

Item 1 – Cover Page

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This Brochure provides information about the qualifications and business practices of Oakwood Capital Management LLC (“Oakwood”). If you have any questions about the contents of this Brochure, please contact us at 310-772-2600 or by email at [info@oakwoodcap.com](mailto:info@oakwoodcap.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.

Oakwood is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information which you may use to determine to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

There have been no material changes made since the firm's last amended Form ADV Part 2A brochure dated March 26, 2020.

Currently, our Brochures may be requested by contacting Oakwood at 310-772-2600 or [www.oakwoodcap.com](http://www.oakwoodcap.com).

Additional information about Oakwood is also available via the sec's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4 – Advisory Business

### Firm Description

Oakwood Capital Management LLC (“Oakwood”, “We”, or “Us”) was formed in March 1998, organized as a limited liability company and existing under the laws of the State of California. Oakwood also has a separate division, Acorn Digital Wealth (“Acorn”). Acorn does not have any separate employees or a separate office. Rather, Oakwood employees provide services to Acorn’s clients. Information about Acorn is available on its website at [www.acorndw.com](http://www.acorndw.com) and on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), or by emailing [info@acorndw.com](mailto:info@acorndw.com).

Oakwood’s main office is located at 12121 Wilshire Blvd, Suite 1250, Los Angeles, CA 90025 and currently has 20 employees. Business hours are 7:00 a.m. to 5:00 p.m. Monday through Friday. Oakwood can be reached by phone at 310-772-2600, by fax 310-772-2601 or at our web address [www.oakwoodcap.com](http://www.oakwoodcap.com).

Oakwood is noticed filed and authorized to conduct business or provide investment advice in the states of California (File No. 929-2813), Arizona, Florida, Illinois, Louisiana, Massachusetts, Mississippi, Missouri, Nevada, New York, Oregon, Tennessee, Texas, Utah, Vermont, Virginia, and Washington.

### Principal Owners

The Mandel Living Trust (Bruce Mandel is the trustee of this Trust and President of Oakwood) and The Roley Family Trust each own more than 25% of Oakwood. The Mamaril Family Trust (Nicanor Mamaril is the trustee of this Trust and Executive Vice-President, Chief Operating Officer and Chief Compliance Officer of Oakwood) and the Tom W. Doxey and Barbara A. Doxey Family Trust (Tom Doxey is the trustee of this Trust and Executive Vice President/Private Client Wealth Management of Oakwood) own the remaining portion of Oakwood.

### Types of Advisory Services

Oakwood provides fully discretionary, specialized investment supervisory and management services to clients and non-discretionary services to 401(k) Plans. As described at the end of this section, Oakwood also offers, on a very limited basis, one-time non-discretionary advice and as a courtesy to clients, limited services to non-managed accounts. Oakwood also provides financial planning services for a separate fee. Please see item 5 below for a description of Oakwood’s fee schedules. As noted above, Oakwood has a separate division, Acorn. Please see Acorn’s wrap fee brochure for a description of its automated investment management program. You may obtain a copy of Acorn’s wrap fee brochure by contacting us at 310-772-2600 or by email at [info@oakwoodcap.com](mailto:info@oakwoodcap.com).

### Discretionary Investment Management Services

Oakwood offers three types of specialized, discretionary investment management services:

- One service involves the investment of client portfolios exclusively in structured no-load equity and fixed income mutual funds, index funds and exchange-traded funds (“ETFs”). The mutual funds and “ETFs” that Oakwood uses are structured to mirror certain specific domestic, international, and emerging markets asset classes. Oakwood manages client portfolios according to several different global investment strategies representing various combinations of asset classes using these structured funds and “ETFs”, all of which are managed by third parties.
- The second service involves the active management of client portfolios by Oakwood’s portfolio managers. These actively managed portfolios invest primarily in individual stocks, exchange traded funds (“ETF’s”) and/or bonds according to several different investment strategies.
- The third service involves Oakwood’s management of the investment options within individual Fidelity Personal Retirement Annuity contracts, a tax-deferred variable annuity product (“Managed Annuity Accounts”). Specifically, Oakwood selects and rebalances the investment options within Managed Annuity Accounts according to several different global investment strategies representing various combinations of asset classes. Oakwood is permitted by Fidelity Investments Life Insurance Company (“Fidelity Insurance”) to invest the Managed Annuity Accounts only in Fidelity Insurance’s specified universe of mutual funds. The universe of mutual funds includes domestic and international equity and bond mutual funds managed by an affiliate of Fidelity Insurance or other third parties selected by Fidelity Insurance. Fidelity Insurance or its affiliates may limit Oakwood’s ability to purchase and sell these funds in a client’s Managed Annuity Account.

