. Next \$150 million 0.15%
 - d. Over \$150 million Negotiable
2. Equity Securities and all other Securities (no minimum) – fee per annum:
 - a. First \$50 million 1.00%
 - b. Next \$100 million 1.00%
 - c. Next \$150 million 1.00%
 - d. Over \$150 million Negotiable

All the above fees charged by Clearmark are exclusive of brokerage commission, transaction fees and other related costs and expenses incurred by clients. Clearmark will consider the factors in selecting brokers and dealers in executing transactions and will determine the reasonableness of their charges and fees.

In accordance with its fiduciary duty to clients, Clearmark makes asset allocation decisions and recommendations whenever appropriate for and in the interest of the client. Such decisions will not affect the fees charged by Clearmark.

Clearmark does not deduct fees from its clients’ AUM. Clearmark does not allow its clients to pay fees in advance. Neither Clearmark nor any of its employees accept any compensation from the sale of securities or any transaction fees, other than the fees outlined in the Fee Schedule.

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Clearmark does not take custody of any cash or securities of its clients. Each client provides its own custodian. Such custodial fees and related charges are paid directly by the client to the custodian.

Clearmark does not accept any fees from mutual fund companies or Exchange Traded Funds for purchases of their securities.

Clearmark will consult with its clients on regulatory financial reporting and tax compliance requirements and restrictions for purposes of the proper reporting of securities transactions.

Item 6 – Performance-Based Fees and Side-By-Side Management

A. Performance-Based Fee Plan

Clearmark may charge Performance-Based Fees in addition to an Advisory fee (See Item 5) in accordance with the following criteria:

“Qualified Clients” will pay an advisory fee at the annual percentage rate of “agreed upon” AUM determined pursuant to the Advisory Fee Schedule appearing in Item 5 plus a performance-based fee of 15.00% (or other negotiated percentage) of any capital appreciation of the account during the fee period. For example, if the client's portfolio rises in fair market value, the client will pay 15.00% (or other negotiated percentage) on that increase in fair market value, but if the portfolio drops in fair market value, the client will not incur a new performance fee until the portfolio reaches the last highest fair market value, adjusted for withdrawals and deposits, which is generally known as a “high-water mark.”

The high-water mark will be the highest fair market value of the client’s account on the last day of any previous quarter, after accounting for the client’s deposits or withdrawals for each billing period. These performance fees will generally be negotiable, and the services may be canceled with 90 days’ written notice. In the event of cancellation, clients will pay the pro-rated performance-based fees for the billing period in which they terminate the investment advisory agreement up to, and including, the day of termination.

A “Qualified Client” includes:

- 1) a natural person or company who at the time of entering into such agreement has at least \$1,000,000 under the management of the investment adviser; or
- 2) a natural person or company who the adviser reasonably believes at the time of entering into the contract:
 - a) has a net worth of jointly with his or her spouse of more than \$2,000,000, excluding the value of the client’s primary residence; or

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- b) is a qualified purchaser as defined in the Investment Company Act of 1940, §2(a) (51) (A) (15 U.S.C. 80a-2(51) (A)); or
- 3) a natural person who at the time of entering into the contract is:
 - a) an executive officer, director, trustee, general partner, or person serving in similar capacity of the investment adviser; or
 - b) an employee of the investment adviser (other than an employee performing solely clerical, secretarial, or administrative functions with regard to the investment adviser), who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for, or
 - i) on behalf of the investment adviser, or substantially similar function or duties for, or
 - ii) on behalf of another company for at least 12 months.

B. Side-By-Side Management Plan

Clearmark plans to have accounts that are strictly Advisory Fee based (in accordance with the Advisory Fee Schedule listed in Item 5 above) and accounts that will be Advisory Fee based in conjunction with the Performance-Based Fee Plan (See Item 6).

Managing both types of accounts at the same time presents a conflict of interest because Clearmark and/or its supervised persons have an incentive to favor accounts for which Clearmark receives a Performance-Based Fee. Clearmark will address the conflicts by ensuring that clients will not be systematically advantaged or disadvantaged due to the presence or absence of Performance-Based Fees. Clearmark will seek the best execution and upholds its fiduciary duty for all clients.

Clients paying a Performance-Based Fee should be aware that investment advisers will have an incentive to invest in riskier investments when the adviser will be paid a Performance-Based Fee due to the higher risk/higher reward attributes. Clearmark will have specific policies addressing the Side-By-Side Management in its Code of Ethics and Investment Policies and Procedures.

