

## **Firm Brochure**

(Form ADV Part 2A)

**WaterStone Investment Counsel, LLC**

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This brochure provides information about the qualifications and business practices of WaterStone Investment Counsel, LLC. If you have any questions about the contents of this brochure, please contact us at 513-573-0440, or by email at: [info@waterstoneinv.com](mailto:info@waterstoneinv.com). 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 WaterStone Investment Counsel, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

March 9, 2021

Investment Advisor Brochure

*WaterStone Investment Counsel, LLC*

***Cover Page***

Name of Registered Investment Advisor	WaterStone Investment Counsel, LLC
Address	9435 Waterstone Blvd., Suite 120 Cincinnati, Ohio 45249
Phone Number	(513) 573-0440
Website Address	www.waterstoneinv.com
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Date of Brochure as Last Revised	March 9, 2021

This Form ADV Part 2A (Investment Advisor Brochure) gives information about the investment advisor and its business for the use of clients and prospective clients. If you have any questions about the contents of this brochure, please contact us using one of the methods listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration is mandatory for all persons meeting the definition of investment advisor and does not imply a certain level of skill or training.

Additional information about our firm is available on the SEC’s website at:  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

***Material Changes***

The purpose of this section is to discuss only material changes since the last annual update of WaterStone Investment Counsel’s Investment Advisor Brochure.

*Summary of Material Changes:*

No update has been made since our last filing on June 29, 2020.

*Delivery:*

Within 120 days of our fiscal year end we will deliver our annual Summary of Material Changes if there have been material changes since the last annual updating amendment.

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## ***Advisory Business***

### **Advisory Firm**

WaterStone Investment Counsel has been providing investment management services since 1995. Don Brosz is a Managing Partner and one of the founding members of WaterStone. Don has been in the financial services industry since 1980. Mark Roberts is the other Managing Partner of WaterStone and he has been in the financial services industry since 1982.

### **Advisory Services**

WaterStone Investment Counsel provides investment management services which may also be called asset management services or program.

As of December 31, 2019, WaterStone Investment Counsel has \$123,693,171 of assets under supervision/management on a discretionary basis, and \$4,501,021 of assets under supervision/management on a non-discretionary basis for a total of \$128,194,192.

Services are based on the individual needs of the client. An initial interview and data gathering questionnaire is undertaken to determine the client's financial situation and investment objectives, and to give the client the opportunity to impose reasonable restrictions on the management of the account. Clients have the option to leave standing instructions with the IA Rep to refrain from investing in particular securities or types of securities or invest in limited amounts of securities. Quarterly, the IA Rep will notify the client in writing to contact the IA Rep if there have been any changes in the client's financial situation or investment objectives, or to impose or modify account restrictions. The IA Rep will contact or attempt to contact the client annually on these matters. It is the client's responsibility to notify the IA Rep at any time there are changes. Clients may call in at any time during normal business hours to discuss directly with the IA Rep about the client's account, financial situation, or investment needs. Clients will receive from the custodian firm timely confirmations and at least quarterly statements containing a description of all transactions and all account activity. The client will retain rights of ownership of all securities and funds in the account to the same extent as if the client held the securities and funds outside the program. In addition to custodial statements, WaterStone Investment Counsel sends monthly reports to the client.

WaterStone Investment Counsel provides Financial Plans consistent with the individual client's financial and tax status and risk/reward objectives. Planning may be comprehensive, or segmented and focus on investments, insurance taxes, and/or estate plans.

On occasion we hold seminars. These seminars may include presentations on various securities and insurance products, or on financial planning strategies. A fee is not charged to those in attendance.

## ***Fees and Compensation***

Fees for Financial Plans are included in the services provided for WaterStone's Investment Management clients that pay a quarterly fee to WaterStone for portfolio management. For all other non-fee-paying clients or potential clients, the cost for a Financial Plan will be between \$500 - \$1,000 depending on the complexity of the client's situation. The fee to be charged will be disclosed and agreed to by all parties, in writing, prior to beginning the Financial Plan. The fee is payable upon delivery of the written Financial Plan.

Fees for portfolio management are computed at an annualized percentage of assets under management on a sliding scale:

<u>Portfolio Size</u>	<u>Annual %</u>
\$250,000 - \$1,000,000	1.00% *
\$1,000,001 - \$2,000,000	0.90%
\$2,000,001 - \$3,000,000	0.80%
\$3,000,001 - \$4,000,000	0.70%
\$4,000,001 - \$5,000,000	0.60%
\$5,000,001 and above	0.50%

\*the minimum accounts size is \$250,000. If an account is accepted for less than \$250,000, the annual investment management fee will be 1.25%.