In addition, clients who desire a balanced portfolio of equity and fixed income securities may combine any equity structured or active investment strategy with any fixed income active or structured strategy.

Please see item 8 below for a list of and more information on Oakwood’s investment strategies. Clients may also request additional information from Oakwood about its various investment strategies.

Limitations on types of investments:

Investments in Oakwood’s structured managed portfolios are limited to structured mutual, index or exchange-traded funds that invest in domestic and international securities.

Investments in Oakwood’s actively managed equity portfolios are typically limited to the following types of securities: individual stocks, investment company securities (mutual funds), exchange traded funds, real estate investment trusts (“REITs”), master limited partnerships (“MLP’s”) and American Depositary Receipts (“ADRs”) representing interests in equities of foreign issuers. Actively managed equity portfolios are invested globally (both U.S. and non-U.S. companies), from small to large capitalization companies. Some of these securities may give rise to unrelated business taxable income for tax-exempt clients from time to time. Tax-exempt clients should consult their tax advisers regarding the tax implications of such investments.



Investments in Oakwood's actively managed fixed income portfolios are typically limited to the following types of securities: taxable and/or tax-exempt individual notes or bonds, mortgage-backed securities and other derivatives, money-market mutual funds and longer term fixed income mutual funds.

### Non-Discretionary Services for 401(k) Plans

Oakwood may recommend that 401(k) Plans engage unaffiliated, third party providers ("TPP"), to provide portfolio management and to coordinate a suite of third-party custodial, administration and record-keeping services. Oakwood will recommend only a TPP that provides portfolio management of globally structured portfolios invested in mutual funds and exchange-traded funds ("ETFs") advised by Dimension Fund Advisors LP ("DFA Funds"), or funds and ETFs that have characteristics similar to the DFA Funds ("Other Funds").

Oakwood's responsibilities under this arrangement include advising the 401(k) Plan whether it should select DFA Funds or Other Funds and on the globally structured portfolios appropriate for the 401(k) Plan. In addition, Oakwood provides general support on participant education and administrative matters. Oakwood is also available to answer questions of 401(k) Plan trustees and participants. 401(k) Plan trustees should review the TPP's Firm Brochure for additional information about its advisory services.

### Financial Planning Services

Oakwood offers two types of financial planning services.

1. Preparation of a financial plan. Clients may choose among the following topics to be included in the financial plan:

- Investment Analysis;
- Financial Goal Planning;
- Retirement Planning;
- Budgeting and Spending Planning;
- Education Funding Planning
- Succession Planning
- Charitable Gifting
- Insurance: Life, Disability, Long Term Care
- Real Estate
- Tax Efficiency Strategies
- Estate and Tax Planning (some of which may be performed by third party)
- Special Situation Planning limited to marriage, divorce, changing employment, special needs, employee stock options.

Clients will receive a written financial plan with the topics selected by the client.

As appropriate, Oakwood will coordinate its financial planning services with a client's attorney, CPA, personal trustee, conservator, or others upon request by a client.

2. Monitoring services. This service is in addition to preparation of a financial plan and is available only

to clients who have engaged Oakwood to prepare a financial plan. Oakwood will:

- Assist clients in implementation of the financial plan that Oakwood has prepared for the client (“Financial Plan”), but will not place orders for transactions recommended in the Financial Plan;
- Monitor the client’s investments made pursuant to the Financial Plan; and
- Provide financial consulting services to the client upon request and these services will be limited to the topics included in the Financial Plan.

### **One-Time Non-Discretionary Investment Advice**

Oakwood will provide investment advice to clients who require analysis of their existing assets on a one-time basis. Such a client’s portfolio may be subject to constraints or other restrictions that would preclude Oakwood from providing on-going discretionary management services. Fees are negotiated on an hourly or fixed fee basis.

### **Non-Managed Account Services**

As a courtesy to existing clients, Oakwood will include such a client’s non-managed account assets in Oakwood’s portfolio accounting system and in Oakwood’s periodic reports to such clients and other services upon request.