Item 7 – Types of Clients

Clearmark currently manages assets for insurance companies, high net worth individuals and its own pension plan. Clearmark offers its investment management and advisory services to other pension plans, institutional investors, high net worth individuals, corporations, foundations, endowments, and other institutions and investors.

Clearmark does not currently impose an account size minimum for any of its services. However, Clearmark expects to consider requiring a minimum account size in the future.

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Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis

Clearmark pursues an investment approach and utilizes investment strategies that place primary emphasis on value investing for the intermediate and long-term. Clearmark engages in intensive research using fundamental, technical, and quantitative analytical techniques. Each investment strategy/idea is studied using a systematic and scoring approach to rank the idea in terms of risk and return potential. Clearmark employs comprehensive guidelines to consider the investment idea in the context of each client's portfolio. Such guidelines include analyses of risks that can be reasonably considered and potential mitigants thereto.

Fundamental analysis includes, but limited to, the assessment, research, analysis, and evaluation of the securities of an issuer and the issuer's financial condition, earnings and cash flow profitability, their financial statements, credit worthiness, their market environment, their management, their future prospects, competitive strengths and weaknesses, opportunities, and threats.

Technical analysis includes, but not limited to, the assessment, research, analysis, and evaluation of the securities of an issuer based on pricing data, market conditions, market volatility, risk profiles, and other market-related metrics.

Quantitative analysis includes, but not limited to, the assessment, research, analysis, and evaluation of the securities of an issuer based on the findings from fundamental and technical analysis, mathematical models and algorithms, statistical measurements, risk profiles, market environmental assessments, behavioral and sentimental analysis, and other computer-generated techniques used to provide support for investment decisions.

B. Investment Strategies

1. Value Strategy

After Clearmark conducts its fundamental, technical, and quantitative analyses and research of an issuer's securities, Clearmark will employ its valuation strategies, security selection expertise, and trading expertise to determine whether the securities are under-valued in the marketplace in relation to Clearmark's perception of value. Should Clearmark conclude that the securities are under-valued in the market, Clearmark will purchase such securities for each client account. Clearmark engages in strategic and tactical allocation strategies to design portfolios to manage risk and optimize relative return performance. Strategic allocations involve a periodic long-term assessment of the client's objectives and needs to position the client's portfolio for long term performance. Tactical allocations involve a more frequent assessment of the client's objectives and needs with the approach to rebalance portions of a client's portfolio periodically in light of updated market conditions.

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Clearmark considers currently available ways to manage risks such as market, interest rate, credit, income, duration, inflation, extension, corporate, securities, liquidity, solvency, ratings, etc. Clearmark will apply quantitative and statistical techniques to make probability assessments on investments and will monitor the investments over the investment time horizon. When appropriate, Clearmark will apply risk controls and attempt to limit client exposures to manageable levels.

Prior to entering into an investment position, Clearmark will conduct an intensive fundamental, technical, and quantitative analysis and review of the issuer, its security and its prospects for growth and value. Additionally, Clearmark will conduct a “stress tested” fundamental analysis as well. This stress test provides Clearmark with a level of “safety margin” that considers most likely levels of financial risks that could be borne on the issuer and its security. Accordingly, the stress tested results are ranked against other issuers to determine the issuer’s relative investability to assess its overall risk profile.

2. Growth Strategy

From time to time, Clearmark will engage in the selection of securities that it believes have above average growth prospects. As with its Value Strategy (see previous section), Clearmark first conducts its fundamental, technical, and quantitative analyses and research of an issuer’s securities, after which it employs its growth and valuation strategies, security selection expertise, and trading expertise to determine whether the securities exhibit above average growth prospects. Clearmark performs its analytical work to select industrial sectors for consideration based upon economic forecasts and corporate prospects. Clearmark has developed models to rank the various companies in accordance with each company’s fundamental metrics and uses this model as a screening tool for securities selection.

Should Clearmark conclude that the securities have such prospects, Clearmark will purchase such securities for each client account. Clearmark engages in strategic and tactical allocation strategies to design portfolios to manage risk and optimize relative return performance. Strategic allocations involve a periodic long-term assessment of the client’s objectives and needs to position the client’s portfolio for long term performance. Tactical allocations involve a more frequent assessment of the client’s objectives and needs with the approach to rebalance portions of a client’s portfolio periodically in light of updated market conditions.

Clearmark performs its analytical work to select industrial sectors for consideration based upon economic forecasts and corporate prospects. Clearmark has developed models to rank the various companies in accordance with each company’s fundamental metrics and uses this model as a screening tool for securities selection.

