

Oak Capital Advisors
Informational Brochure
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This brochure provides information about the qualifications and business practices of Oak Capital Advisors. If you have any questions about the contents of this brochure, please contact me at 214-443-0571 or by email at shancock@oakcap.net. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Oak Capital Advisors also is available on the SEC's website at www.adviserinfo.sec.gov.

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Description of the Firm

Oak Capital Advisors (OCA) is a sole proprietorship organized to provide asset allocation and investment management advisory services to individuals, their families and other related investment portfolios. Public and private foundations may also be served.

OCA is wholly owned by Scott W. Hancock. Mr. Hancock provides specific advice to each client with regard to their asset allocation (the mix of asset classes in each of their portfolios) as well as the individual investments to implement the proposed asset allocation. A client may also request Mr. Hancock to take limited discretion to place orders on their behalf in the client's brokerage account.

As of December 31, 2020, OCA managed \$119,998,403 in client assets for individuals, foundations and retirement plans.

OCA has a clearly and simply defined approach to its asset management advice. Typically investments will directly track the indices of the various asset classes making up the recommended portfolio. Where appropriate, individual holdings of bonds and other income producing securities will be employed. There is a focus on minimizing all costs, including the OCA asset management fee. The investment approach intends to seek out reasonable returns while minimizing the volatility of the portfolio – recognizing reduced volatility can reduce investment returns in the short run.

OCA does not provide custody services nor brokerage services. OCA is compensated only by its clients directly and OCA receives no commissions or other payments from any source.

Mr. Hancock was born in 1951. He received a BA in Government from the University of Texas in Austin followed by an MBA from the University of Texas in Austin in 1978. Upon graduation, Mr. Hancock joined Goldman, Sachs & Co where he worked with individual clients and institutional investors for twenty years. In 1998, Mr. Hancock joined UBS Timber Investors (a unit of UBS Global Asset Management) as Executive Director to serve on its investment committee and to head Client Services. In 2003, Mr. Hancock founded Maple Hill Capital Management, an independent investment advisory firm. In 2004, Mr. Hancock joined Bessemer Trust Company, NA as a Managing Director leading their Dallas office. In February, 2012 Mr. Hancock formed Oak Capital Advisors.



Services Offered

OCA provides advice regarding a client's mix of asset classes and investments. In order to do so, OCA learns the investment goals and risk tolerance for each client or portfolio, and monitors the client's performance continually with regular quarterly reporting. In addition to recommending an appropriate mix of assets, OCA suggests individual securities or funds to be purchased or sold to implement the agreed-upon asset mix. OCA may recommend, from time-to-time and depending upon broad market conditions, changes in the asset allocation mix. The client may implement the investment recommendations on their own or request OCA to do so on their behalf.

If a client requests OCA to implement the recommended investment mix, including the selection of underlying securities, the client will generally authorize OCA to have limited discretion to place orders in their brokerage account. However, the client may choose not to grant limited discretion and may require OCA to receive approval prior to each purchase or sale of a security. In every case, the client retains final control over their investment accounts.

Clients may cancel their agreement with OCA at any time with no penalties or accrued fees. OCA may cancel its relationship with a client with 30 days written notice.

Fees and Compensation

All fees are negotiable, and fees are based upon the value of the assets under supervision. OCA compensation comes only from the fee charged. OCA receives no compensation from others (such as brokers or mutual fund companies). The maximum fee is 0.50% (50 basis points) per year calculated and paid quarterly.

The standard fee for services offered is 0.25% (25 basis points) of the market value of each client account at the end of each calendar quarter (the last business day of March, June, September and December) divided by four. Fees are charged in arrears – that is, after services have been provided and not before. The maximum standard fee is 0.50% (50 basis points).

A client may negotiate a flat fee and the maximum flat fee is 0.50% (50 basis points) per year as calculated quarterly in arrears. If a flat fee is in effect, one-quarter of the negotiated annual amount will be collected at the end of each calendar quarter. If necessary, an adjustment will be made in the final quarter payment so not to exceed the maximum flat fee.