### **Customization of Discretionary Investment Management Services**

Oakwood’s investment advisory agreement with clients specifically gives Oakwood the ability to direct a client’s investments within the perimeters of the strategy chosen by the client. All strategies are detailed within the investment advisory agreement, and the client acknowledges his or her choice by initialing the chosen strategy. Before the agreement is signed and before the start of management, Oakwood’s wealth management executive interviews and gathers personal and financial information from the client to ensure that the strategy the client chooses is in line with the client’s needs, taking into account the client’s risk tolerance and expected returns.

Clients that select structured managed portfolios cannot impose any restrictions on the funds or securities to be purchased for their portfolios other than through the selection of the investment strategy.

Clients that choose active managed equity or fixed income portfolios may impose reasonable restrictions on specific securities and the types of securities Oakwood is permitted to purchase for their portfolios.

### **Wrap Fee Programs**

Oakwood’s division, Acorn, operates an online wrap fee program. Oakwood’s investment professionals supervise the automated web-based advisory services offered by Acorn. Acorn accounts are invested primarily in structured open-end mutual funds managed by DFA and mutual funds or ETFs managed by other entities.

Other than the wrap fee program operated by Acorn, Oakwood does not sponsor wrap fee programs. Oakwood's structured managed investment strategies are not available to Acorn clients.

### Amount of Client Assets

As of December 31, 2020, Oakwood managed on a fully discretionary basis \$921,958,587 of client assets. The amount of client assets will vary throughout the year and as a result, at any given point in time, the amount of client assets may be substantially lower or higher than this amount.

## Item 5 – Fees and Compensation

### Discretionary Investment Management Services

#### Fee Schedules

Fees for clients that select Oakwood's discretionary investment management services are charged based on percentage of assets under management, including cash in a client's portfolio that is typically invested in money-market funds. The fee for clients who have a margin account will be based on the total value of the client's account excluding the margin amount. For example, if a client has \$1,000,000 under Oakwood's management and has a margin account of \$50,000, the client's fee will be based on the \$1,000,000 under Oakwood's management.

The annual fee for all-equity or balanced portfolios is as follows:

On the first \$5 million of assets under management:	1.00%
On the next \$5 million of assets under management:	.80%
On the next \$15 million of assets under management:	.60%
In excess of \$25 million of assets under management:	.50%

The annual fee for fixed income portfolios is as follows:

On the first \$10 million of assets under management:	.50%
On the next \$15 million of assets under management:	.40%
On the next \$25 million of assets under management:	.30%
In excess of \$50 million of assets under management:	.25%

The annual fee for the Ultra Short Fixed Income portfolios is a flat .30% of assets under management.

All fees are negotiable, but Oakwood typically limits negotiation of fees as well as frequency of billings to special circumstances. For example, related multiple accounts may be combined for purposes of meeting

fee break points as well as fee reductions for multiple accounts represented by independent business managers or banks.

There is a minimum annual fee of \$10,000 and a one-time, non-recurring, non-refundable set-up fee of \$250. Oakwood may waive the minimum annual fee and the set-up fee in its sole discretion.

Oakwood, in its discretion, accepts accounts that have less than \$1,000,000, but may require a minimum fee on such accounts. Very small accounts are difficult to diversify and often do not have the same number of securities as larger accounts managed according to the same strategy. Thus, fees being charged to the smaller accounts may be higher (as a percentage of assets under management) and different than the fees set out in the current fee schedule above.

Oakwood may manage the accounts of employees at no charge and the accounts of employees' immediate family members for 50% of Oakwood's standard fees described above. Oakwood may also manage accounts on a subadvisory basis for specific groups such as CPA's, estate and unaffiliated financial planners and others. Fees and services for these types of arrangements will be negotiated on a case-by-case basis.

#### **Description of Billing Practices for Discretionary Investment Management Services**

The specific manner in which Oakwood charges fees is established in a client's written agreement with Oakwood.

Oakwood will deduct fees from a client's account at the custodian holding the assets of the client's account (the "Custodian"), or clients may choose to be billed directly. Oakwood will generally bill its fees on a calendar quarterly basis in advance, at the beginning of each management period. Oakwood will prorate its fees for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged or refunded a prorated fee.