Clearmark considers currently available ways to manage risks such as market, interest rate, credit, income, duration, inflation, extension, corporate, securities, liquidity, solvency, ratings, etc. Clearmark

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will apply quantitative and statistical techniques to make probability assessments on investments and will monitor the investments over the investment time horizon. When appropriate, Clearmark will apply risk controls and attempt to limit client exposures to manageable levels.

Prior to entering into an investment position, Clearmark will conduct an intensive fundamental, technical, and quantitative analysis and review of the issuer, its security and its prospects for growth and value. Additionally, Clearmark will conduct a “stress tested” fundamental analyses as well. This stress test provides Clearmark with a level of “safety margin” that considers most likely levels of financial risks that could be borne on the issuer and its security. Accordingly, the stress tested results are ranked against other issuers to determine the issuer’s relative investability to assess its overall risk profile.

3. Holding Period Strategies and Material Risks

Depending upon each client’s time horizon, Clearmark generally employs both an intermediate term and long term holding period strategies. In periods of uncertain market volatility, Clearmark may employ a short term holding period strategy.

Long term holding period strategies are designed to take a long-term approach to capture market rates of both return and risk over a time horizon of typically between five years or more. Due to its nature, this holding period strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These material risks include, but are not limited to, Credit Risk, Company Risk, Inflation Risk, Interest Rate Risk, Market Risk, among other risks. For a complete listing of the definitions of the risks, please refer to Appendix A – Definition of Risks and Risks of Loss.

Intermediate holding period strategies are designed to take a medium-term approach to capture market rates of both return and risk over a time horizon of typically between one and five years. Due to its nature, this holding period strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These material risks include, but are not limited to, Credit Risk, Company Risk, Inflation Risk, Interest Rate Risk, Liquidity Risk, Market Risk, among other risks. For a complete listing of the definitions of the risks, please refer to Appendix A – Definition of Risks and Risks of Loss.

Short term holding period strategies are designed to take a short term approach to capture market rates of both return and risk over a time horizon of typically one year or less. Due to its nature, this holding period strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These material risks include, but are not limited to, Call Options Risk, Credit Risk, Company Risk, Derivatives Risk, Inflation Risk, Interest Rate Risk, Liquidity Risk, Market Risk, Options Risk, Short Term Trading Risk, among other risks. For a complete listing of the definitions of the risks, please refer to Appendix A – Definition of Risks and Risks of Loss.

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3. Investment Advisor and Management Risk

Clearmark is solely dependent upon the continuing investment advisory and strategic services of its Chief Executive Officer, George Koo. Should Clearmark no longer have the services of Mr. Koo, Clearmark will be at significant risk unless a suitable manager could replace him and offer the comparable level of services to the clients of Clearmark. Currently, Mr. Koo has contracted with a consulting services company to provide outsourced services for fundamental, technical, and quantitative research services. In the future, Clearmark plans to hire additional personnel to provide such services. A material risk for clients to consider is management risk. For a complete listing of the definitions of the risks, please refer to Appendix A – Definition of Risks and Risks of Loss.

Item 9 -Disciplinary Information

Clearmark has no reportable disclosures regarding legal, administrative, or disciplinary events.

Item 10 – Other Financial Industry Activities and Affiliations

Clearmark is not registered as a broker dealer and does not have a pending application to register as a broker dealer.

Clearmark is not registered as a futures commission merchant, commodity pool operator, and commodity trading advisor and does not have a pending application to register as such.

Neither Clearmark nor its representative have any material relationships to any advisory or investment firm or any insurance company, regulated entity, publicly traded corporate entity that would present a possible conflict of interest with its clients.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. Code of Ethics

Clearmark has adopted a Code of Ethics that applies to all persons associated with Clearmark. The Code sets forth the standards of ethical conduct, provides for trading restrictions, strives to prevent unethical and improper activities, and provides for the key responsibilities of all persons associated with Clearmark.

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In general, the Code will provide that all supervised persons will:

- Comply with all applicable Federal and state securities laws,
- Conduct themselves with integrity and honesty,
- Have a fiduciary duty to clients,
- Put client interests first,
- Avoid conflicts of interest,
- Conduct business with respect for all.

The Code contains rules and restrictions on insider trading, personal trading, conflicts of interest, gifts, business entertainment and prohibits the use of material non-public information in securities transactions. On an annual basis, all supervised persons must certify their compliance thereto and must report any Code violations to the Chief Compliance Officer. Code violations will be dealt with in an expedient manner and will include sanctions, terminations, and reporting to the proper regulatory authorities.