Fees are calculated based upon the market value of all the assets in each account as reported by their custodian or brokerage firm on the last business day of each



calendar quarter. Clients may authorize OCA to deduct fees from their brokerage account or they may instruct OCA to send an invoice for its fees. Fees to be deducted are generally withdrawn within ten days after the end of each quarter and billed fees are due within 30 days.

Clients will incur other costs. Custodians and brokers may charge custody fees to a client, and, should a client invest in a mutual fund or exchange traded fund, that fund will charge fees. Such fees vary widely and can exceed 1.00% per year. Clients pay brokerage and other transaction costs (commissions). Please see the Brokerage Practices section of this brochure for a more complete discussion (pg. 7).

Performance-Based Fees and Side-By-Side Management

OCA does not charge or receive performance-based fees.

OCA does not engage in side-by-side management practices. While clients may hold the same or similar securities, there are no transactions arranged directly between client portfolios or entered into that benefit one portfolio at the expense of another.

Types of Clients

OCA provides services to individuals and their related families and other entities. This may include pension and profit sharing plans as well as public or private foundations.

Investment Process

Investing, other than in insured certificates of deposit or short-term government guaranteed debt, carries the risk of losing money. OCA's investment process is a simple one, and it is focused on seeking reasonable returns while attempting to reduce the risks inherent in investing. OCA believes these goals are best achieved through holding significant portions of the portfolio in a mix of asset classes that intend to reduce the overall price volatility of the portfolio. Reducing volatility may reduce total investment returns.

Extensive research, beginning with the work of Brinson, Hood and Beebower in 1986 (Financial Analysts Journal, July/August 1986, "Determinants of Portfolio Performance"), demonstrates the importance of the investment mix, or asset allocation to investment performance. The researchers believe the level of returns an investor receives is significantly influenced by the asset allocation. When working with clients, OCA creates an asset mix intending to meet the client's investment goals and tolerance for losing money.



Can any active manager of an asset class consistently outperform the relevant benchmark? William Sharpe, in his piece “The Arithmetic of Active Management” (Financial Analysts Journal, January/February 1991) leaves little doubt as to the low probability of success in pursuing active management over passive (index tracking) management. Sharpe is not alone in his thinking.

Since 2001, Standard & Poor’s has accumulated the investment performance of all reporting active managers of almost every asset class in a semi-annual comparison report called SPIVA (S&P Indices Versus Active or SPIVA®). The SPIVA report demonstrates the widespread inability of many if not most managers over three, five, ten and fifteen year periods to outperform their benchmarks. The SPIVA report shows how the odds of repeatedly beating the relevant benchmark are low.

It is likely the high fees charged by active managers contribute to the underperformance. There are other factors at work such as weak investment policy, poor analysis, adverse timing, etc. Most managers who do outperform in one time period fail to do so consistently. OCA thinks it is unwise to pay a twenty-fold or greater fee for such a low chance of exceeding the return available through benchmark tracking exchange traded funds (ETFs).

These benchmark tracking ETFs (or simply index ETFs) afford an investor an effective and cost efficient way to hold each desired asset class or segment of the stock market. OCA builds portfolios that passively track the one of the market segments as defined by Standard and Poors. Widely owned index ETFs such as the Vanguard VOO fund have management fees that today approach zero (currently three basis points per annum or 0.03%), and OCA extensively uses Vanguard index ETFs.

OCA builds most client portfolios with a mix of index ETFs and, on occasion, direct holdings of fixed-income securities to create well diversified accounts. The mix of stocks versus bonds and cash varies according to the goals, risk tolerance and age of each client. A major goal is to produce reasonable returns with somewhat reduced price volatility. OCA recognizes there may be a cost for lower volatility; that is, reduced volatility may lead to a lower total rate of return.

OCA employs a wide variety of publications, third-party research organizations and other vendors to benefit its clients. However, there is no soft dollar brokerage firm payment assistance to offset the cost of these third-party services.

Margin accounts are not recommended and will generally be avoided.

Disciplinary Information

There are no disciplinary events to disclose.