#### **Other Fees and Expenses for Discretionary Investment Management Services**

In addition to Oakwood's fees described above, clients who use Oakwood's discretionary investment management services will incur brokerage commissions (for clients with structured managed accounts, these are typically a flat fee per transaction) transaction fees, deferred sales charges, odd-lot differentials (for clients with an active investment management strategy) and other related costs and expenses. Oakwood will not receive any portion of these commissions, fees, and costs. Item 12 below further describes the factors that Oakwood considers in selecting or recommending broker-dealers for client portfolios and determining the reasonableness of their compensation (e.g., commissions).

Clients with structured managed portfolios, clients whose portfolios are invested or partially invested in mutual funds or exchange traded funds or clients whose uninvested assets are swept into mutual funds either by Oakwood or the client's Custodian, will also incur the additional fees and expenses assessed by such funds. Thus, clients who invest in shares or units of mutual funds will pay two management fees, one

to the fund manager and one to Oakwood. Other expenses embedded in funds include, among other things, brokerage, accounting, and legal fees. These fund fees and expenses are explained in detail in the respective fund's prospectus and statement of additional information.

In addition, clients may incur certain other charges imposed by Custodians, advisers and other third parties such as fees charged by other managers, custodial fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on their accounts and securities transactions. For example, Custodians typically charge transaction fees to buy, sell and/or exchange securities.

### **Non-Discretionary Services Fees**

401(k) Plan trustees that select Oakwood's non-discretionary services and a TPP's suite of services enter into a three-party agreement between the client, the TPP and Oakwood. The 401(k) Plan pays a total fee to the TPP for the TPP's and Oakwood's services and the TPP remits to Oakwood its portion of the fee. Oakwood's portion of the fee a 401(k) Plan pays to the TPP ranges from .30% to .70% depending upon the size of the 401(k) Plan. The portion of the fee payable to Oakwood is set forth in the three-party agreement between the client, the TPP and Oakwood. Please refer to the three-party agreement and the TPP's Brochure for a description of its billing practices, other fees and expenses that a 401(k) Plan may incur, and procedures for termination of the three-party agreement and availability of refunds.

Oakwood may provide non-discretionary securities trading and reporting activities for cash and securities in a client's non-managed account (the "Non-managed Account") and act as an intermediary between the client and the custodian of the Non-managed Account. Oakwood does not provide investment advice to these Non-managed Accounts or provide opinions as to the merits of any securities deposited, purchased or sold in Non-managed Accounts. Nor does Oakwood make any judgments as to the appropriateness of assumed risk or suitability of any investment given the client's situation. Clients must provide Oakwood with written trading instructions for any transaction to be made in a Non-managed Account. This service is only provided at the discretion of Oakwood. Oakwood will charge a one-time, non-recurring, non-refundable administration fee of \$300.00 for this service. Oakwood may waive this administration fee at its sole discretion. This service is offered primarily to clients who have additional accounts that are not suitable for Oakwood's management due to the account size and Oakwood's minimum account fee.

### **Financial Planning Services Fees**

**Financial Plan Fee.** Oakwood's fee is \$2,000; \$1,000 is due upon a client's signing a financial planning agreement with Oakwood and \$1,000 is due upon Oakwood's delivery of the financial plan to the client.

**Assistance and Monitoring Services Fee.** If a client desires assistance and monitoring services for nine (9) months following delivery of the Financial Plan, Oakwood's fee is \$333.33 for each quarter, payable quarterly in advance.

If a client desires ongoing assistance and monitoring services beginning one year after the client has engaged Oakwood to provide a financial plan, Oakwood's fee is \$500.00 for each quarter thereafter, payable quarterly in advance.

If the client enters into a separate agreement with Oakwood to provide discretionary investment management services for a minimum annual fee of \$5,000, Oakwood will apply \$1,000 of the fees the client has paid to Oakwood for assistance and monitoring services toward its fee for discretionary investment management services.

Oakwood offers all of its financial planning services to its employees free of charge.

#### **Availability of Refunds on Termination**

Clients or Oakwood may terminate the agreement for discretionary investment management services at any time by delivering thirty (30) days' prior written notice to the other party. Clients may terminate their financial planning agreement with Oakwood at any time upon written notice. Upon termination of any agreement, Oakwood will promptly refund any prepaid, unearned fees. Fees earned but unpaid at the time of effective termination will be due and payable. If the client's agreement for discretionary investment management services authorizes Oakwood to collect its fees directly from the client's account at the Custodian, Oakwood will collect its fees from the client's Custodian. As noted above, the one-time, non-recurring set-up fee of \$250 for discretionary investment management services is not refundable.