Additionally, the Code of Ethics requires all supervised persons be subject to the regulatory disclosure rules that govern the conduct of business at Clearmark. As such, all supervised persons must disclose all conflicts of interest, associations with regulated entities, associations with clients, associations with any financial institutions subject to regulatory federal and state laws. All supervised persons are subject to background disclosures as to their personal histories and work experiences.

B. Investment Policies and Procedures

The Code forms the basis for the Investment Policies and Procedures. The Investment Policies and Procedures outline the specific guidelines for investment transactions and the oversight and approval process. It provides the operating procedures that govern the day to day activities of the investment operations within Clearmark.

Item 12 – Brokerage Practices

Clearmark selects broker-dealers on the basis of their experience, market expertise, and execution costs in client transactions. Generally, Clearmark utilizes the client-provided broker-dealers and/or the client's custodial broker-dealer services to execute transactions given that they have a fiduciary relationship of the client. However, Clearmark can choose a broker-dealer that both Clearmark and the client believe can execute transactions more effectively than the client's custodial broker-dealer. Moreover, Clearmark may not be able to obtain the best execution for clients that direct brokerage.

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Clearmark does not receive any additional research nor does it receive any soft dollar benefits for the execution of any securities transaction from broker-dealers beyond the normal research on a security subject to execution.

Clearmark does not receive any client referral fees from any broker-dealer and Clearmark does not recommend, request, or require any client to direct transactions to any broker-dealer.

Item 13 – Review of Accounts

Clearmark meets with its clients at least once a year to review the performance of its clients' accounts. For some clients, Clearmark meets with its clients at a minimum quarterly and/or monthly to review its clients' accounts. Such reviews include discussions with clients, quarterly performance reports, market assessments and portfolio risk assessments.

Reviews may be triggered by material market, financial, economic, or political events, or by changes in the client's financial situations or circumstances (such as regulatory requirements, statutory portfolio rebalancing, tax planning, corporate action, retirement, inheritance, employment termination, physical move, or any financially disruptive event). Clearmark will act upon the findings and results of the review and Clearmark could engage in the purchase or sale of securities or enter into any transactions on behalf of the client's account.

Each client of Clearmark is provided investment advisory services on an ongoing basis for which the client can discuss the nature of the client's account, any questions, and concerns of the client. At a minimum, each client receives a quarterly report detailing the client's account, including assets held, assets under management (based on the "agreed upon" method or fair market value method, and calculation of the Advisory Fees).

Clearmark receives analytical reports from its clients' custodians who provide information needed for Clearmark to assess and evaluate the clients' portfolios. Clearmark will supplement these analytical reports with performance metrics and narratives on its clients' portfolio performance and risk assessments.

Item 14 – Client Referrals and Other Compensation

Currently, Clearmark does not compensate any persons for client referrals, nor does Clearmark refer its clients to any persons to receive any form of compensation. However, in the future Clearmark may compensate other firms or persons for client referrals and Clearmark may elect to receive compensation in referring clients to other firms and persons.

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Item 15 – Custody

Clearmark does not maintain any custody of client funds or securities. Clearmark receives periodic investment reports from its clients and their respective custodians.

Item 16 – Investment Discretion

Clearmark accepts discretionary authority to manage securities on behalf of its clients. Clearmark directs trading transactions directly to the client's broker-dealers. Clients execute Investment Advisory Agreements with Clearmark and provide Investment Policy Statements that outline the discretionary authority and specific procedures with regard to the scope of Clearmark's investment discretion. Clearmark has periodic discussions with clients to explain the nature of all investment transactions.

Where investment discretion has been granted, Clearmark generally manages the client's account and makes investment decisions regarding the client's account without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought or sold, what securities to buy or sell, or the price per share. Clearmark will review and discuss the transactions quarterly with its clients and provide written support for all transactions and in compliance with Clearmark's fiduciary duties to its clients.

Item 17 – Voting Client Securities

Clearmark does not vote its clients' securities. The custodian broker-dealers submit the voting proxy statements and voting records directly to the clients. Clients have the option to consult with Clearmark on such voting procedures.

Item 18 – Financial Information

Clearmark does not require or solicit prepayment of any advisory fees. As such, Clearmark is not required to provide a balance sheet for its most recent fiscal year.

Clearmark is not aware of any financial condition that is reasonably likely to impair its ability to meet its commitment to its clients.

Clearmark has never been the subject of any bankruptcy petition.