These fees are for advisory services only and do not include any transaction fees or commissions, which may be charged separately by the broker/dealer custodial firm. See the section heading ***Brokerage Practices*** for more information.

For portfolio management, the fee will be payable quarterly in advance. The first payment is due and payable upon execution of the Agreement and will be assessed pro-rata in the event the Agreement is executed other than the first day of the new calendar quarter. Subsequent payments are due and will be assessed on the first day of each calendar quarter based on the value of the portfolio as of the last day of the previous calendar quarter.

Payment of fees: The client may authorize the custodian holding client funds and securities to deduct WaterStone Investment Counsel's advisory fees directly from the client account in accordance with statements prepared and submitted to the custodian by WaterStone. The custodian will provide periodic account statements to the client. Such statements will reflect all fee withdrawals by WaterStone. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

Fees are negotiable. Current client relationships may exist where the fees are lower than the fee schedule above.

WaterStone Investment Counsel is deemed to be a Fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act (ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, WaterStone is subject to specific duties and

obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. WaterStone Investment Counsel only charges asset management or financial planning fees for our services and does not receive any commissions, 12b-1 fees or other forms of compensation.

Mutual funds recommended under advisory services will be “no-load” or “load-waived”. Clients are not obligated to purchase investment products recommended, or to purchase through our firm or affiliated firms.

Fees are not collected for services to be performed more than six months in advance. Advisory services similar to those offered by this advisor, may be found elsewhere at lower rates.

In addition to fees paid for advisory services with respect to clients’ investments in mutual funds, clients pay additional fees on the mutual fund investments because the mutual funds also pay advisory and/or management fees to an investment advisor. WaterStone does not receive any advisory and/or management fees from any mutual fund company.

For portfolio management, services will continue until either party terminates the Agreement on immediate written notice.

If termination occurs prior to the end of a calendar quarter, a pro-rata refund of unearned fees will be made to the client.

The Advisory Agreement contains a pre-dispute arbitration clause. Client understands that the agreement to arbitrate does not constitute a waiver of the right to seek a judicial forum where such a waiver would be void under the federal securities laws. Arbitration is final and binding on the parties.

### ***Performance-Based Fees***

WaterStone Investment Counsel does not charge performance-based fees, which is based on capital gains in the client account.

### ***Types of Clients and Account Minimums***

WaterStone Investment Counsel provides advisory services individuals, pension and profit-sharing plans and other ERISA accounts, trusts, estates and business entities.

Generally, the minimum account size is \$250,000. If an account is accepted for less than \$250,000, the annual investment management fee will be 1.25%.

There is no minimum for clients retaining financial planning services.

### ***Methods of Analysis, Investment Strategies, and Risk of Loss***

WaterStone Investment Counsel uses asset allocation strategies for portfolio management utilizing charting, fundamental, technical, and cyclical analysis.

While there is risk in all investments, some carry a greater degree of risk or higher costs. There is no guarantee that the investment strategy selected for the client will result in the client's goals being met, nor is there any guarantee of profit or protection from loss. For those investments sold by prospectus, clients should read the prospectus in full.

WaterStone is disclosing those risks and opportunities for our investment strategy or for particular types of securities used.

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

By its nature, financial planning looks to the long-term. After the client's short-term cash needs and emergency fund is evaluated, investment and insurance strategies are designed to help the client achieve his or her financial goals. Casualty insurance (e.g. homeowner's auto, liability, etc.) is reviewed only at the client's request, and would be provided by an outside casualty firm.

### ***Disciplinary Information***

An investment advisor must disclose material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business or of the integrity of its management personnel. WaterStone Investment Counsel does not have any disclosure items.

### ***Other Financial Industry Activities and Affiliations***

IA Reps of the firm may be licensed with several life, disability, and other insurance companies. Insurance products offered by these companies may be recommended. If clients purchase these products through us, we receive the normal commissions. Thus, a conflict of interest exists between our interests and those of advisory clients. The client is under no obligation to purchase products recommended, or to purchase products either through us or through these insurance companies.