In 2019, a non-client beneficiary of a trust advised by Oak Capital named Mr. Hancock as a co-defendant in a lawsuit in Dallas County. The complaint alleged high fees and inappropriate investments. The intent of the lawsuit was primarily to change the trustee. Subsequently, the Claimant, who never was a customer or client, voluntarily non-suited the case against Mr. Hancock and the other defendants; the Texas court dismissed the lawsuit with prejudice. There was no settlement made with the Claimant.

Financial Affiliations

Mr. Hancock, as the principal officer and sole proprietor of OCA, is not currently affiliated with a broker/dealer and does not anticipate such an affiliation.

Code of Ethics

When OCA accepts a request to provide investment advice to a client, the relationship comes with an explicit duty to act with the highest fiduciary responsibility. All compensation is transparent and fully disclosed. All compensation is negotiated and fee-based. There are no hidden costs to clients.

All clients are treated fairly with regard to securities transactions. Simultaneous transactions are bunched and averaged when executed with the same broker when discretionary orders are placed by OCA. Should Mr. Hancock or a related party purchase a security on the same day as a client, he or the related party receives the same or worse price as the client. Mr. Hancock and related parties do not engage in opposite transactions with any client for whom he has any form of discretion. Clients do not engage in opposite transactions with each other while under Mr. Hancock's discretion.

Mr. Hancock may own the same or materially similar securities as in client accounts or that he recommends to his clients. Mr. Hancock does not recommend securities transactions to the advantage of his own holdings. Conflicts of interest between Mr. Hancock's accounts and those of his clients are avoided. Should a potential conflict arise, the affected client is informed of the potential conflict of interest.

A copy of OCA's code of ethics is available to clients and prospective clients upon request.

Brokerage Practices

OCA does not engage in and avoids any soft dollar exchange of services with a brokerage firm. Brokerage firms will be used or recommended strictly on the basis of value received for the costs incurred for their transaction services and custody



services. No other exchange of services or recommendations from brokers based upon client commissions or fees will take place.

If a client intends to implement the recommended asset allocation on their own, then the client selects their own brokerage firm. If they choose to do so, clients are advised of the benefits and cost savings of discount brokers such as Fidelity or Vanguard.

If OCA implements a client's asset allocation including the purchase or sale of individual securities, OCA currently recommends opening accounts with TD Ameritrade Institutional (TD Ameritrade Institutional, a division of TD Ameritrade, Inc. Member FINRA/SIPC/NFA) (TDAI). OCA believes TDAI has excellent trade execution, wholesale fixed-income offerings and reliable data feeds with OCA's back office provider, Advent Black Diamond. OCA thinks TDAI provides these services at competitive prices. While OCA suggests clients consider TDAI, clients may use any brokerage firm they wish. Clients are advised some brokerage firms may not be as cost effective as an institutional brokerage firm nor as reliable in order execution or data delivery.

When OCA places orders in the same security for multiple clients, orders are aggregated. Aggregating orders may save money and assures fairness in allocating multiple execution prices.

Account Reviews

In addition to each client's brokerage statement and online access, OCA publishes and distributes quarterly reports summarizing the client's asset allocation, beginning value, ending value and notable cash flows, holdings and investment returns versus appropriate benchmarks. The client may request less frequent reporting, but there is at least one report per year.

Client meetings take place in person or by telephone one or more times a year, depending upon client needs. Client meetings review investment objectives, changes in circumstances, risk profile, investment performance and the market and economic outlook.

Client Referrals

OCA appreciates referrals from all sources, but does not compensate for referrals.



Custody

OCA never acts as a custodian. Clients use an independent, third-party custodian. OCA does not offer or participate in any Wrap program. Fees are charged in arrears.

Investment Discretion

OCA may accept limited discretion over a client's account. This limited discretion does not extend to the right to move money or securities away from a client's control. The limited discretion only allows the execution of trades or, with the specific instruction of a client, the movement of assets between a client's accounts. In order to grant limited discretion, the client must indicate with their initials on the appropriate portion of the advisory contract and complete the necessary forms provided by the brokerage firm.

Voting Client Securities

OCA encourages clients themselves to vote their securities. OCA will vote on behalf of a client if asked to do so and with instruction from the client.

Financial Information

OCA has no financial condition that would impair its ability to meet contractual commitments to its clients.