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APPENDIX A - Definitions of Risks and Risks of Loss

The following describes the risks associated with the investments discussed in the previous Items and sections:

Allocation Risk - is the risk that a strategy could lose money as a result of less than optimal or poor asset allocation decisions as to how its assets are allocated or reallocated.

Alternative Assets Liquidity Risk - is the risk that a client may be unable to sell or have a less timely sale because of restrictions on sales and transfers agreed to at the time of making the investment.

Call Option Risk – is the risk associated with call options on securities or indices. When purchasing an option on a security or index an account may lose the entire premium paid if the underlying security or index does not increase in value. A writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. If an account writes a covered call option, during the option's life the account gives up the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but the account retains the risk of loss should the price of the underlying security decline. There is also the possibility that the counterparty will default in the performance of its obligations.

Capital Loss Risk - is the risk that a client may incur losses because of the risky nature of the underlying investments and lack of viable exit strategies for particular investments of the fund, partnership, or other securities.

Company Risk - is the risk that individual securities may perform differently than the overall market. This may be a result of specific factors such as changes in profitability due to the success or failure of specific products or management strategies, perceived growth rates of revenues, cash flows, and profits, amount of leverage on the company's balance sheet or it may be due to changes in investor perceptions regarding a company.

Concentration Risk - is the risk that the performance of a strategy that focuses its investments in a particular or limited segments, sectors, industries, universes, or asset classes may be more susceptible to a single economic, regulatory, or technological occurrence than an investment portfolio that does not concentrate its investments in a single or limited segments, sectors, industries universes or asset classes.

Credit Risk - is the risk that an issuer of a debt security, (or an underlying obligor) or other fixed income obligation will not make payments on the security or obligation when due, or that the other party to a contract will default on its obligation. There is also the risk that an issuer could suffer adverse changes in financial condition that could lower the credit quality of a security. This can be magnified for longer duration securities. This could lead to greater volatility in the price of the security and in the performance of an account. Also, a change in the quality rating of a

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debt security or other fixed income obligation can affect the security's or obligation's liquidity and make it more difficult to sell. Some strategies attempt to minimize the credit risk by investing in primarily investment grade obligations. However, all securities and obligations, especially those in the lower investment grade rating categories, have credit risk. In adverse economic or other circumstances, issuers of these lower credit quality securities and obligations are more likely to have difficulty making principal and interest payments than issuers of higher credit quality securities and obligations.

Derivatives Risk - is the risk associated with investing in a financial contract whose value depends on, or is derived from, the value of an underlying currency, security, reference rate, or index. Typically, derivatives are used as a substitute for taking a position in the underlying asset and/or as part of a strategy designed to reduce exposure to other risks, such as interest rate, currency risk or volatility risk. A strategy may also invest in derivatives such as exchange traded futures contracts to remain fully invested, adjust duration, reduce transaction costs, or manage volatility in the portfolio. Derivatives may also be used for leverage; in which case their use would likely accentuate a particular risk beyond the cash investment required for the derivative instrument. Use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives involve costs, and can create economic leverage in an account which may result in significant volatility and cause the account to participate in losses (as well as enable gains) in an amount that significantly exceeds the portfolio's initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and imperfect correlation between the value of the derivative and the underlying instrument so that the strategy may not realize the intended benefits. Their successful use will usually depend on the manager's ability to accurately estimate movements in the market relating to the underlying instrument. Should a market or markets, or prices of particular classes of investments move in an unexpected manner, especially in unusual or extreme market conditions, an account may not achieve the anticipated benefits of the derivatives transaction, and it may realize losses, which could be significant. If the portfolio manager is not successful in using such derivative instruments, the portfolio's performance may be worse than if the manager did not use such derivative instruments at all. To the extent that the account uses such instruments for hedging purposes, there is the risk of imperfect correlation between movements in the value of the derivative instrument and the value of the underlying investment or other asset being hedged. There is also the risk, especially under extreme market conditions, that an instrument, which usually would operate as a hedge, provides no hedging benefits at all. Use of these instruments could also result in a loss if the exchange on which the instruments are traded or counterparty to the transaction (with respect to OTC instruments, including swap agreements) does not perform as promised, including because of such exchange or counterparty's bankruptcy or insolvency. This risk may be heightened during volatile market conditions. Other risks include the inability to close out a position because trading becomes illiquid (particularly in the OTC markets) or the availability of counterparties becomes limited. In addition, the presence of speculators in a particular derivatives market could lead to price distortions. To the extent that a position cannot

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be closed out because of market illiquidity, the account may not be able to prevent further losses of value in its derivatives holdings and the liquidity of the account may be impaired to the extent that it has a substantial portion of its otherwise liquid assets marked as segregated to cover its obligations under such derivative instruments. The account may also be required to take or make delivery of an underlying instrument that the manager would otherwise have attempted to avoid. Some derivatives can be particularly sensitive to changes in interest rates or other market prices. While a strategy may intend to use derivative strategies on a regular basis, it is not obligated to actively engage in these transactions, generally or in any particular kind of derivative, if the portfolio manager elects not to do so due to availability, cost, or other factors.