Upon termination of any account, Oakwood is under no obligation to recommend any action with regard to the securities or other property held in the client's account.

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

Oakwood does not manage portfolios based on any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

401(k) Plan trustees that select Oakwood's non-discretionary services and a TPP's suite of services should review the TPP's Firm Brochure for additional information about its practices.

#### **Item 7 – Types of Clients**

Oakwood provides discretionary investment management services to individuals, high net worth individuals, trusts, estates, charitable organizations, banks, corporations, IRA accounts, 401(k) plans, pension and profit-sharing plans, foundations, endowments, municipalities, and trusts.

401(k) Plan trustees that select Oakwood's non-discretionary services and a TPP's suite of services should review the TPP's Firm Brochure for additional information about its clients.

Oakwood provides financial planning services to individuals and high net worth individuals.

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

**Regardless of the service and the investment strategy a client selects, investing in securities involves risk of loss that clients should be prepared to bear. We strive to control risk through diversification.**

### Discretionary Investment Management Services

As noted above, Oakwood offers four types of discretionary, specialized investment management services: structured managed global portfolios, management of individual client annuity accounts invested in a Fidelity Personal Retirement Annuity, actively managed portfolios in a variety of investment strategies and an automated investment management program offered by Acorn.

### Structured Managed Global Portfolios

#### Structured Managed Global Portfolio Investment Strategies

The strategies Oakwood offers clients that desire structured managed portfolios vary based primarily on how aggressive an asset allocation a client wants. Clients' portfolios are invested primarily in structured open-end mutual funds managed by DFA, exchange-traded funds, and index funds (the "Underlying Funds"). The Underlying Funds may invest both in U.S. and non-U.S. markets, including emerging markets. The following is a list of investment strategies available in structured managed portfolios:

- Conservative Equity Strategy
- Moderate Equity Strategy
- Aggressive Equity Strategy
- Tax-Managed Moderate Equity Strategy
- Sustainable and Responsible Investing Strategy
- U.S. Diversified Core Strategy
- Global Core Fixed Income Strategy
- Intermediate Global Fixed Income Strategy
- U.S. Only Fixed Income strategy
- Tax Exempt Fixed Income Strategy (US investments only)
- Tax Exempt California Fixed Income Strategy (US investments only)
- Balanced Strategies that combine any two or more of the above investment strategies according to a client's desired asset allocation

#### Methods of Analysis for Structured Managed Global Portfolio Investment Strategies

Oakwood manages these strategies based on the principles and beliefs that markets work, diversification reduces uncertainty, risk and return are related, and that asset allocation along company size, value, profitability (as defined by DFA) and market exposure dimensions primarily determine the results of a broadly

diversified portfolio. Oakwood works with clients to determine the appropriate allocation among asset classes for each client's portfolio based on the client's investment objectives, risk tolerance and any special needs. Oakwood then selects the Underlying Funds for a client's portfolio accordingly. Oakwood typically rebalances a client's portfolio when the difference between the client's asset allocation guidelines and the portfolio is approximately plus or minus 20%. The rebalancing normally takes place twice a year.

### Risks of Structured Managed Global Investment Strategies

Typically, clients that select a more aggressive asset allocation are subject to a greater risk of loss than clients that select a more conservative asset allocation. Because clients' portfolios are invested primarily in shares of the Underlying Funds, client portfolio investment performance and risks are directly related to the investment performance and risks of the Underlying Funds. Please see the prospectuses of the Underlying Funds for additional information about risks.

An investment in the Underlying Funds involves risk, and a client's portfolio could lose money on its investment in the Underlying Funds. In summarizing the risks of the Underlying Funds below, Oakwood has organized the discussion into those risks typically associated with Underlying Funds that invest in equity securities ("Equity Funds"), those risks typically associated with Underlying Funds that invest in fixed income securities ("Fixed Income Funds") and those risks generally associated with both types of Underlying Funds.

#### Equity Funds

**Small Company Risk:** Small company stocks owned by the Underlying Funds are often less liquid and more volatile than those of large capitalization companies. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources. Moreover, companies with smaller market capitalizations also tend to have unproven track records and are more likely to fail than companies with larger market capitalizations.

**Factor Investment Risk:** Stocks owned by the Underlying Funds based on investment factors size, value, and profitability as defined by DFA may underperform other stocks at any given time.