### ***Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading***

#### **Code of Ethics**

WaterStone Investment Counsel maintains a Code of Ethics. The Code of Ethics sets forth standards of conduct expected of advisory personnel; requires compliance with federal securities laws; and addresses conflicts that arise from personal trading by advisory personnel. Clients may request a copy of the Code of Ethics.

#### **Participation or Interest in Client Transactions**

From time to time, some of the IA Reps may recommend to their clients the purchase of limited partnerships or mutual funds that are sponsored by WaterStone affiliated companies. This would be when the recommendation is suitable for the client and meets their investment objectives. Clients are not obligated to purchase these funds.



### *Personal Trading*

At times WaterStone Investment Counsel and/or its IA Reps may take positions in the same securities as clients, and we will try to avoid conflicts with clients. The firm and its IA Reps will generally be “last in” and “last out” for the trading day when trading occurs in close proximity to client trades. We will not violate our fiduciary responsibilities to our clients. Scalping (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

### ***Brokerage Practices***

#### *Selection of Recommendation of Broker/Dealers*

For WaterStone Investment Counsel’s clients, it is recommended, and clients may choose to, implement trades and maintain custody of assets through a discount broker. The services of Fidelity Investments and/or Charles Schwab & Co. is recommended. The selection is made on the discount rates and execution services available to the client. Clients may pay transaction fees to Fidelity or Schwab for the purchase of “no-load” funds. Fidelity and Schwab provide the clients with consolidated statements.

WaterStone Investment Counsel is not affiliated with Fidelity Investments or Charles Schwab & Co. IA Reps of our firm are not registered representatives of Fidelity or Schwab and does not receive fees or commissions from recommending these services.

#### *Soft Dollar Practices*

Investment firms may receive compensation from a brokerage firm in the form of research, products or services (“soft dollars”). When a firm uses client brokerage commission to obtain soft dollars, the firm receives a benefit by not having to produce or pay for such items. A firm may have an incentive to select or recommend a broker/dealer based on soft dollars received, rather than best execution for the client. WaterStone Investment Counsel does not participate in any soft dollar arrangements. No compensation is received from custodians or other outside vendors.

#### *Client Referrals from Brokers*

WaterStone Investment Counsel will generally maintain an existing broker/dealer relationship when the client is referred to WaterStone. In maintaining the existing broker/dealer relationship, a conflict of interest may exist in obtaining best execution by WaterStone on behalf of the client. A conflict of interest may exist in obtaining future referrals from a broker/dealer if WaterStone did not maintain these existing relationships. Where the client is not referred by an existing broker/dealer, WaterStone recommends a broker/dealer with competitive commission rates.

### *Directed Brokerage*

Clients may direct brokerage to a specified broker/dealer other than the firm recommended by WaterStone Investment Counsel. It is up to the client to negotiate the commission rate, as WaterStone will not. The client may not be able to negotiate the most competitive rate. As a result, the client may pay more than the rate available through the broker/dealers used by WaterStone. In client directed brokerage arrangements, the client may not be able to participate in aggregated (“blocked”) trades, which may help reduce the cost of execution. Where the client does not otherwise designate a broker/dealer, WaterStone recommends a broker/dealer with competitive commission rates.

### *Trade Aggregation*

While individual client advice is provided to each account, client trades may be executed as a block trade. The Advisor encourages its existing and new clients to use the Advisor’s “lead custodian”. Only accounts in the custody of the lead custodian would have the opportunity to participate in aggregated securities transactions. All trades using the lead custodian will be aggregated and done in the name of the Advisor. The executing broker will be informed that the trades are for the account of the Advisor’s clients and not for the Advisor itself. No advisory account within the block trade will be favored over any other advisory account, and thus, each account will participate in an aggregated order at the average share price and receive the same commission rate. The aggregation should, on average, reduce slightly the costs of execution, and the Advisor will not aggregate a client’s order if in a particular instance the Advisor believes that aggregation would cause the client’s cost of execution to be increased. The Custodian will be notified of the amount of each trade for each account. The Advisor and/or its IA Reps may participate in block trades with clients and may also participate on a pro-rata basis for partial fills, but only if clients receive fair and equitable treatment.

### ***Review of Accounts and Reports on Accounts***

#### *Reviews*

WaterStone Investment Counsel monitors the individual investments within all individually managed portfolios each day the market is open. Portfolio performance is reviewed on a quarterly basis at a minimum. WaterStone offers all clients an in-person portfolio review meeting on an annual basis at minimum or more frequently if circumstances warrant or client would like to meet more often than annually.