Equity Securities Risk - is the risk that a strategy's investments in equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. These investor perceptions are based on various and unpredictable factors including: expectations regarding government, economic, monetary, and fiscal policies; inflation and interest rates; economic expansion or contraction; global and/or regional political, economic, and banking crises; and factors affecting specific industries, sectors, or companies in which the strategy invests. The strategy's performance and investment return will fluctuate based upon changes in the value of its portfolio securities.

ETF Risk - is the risk that an account that invests in exchange traded funds (ETFs) may be subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a premium or discount to its NAV per share, an active secondary trading market may not develop or be maintained, and trading may be halted by, or the ETF may be delisted from, the exchange on which they trade, which may impact the ability to sell shares of the ETF. The lack of liquidity in a particular ETF could result in it being more volatile than the ETF's underlying portfolio of securities. ETFs are also subject to the risks of the underlying securities or sectors the ETF is designed to track and there are brokerage commissions paid in connection with buying or selling ETF shares. In addition, ETFs have management fees and other expenses. Each investor in an ETF will bear its pro rata portion of these expenses and therefore the account's return may be lower than if it invested directly in securities in which the ETF invests.

Exchange Traded Notes Risk - is the risk that an account that invests in exchange-traded notes may be subject to additional risks that do not apply to other investments. ETNs are unsecured debt obligations and are subject to the credit risk of their issuers, and would lose value if the issuer goes bankrupt. ETN returns are linked to the performance of designated indices which fluctuate due to market changes as well as economic, legal, political, and geographic events. The market price of ETNs will fluctuate as their returns fluctuate and as the level of supply and demand for the ETNs change. The value of an ETN will vary and will be influenced by its time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in underlying securities, currency, and commodities markets as well as changes in the applicable interest rates, changes in the issuer's credit rating, and economic, legal, political, or geographic events that affect the referenced index. While ETNs are exchange-traded, a trading market may not develop limiting

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liquidity and adversely affecting the market value of the ETN. In addition, there may be restrictions on the account's right to redeem its investment in an ETN, which is meant to be held until maturity.

Extension Risk - is the risk that borrowers could pay back the principal on certain debt securities such as Mortgage-Backed Securities or Asset-Backed Securities more slowly than expected thus lengthening the average life of such securities. This could cause the value of such securities to be more volatile or decline more than other fixed income securities and may magnify the effect of a rate increase on the price of such securities. This could also affect securities of companies such as mortgage REITs who invest in these securities.

Foreign Securities Risk - is the risk that investing in foreign securities, typically involves more risks than investing in U.S. securities, and includes risks associated with political and economic developments, different legal systems or practices, trading practices, availability of information, limited markets, and currency exchange rate fluctuations and policies. Even if a strategy does not invest in foreign securities, certain of these risks also apply to securities of U.S. companies with significant foreign operations. These risks increase the potential for losses.

General Partner Risk - is the risk that a general partner does not perform as expected or as well as other general partners managing similar alternative equity assets.

Government Sponsored Entities Risk - is the risk that investments in debt securities issued by U.S. government sponsored entities such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Association, and the Federal Home Loan Banks are not backed by the full faith and credit of the U.S. government. With respect to these entities, the investor must look principally to the agency or instrumentality issuing or guaranteeing the obligation for ultimate repayment, which agency or instrumentality may be privately owned. There can be no assurance that the U.S. government would provide financial support to its agencies or instrumentalities (including government-sponsored enterprises) where it is not obligated to do so.

Income Risk - is the risk that an account may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security.

Index Performance Risk - is the risk that the ability to replicate the performance of a particular securities index may be affected by, among other things, changes in securities markets, the manner in which the index's sponsor calculates the applicable securities index, the amount and timing of cash flows into and out of the account, commissions, settlement fees and other expenses. An indexed account's performance may also be adversely affected if a particular stock in an index (or stocks within an industry heavily weighted by an index) performs poorly.