**Foreign securities and currencies risk:** The prices of foreign securities owned by the Underlying Funds may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) less regulated or liquid securities markets. In addition, foreign currency will fluctuate in value against the U.S. dollar.

**Emerging Markets Risk:** Numerous emerging market countries have a history of, and continue to experience serious, and potentially continuing, economic and political problems. Stocks markets in many emerging market countries are relatively small, expensive to trade in and risky. Foreigners are often limited in their ability to invest in, and withdraw assets from, these markets. Additional restrictions may be imposed under other conditions. Frontier market countries generally have smaller economies or less developed capital markets and, as a result, the risks of investing in emerging market countries are magnified in frontier market countries.



**Risks of Real Estate Funds:** The Underlying real estate Funds are exposed to the general risks of direct real estate ownership. The value of securities in the real estate industry can be affected by changes in real estate values and rental income, property taxes, interest rates, and tax and regulatory requirements. In addition, the real estate Funds typically hold REITs or REIT-like entities. REITs or REIT-like entities are dependent upon management skill, may not be diversified, and are subject to heavy cash flow dependency and self-liquidation. Also, because REITs and REIT-like entities typically are invested in a limited number of projects or in a particular market segment, these entities are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments.

## Fixed Income Funds

**Interest Rate Risk:** The prices of fixed income securities owned by the Underlying Funds tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices fall. When interest rates fall, fixed income security prices rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

**Credit Risk:** Credit risk is the risk that the issuer of a security owned by the Underlying Funds may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus impact the performance of the Underlying Funds. Credit risk is greater for fixed income securities with ratings below investment grade. Below investment grade fixed income securities involve high credit risk and are considered speculative. Below investment grade fixed income securities may also fluctuate in value more than higher quality fixed income securities, and, during periods of market volatility, may be more difficult to sell at the time and price that an Underlying Fund desires.

**Political and Economic Risks of Municipal Securities:** The values of municipal securities owned by an Underlying Fund may be adversely affected by local political and economic conditions and developments. Adverse conditions in an industry significant to a local economy could have a correspondingly adverse effect on the financial condition of local issuers.

**State-Specific Risk and Non-Diversification Risk:** Municipal securities of a specific state owned by an Underlying Fund are highly sensitive to events affecting the fiscal stability of that state and its agencies and municipalities. These events may include state or local legislation or policy changes, state constitutional limits on tax increases, erosion of the tax base of the state or one or more localities, the effects of possible terrorist acts or natural disasters, budget deficits, or other economic or credit problems affecting the state generally or any individual locality. There is also the risk that a state-specific Fund may be more volatile than a diversified fund because it invests in a smaller number of issuers. The gains or losses on a single security held by such an Underlying Fund may, therefore, have a greater impact on the Fund's value.

**Income Risk:** Income risk is the risk that falling interest rates will cause the income earned by fixed income securities owned by the Underlying Funds to decline.

**Call Risk:** Call risk is the risk that during periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing an Underlying fixed income Fund to reinvest in bonds with lower interest rates than the original obligations.

**Tax Liability Risk:** Distributions by an Underlying municipal bond Fund may become taxable to *clients* as ordinary income due to noncompliant conduct by a municipal bond issuer, unfavorable changes in federal or state laws, or adverse interpretations of tax laws by the Internal Revenue Service or state tax authorities. Such adverse interpretations or actions could cause interest from a security to become taxable, possibly retroactively, thereby increasing the tax liability to a client. In addition, such adverse interpretations or actions could cause the value of the Underlying municipal bond Fund to decline.

**Inflation-Protected Securities Interest Rate Risk:** Inflation-protected securities owned by an Underlying Fund may react differently from fixed income securities to changes in interest rates. Because interest rates on inflation-protected securities are adjusted for inflation, the values of these securities are not materially affected by inflation expectations. Therefore, the value of inflation-protected securities is anticipated to change in response to changes in “real” interest rates, which represent stated interest rates reduced by the expected impact of inflation. Generally, the value of an inflation-protected security will fall when real interest rates rise and will rise when real interest rates fall.

**Risk of Banking Concentration:** Several Underlying fixed income Funds have concentrated holdings in the banking industry. These Funds are likely to perform very similarly to the performance of the banking industry. Banks are very sensitive to changes in money market and general economic conditions. The profitability of the banking industry is dependent upon banks being able to obtain funds at reasonable costs and upon liquidity in the capital and credit markets to finance their lending operations. Adverse general economic conditions can cause financial difficulties for a bank’s borrowers and the borrowers’ failure to repay their loans can adversely affect the bank’s financial situation. Banks are subject to extensive regulation and decisions by regulators may limit the loans banks make and the interest rates and fees they charge, which could reduce bank profitability.