All WaterStone Investment Counsel client accounts are reviewed at a minimum of once per quarter. Market conditions that might cause a wide variance in the specified asset allocation, or other factors could cause a more frequent review.

For Financial Planning clients:

The financial plan is a snapshot in time and no ongoing reviews are conducted. We recommend clients engage us on an annual basis to update the financial plan.

The accounts reviews are performed by the client's IA Rep. The Chief Compliance Officer and other designated compliance staff monitor the portfolio and financial plans for investment objectives and other supervisory review.

### Reports

All clients receive standard statements from WaterStone Investment Counsel and the custodial brokerage firm which would be either Fidelity Investments or Charles Schwab & Company. All WaterStone clients receive a written quarterly performance report from WaterStone.

### ***Client Referrals & Other Compensation***

#### Referral Fees Paid

WaterStone Investment Counsel may compensate for client referrals but presently does not participate in any payments-for-referrals. If WaterStone participates at some point in the future, all solicitor's agreements would be in compliance with the Investment Advisers Act of 1940. In addition, all applicable federal and state laws will also be observed. All clients procured by solicitors will be given full written disclosures describing the terms and fee arrangements between the advisor and the solicitor prior to or at the time of entering into the advisory agreement.

#### Referral Fees Received

WaterStone Investment Counsel does not accept referral fees or any other form of remuneration from other investment professionals if a prospect or client is referred to them.

#### Sales Awards

WaterStone Investment Counsel does not participate in any sales contests by broker/dealers or any vendor or receive any form of compensation for any sales level achieved.

### ***Custody***

Although client assets are held at a third-part independent custodian, WaterStone Investment Counsel is deemed to have custody of client funds because of the fee deduction authority granted by the client in the investment advisory agreement. Except for this fee deduction, we do not have authority to withdraw funds out of client accounts.

If/when a client grants WaterStone the limited power in a Standing Letter of Authorization ("SLOA") to the account custodian to disburse funds to a third party, we would be deemed to

have custody. Under such circumstances, our firm will follow regulatory guidance in documenting this procedure.

Inadvertent custody may occur if/when the custodial agreement signed by the client may grant our firm broader access to client funds or securities than our own agreement with the client contemplates. Under such circumstances, our firm will follow regulatory guidance in documenting this procedure.

Clients will receive account statements at least quarterly from the broker-dealer or other qualified custodian. Client is urged to compare custodial account statements against statements prepared by WaterStone for accuracy. Minor variations may occur because of reporting dates, accrual methods of interest and dividends, and other factors. The custodial statement is the official record of your account for tax purposes.

### ***Investment Discretion***

WaterStone Investment Counsel maintains full discretion under a limited power of attorney as to the securities and amount of securities bought or sold for most clients. WaterStone may offer non-discretionary client accounts at the sole discretion of WaterStone Investment Counsel. WaterStone will not have authority to withdraw funds or to take custody of client funds or securities, other than under the terms of the Fee Payment Authorization clause in the Agreement with the client.

The client may designate the broker/dealer to be used for trading and custodial services. WaterStone may “trade away” for bond transactions in order to seek best execution. The bonds will be custodied at the broker/dealer designated by the client under a prime brokerage arrangement.

### ***Voting Client Securities***

WaterStone Investment Counsel does not vote proxies. It is the client’s responsibility to vote proxies. Clients will receive proxy materials directly from the custodian. Questions about proxies may be made via the contact information on the cover page.

### ***Financial Information***

WaterStone, as an investment advisor, must provide financial information if a threshold of fee prepayments is met; there is a financial condition likely to impair the ability to meet contractual commitments; or, a bankruptcy within the past ten years.

As an advisory firm that maintains discretionary authority for client accounts, WaterStone is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. At this time, WaterStone does not reasonably believe it is unable to meet its contractual commitments. Despite this, the firm is uncertain of the negative

impact of COVID-19. In light of this economic uncertainty, the firm's desire to maintain a fiduciary level of service for all of its clients (particularly in a time of crisis), and its hope to retain all existing personnel, the firm applied for and received a loan in May 2020 under the Paycheck Protection Program of the CARES Act to support its ongoing operations. The firm intends to use this loan for its intended purpose of paying qualifying expenses over an eight-week period including payroll costs, office rent, utilities and other relevant firm expenses.