Inflation Risk - is the risk that inflation will erode the purchasing power of the value of securities held by the account or the value of dividends for the account. Fixed-rate debt and preferred equity

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securities may be more susceptible to this risk than floating-rate debt securities or common equity securities, whose value and dividends may increase in the future.

Inflation Indexed Securities Risk - is the risk that the value of inflation-indexed securities, including but not limited to, TIPs, tend to react to changes in real interest rates. Real interest rates represent nominal (stated) interest rates lowered by the anticipated effect of inflation. In general, the price of an inflation-indexed security can decrease when real interest rates increase, and the price can increase when real interest rates decrease. Interest payments on inflation indexed securities will fluctuate as the principal and/or interest is adjusted for inflation and can be unpredictable.

Initial Public Offering Risk - is the risk related to investments in initial public offerings ("IPOs"). Any positive effect of investments in IPOs may not be sustainable because of a number of factors. For example, a portfolio may not be able to buy shares in some IPOs, or may be able to buy only a small number of shares. Also, the performance of IPOs generally is volatile, and is dependent on market psychology and economic conditions. To the extent that IPOs have a significant impact on a portfolio's performance, this may not be able to be replicated in the future. The relative performance impact of IPOs on a portfolio is also likely to decline as the portfolio grows.

Interest Rate Risk - is the risk that the value of a debt security or fixed income obligation, and in some cases equity securities such as REITs, will be affected by a change in market interest rates. Generally, when interest rates rise, the value of such a security or obligation decreases. Conversely, when interest rates decline, the value of such a security generally increases. Long-term fixed income obligations are generally more sensitive to interest rate changes. When market interest rates have been high or low for quite some time, an upward or downward movement in interest rates could be sudden and not well anticipated by the market or Clearmark or both. It is likely that in the near future there will be less governmental action to maintain low interest rates. Rate increases resulting from this policy change could have a swift and significant negative impact on fixed income securities, including falling market values and reduced liquidity. Substantial redemptions from bond, income funds and other investors may worsen that impact. Other types of securities also may be adversely affected from an increase in interest rates.

Liquidity Risk - is the risk that due to trading volume, lack of a market maker or legal restrictions the ability to sell particular securities at an advantageous price or a timely manner is negatively impacted. In the event certain securities experience limited trading volumes, the prices of such securities may display abrupt or erratic movements at times. In addition, it may be more difficult to buy and sell significant amounts of such securities without an unfavorable impact on prevailing market prices. As a result, these securities may be difficult to sell at a favorable price at the times when the manager believes it is desirable to do so. Investment in securities that are less actively traded (or over time experience decreased trading volume) may restrict the ability to take advantage of other market opportunities.

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Lower Rated Securities Risk - Securities rated below the top four ratings (below Baa3 for Moody's and BBB- for Standard & Poor's or similar ratings from other rating agencies, herein after these rate agencies securities are referred to as "High Yield" securities) generally have more credit risk than higher-rated securities and have greater potential to become distressed or to default. In general, issuers of High Yield, fixed-income securities are not as strong financially as those issuing securities with higher credit ratings. The prices of High Yield, fixed-income securities fluctuate more than higher-quality securities. Prices are especially sensitive to developments affecting the issuer's business and to changes in the ratings assigned by rating agencies. Prices of corporate High Yield securities are often closely linked with the issuer's stock prices and typically rise and fall in response to factors that affect stock prices. In addition, the entire High Yield securities market can experience sudden and sharp price swings due to many events such as changes in economic conditions, stock market activity, large, sustained sales by major investors, a high-profile default, or other factors. High Yield securities generally are less liquid than higher-quality securities. Many of these securities do not trade frequently and when they do, their prices may be significantly higher or lower than expected. At times, it may be difficult to sell High Yield securities promptly at an acceptable price, which may limit the ability to sell securities in response to specific economic events.

Market Risk - is the risk that the value of the instruments in which an account invests may go up or down in response to the prospects of individual companies, particular industry sectors or governments and/or general economic conditions. Securities are subject to adverse trends in the overall market. Securities are subject to price movements due to changes in general economic conditions, the level of prevailing interest rates, investor perceptions of the market and defaults or volatility in securities not held by a strategy but that impact general market trends and conditions. Market prices of equity securities generally are more volatile than debt securities. The financial crisis that started in 2008 continues to affect U.S. and foreign economies and has resulted, and may continue to result, in an unusually high degree of volatility in the financial markets, both U.S. and foreign. Global economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the strategy. These circumstances have also decreased liquidity in some markets and may continue to do so. Market risk may affect a single issuer or the market as a whole. In addition, market risk may affect a specific strategy. As a result, a portfolio account may underperform the market as a whole.