**Foreign securities and currencies risk:** The prices of foreign securities owned by the Underlying fixed income Funds may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) less regulated or liquid securities markets. In addition, foreign currency will fluctuate in value against the U.S. dollar.

## Equity and Fixed Income Funds

**Management/Asset Allocation Risk.** Clients’ Structured Managed Global portfolios are dependent upon Oakwood’s ability to make appropriate asset allocation decisions to achieve a portfolio’s investment objective. As a result, a portfolio may underperform its benchmark or other portfolios with similar investment objectives.

**Market Risk:** Economic, political and issuer-specific events will cause the market value of securities held by the Underlying Funds to rise or fall.

**Climate Risk:** Oakwood expects funds in which clients' assets are invested to disclose information on their handling of risks from climate change, to the extent those risks may have a material impact on the fund, the fund may choose to rely on the disclosures about climate risk of the underlying portfolio companies. Climate change risks may include physical risks of climate change from changing weather patterns and/or transitional risks of climate change from changes in regulation or consumer preferences. Fund or underlying portfolio company disclosure should include the specific risks identified, the potential impact those risks could have on the fund's business, operations, or strategy, the individuals responsible for managing these risks, and the metrics used to assess the handling of these risks. The methodology for measuring performance against these metrics should be clearly disclosed, particularly in instances where a recognized third-party framework, such as Task Force for Climate-related Financial Disclosures (TCFD) or Sustainability Account Standards Board (SASB), is not being used.

**Derivatives:** Derivatives are securities, such as futures contracts, whose value is derived from that of other securities or indices. Some of the Underlying Funds may use derivatives, both for hedging and non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. The use of derivatives for non-hedging purposes may be more speculative than other types of investments. Derivative securities are subject to a number of risks including liquidity, interest rate, market, credit and management risks, and the risk of improper valuation. A small investment in derivatives could have a potentially large impact on a Fund's performance. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by a Fund's portfolio will not correlate with the underlying instruments or the Fund's other investments. Derivative instruments also involve the risk that a loss may be sustained as a result of the failure of the counterparty to the derivative instruments to make required payments or otherwise comply with the derivative instruments' terms.

**Securities Lending:** The Underlying Funds typically lend some of the securities in the Fund's portfolio to third parties. The risk is that the borrower may fail to return the securities the Fund has lent in a timely manner or at all. As a result, an Underlying Fund may lose money as a result of a delay in the return of the lent securities or the borrower's failure to return the lent securities.

## Actively Managed Equity Portfolios

Oakwood's goal is to construct a diversified portfolio of individual securities or exchange traded funds (ETF's) that provides a balance of risk and opportunity while seeking above average returns.

### Actively Managed Equity Portfolio Investment Strategy

Oakwood offers the following actively managed equity investment strategies:

<u>Strategy</u>	<u>Typical Number of Positions*</u>
Equity Income Strategy	30-40
Global Equity Tactical ETF Strategy	20-40
<ul style="list-style-type: none"> <li>The Limits apply at time of purchase</li> </ul>	

- **Equity Income** portfolios may invest in any domestic or global publicly traded company whose market capitalization is at least \$10 billion. This strategy uses the Lipper Equity Income as its primary benchmark and the S&P 500 Index as the secondary benchmark. The Equity Income portfolios have the following major sector concentration limits measured at time of purchase: investments in a single S&P 500 sector cannot exceed twice the benchmark weight for that sector and cannot be less than 60% of the benchmark weight for that sector. The smaller economic sectors of the benchmark may not have representation in the portfolio.
- **Global Equity Tactical ETF Strategy Allocation** portfolios may invest in exchange traded funds (ETF's) to construct a diversified portfolio that tactically allocates its investments among companies in the US Market, Developed Markets and Emerging Markets, as well as Commodities and Alternatives such as private offerings. We aim to provide a portfolio that can tactically increase or decrease the level of exposure to certain aspects of the market— by geography, sector, market cap, or style. As a result, this strategy may involve many transactions and increased commission cost compared to Oakwood's other investment strategies. This strategy uses the MSCI All Country World Index as a benchmark.