MLP Risk - Master Limited Partnerships (MLPs) are subject to many risks. Holders of MLPs have limited control and voting rights on matters affecting the partnership and are exposed to a remote possibility of liability for all of the obligations of that MLP. Holders of MLPs are also exposed to the risk that they will be required to repay amounts to the MLP that are wrongfully distributed to them. In addition, the value of an account's investment in an MLP will depend largely on the MLP's treatment as a partnership for U.S. federal and state income tax purposes. Furthermore, MLPs may not be as liquid as other more commonly traded equity securities. The

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value of MLPs that are regulated by the Federal Energy Regulatory Commission ("FERC") may also be negatively impacted by regulatory action taken by and regulatory requirements of FERC.

Municipal Securities Risk - is the risk associated with investments in Municipal Securities which include the risk of bankruptcy of the issuer or inability to generate sufficient revenues to repay the obligation.

Non-Government Securities Risk - is the risk that payments on a non-government security will not be made when due, or the value of such security will decline, because the security is not issued or guaranteed as to principal or interest by the U.S. Government or by agencies or authorities controlled or supervised by and acting as instrumentalities of the U.S. Government. The risk of non-payment by the issuer of any non-agency security increases when markets are stressed.

Option Risk - is the risk associated with investments in options. When a portfolio purchases an option on a security or index it may lose the entire premium paid if the underlying security or index does not increase in value. There is also the possibility that the counterparty will default in the performance of its obligations. When a portfolio is the writer of a call option, it has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot affect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price. There can be no assurance that a liquid market will exist if the portfolio seeks to close out an option position. If trading were suspended in an option purchased by a portfolio, it would not be able to close out the option. A portfolio may write covered call options. As the writer of a covered call option, during the option's life the portfolio gives up the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but retains the risk of loss should the price of the underlying security decline. If a portfolio were unable to close out a covered call option that it had written on a security, the portfolio would not be able to sell the underlying security unless the option expired without exercise.

Preferred Stock Risk -are the risks associated with investing in a preferred stock. A preferred stock is a blend of the characteristics of a bond and common stock. It may offer the higher yield of a bond and has priority over common stock in equity ownership, but it does not have the seniority of a bond and, unlike common stock, its participation in the issuer's growth may be limited. Preferred stock has preference over common stock in the receipt of dividends or in any residual assets after payment to creditors should the issuer be dissolved. Although the dividend on a preferred stock may be set at a fixed annual rate, in some circumstances it may be changed or reduced by the issuer.

Prepayment Risk - is the risk that falling interest rates could cause principal prepayments of mortgage-related securities to occur more quickly than expected. This occurs because, as interest rates fall, more property owners refinance the mortgages underlying these securities. The account reinvests the prepayments at a time when interest rates on new mortgage investments

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are falling, reducing the income to the account. In addition, when interest rates fall, prices on mortgage-related securities may not rise as much as for other types of comparable debt securities because investors may anticipate an increase in mortgage prepayments.

Private Placement Risk - is the risk that a client may be unable to sell or have a less timely sale because of a limited buyer base for these assets as well as the risk that the value of a private placement is difficult to determine because there is not a public market for these securities.

Real Estate Risk - is the risk that the value of investments may decrease due to fluctuations in rental income, overbuilding and increased competition, casualty and condemnation losses, environmental costs and liabilities, extended vacancies of property, lack of available mortgage or other financing, government regulation and limitations, increases in property taxes, cash flow dependency, declines in real estate value, physical depreciation of buildings, inability to obtain project financing, increased operating costs and changes in general or local economic conditions.

Reinvestment Risk - is the risk that income will decline if the strategy reinvests the proceeds of matured or sold securities at market interest rates that are below its portfolio earnings rate.

Restricted Securities Risk - is the risk that, in connection with investments in securities whose disposition is restricted under the federal securities laws, such securities may only be resold subject to statutory or regulatory restrictions, or if the account bears the costs of registering such securities. The account may therefore be unable to dispose of such securities as quickly as, or at prices as favorable as those for, comparable but unrestricted securities.

Short-Term Trading Risk - is the risk that the strategy may trade securities frequently and hold securities in its portfolio for one year or less. Frequent purchases and sales of securities will increase the account's transaction costs.

Vintage Year Risk - is the risk that the strategy may sustain greater losses because the strategy is not sufficiently diversified across vintage year and the risk that vintages held by the strategy will perform differently than the overall market and that some vintages will perform better than other vintages.