### Methods of Analysis for Actively Managed Equity Strategy

Oakwood's investment decision-making process seeks to achieve superior long-term performance utilizing multiple methods of analysis including fundamental, quantitative, technical, and macroeconomic to make investment decisions for clients' actively managed equity portfolios.

The process consists of the following for individual equity securities:

- We screen our database for growth, income, value and return on capital characteristics narrowing the investment universe of acceptable common stocks.
- We conduct fundamental company research using industry and company specific research and our direct conversations with company management.
- We perform proprietary analysis to determine risk-adjusted expected returns.
- We select stocks for purchase not only on our assessment of their ability to achieve above-average returns and generate income, but also based on specific portfolio characteristics in order to have a balanced portfolio.
- We review portfolio stocks frequently to determine if they should be sold.

The process consists of the following for Exchange traded funds:

We begin with an informed view of both the macroeconomic landscape as well as individual company fundamentals to evaluate the relative risks and opportunities of major geographic regions and economic sectors.

We identify exchange traded funds (ETF's) that provide access to desired market exposures and assess each fund's transparency, expense ratio, commission structure and use of leverage.

We apply technical and trend analysis to determine appropriate levels of exposure.

We select ETFs for purchase on their ability to achieve desired exposures to certain geographies, market capitalizations, sectors, factors, and style in order to have a well-diversified portfolio.

We review portfolio ETF's frequently to determine if any action should be taken.

### Risks of Actively Managed Equity Strategy

Clients that have selected Oakwood's actively managed equity strategy may be subject to the following principal risks depending upon the types of securities held in their portfolios:

**Market Risk:** Economic, political and issuer-specific events will cause the value of securities held in a client's portfolio to rise or fall. Unforeseen market events could adversely impact the value of a client's portfolio.

**Small Company Risk:** Small company stocks are often less liquid and more volatile than those of large capitalization companies. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources. Moreover, companies with smaller market capitalizations also tend to have unproven track records and are more likely to fail than companies with larger market capitalizations.

**Concentration Risk:** As a result of the relatively small number of positions, the negative performance of only a few equities in a client's portfolio could cause a significant loss in the portfolio. Similarly, the concentration of a client's portfolio in this small number of positions may increase its risk and volatility compared with a more diversified portfolio that other firms may offer.

**Factor Investment Risk:** Stocks owned by the Underlying Funds based on investment factors size, value, and profitability as defined by DFA may underperform other stocks at any given time.

**Foreign Securities Risk:** The prices of the foreign securities underlying ADRs may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) less regulated or liquid securities markets. Additionally, an account's income from non-US issuers may be subject to non-U.S. withholding taxes. Dividends may be paid on some foreign securities and many non-US countries impose dividend withholding taxes up to 30%. Depending on a custodian's ability to reclaim any withheld foreign taxes on dividends, taxable portfolios may be able to recoup a portion of these taxes by use of the foreign tax credit. However, tax-exempt portfolios, to the extent they pay any foreign withholding taxes, may not be able to utilize the foreign tax credit and therefore may be unable to recover any foreign taxes withheld on dividends of foreign securities.

**Correlation Risk:** The U.S. and non-U.S. equity markets often rise and fall at different times or by different amounts due to economic or other developments particular to a given country or region. This phenomenon would tend to lower the overall price volatility of a portfolio that included both U.S. and

ADRs. Sometimes, however, global trends will cause the U.S. and non-U.S. markets to move in the same direction, reducing or eliminating the risk reduction benefit of international investing.

**Real Estate Securities Risk:** Equity REITs will be affected by changes in the values of and incomes from the properties they own, while mortgage REITs may be affected by the credit quality of the mortgage loans they hold. REITs are also dependent on specialized management skills, which may affect their ability to generate cash flow for operating purposes and to pay distributions. Additionally, REITs may have limited diversification and are subject to the risks associated with obtaining financing for real property.

### Actively Managed Fixed Income Portfolios

Our goal is to add value to each portfolio by exploiting opportunities in the market place. Our approach emphasizes safety, liquidity and relative performance enhancement.

### Actively Managed Fixed Income Portfolio Investment Strategies

The fixed income investment strategies that Oakwood offers vary primarily based on duration of the fixed income securities. Oakwood offers clients that desire actively managed fixed income portfolios the following investment strategies:

<u>Strategy</u>	<u>Typical Number of Positions</u>
Intermediate Fixed Income Strategy	10-35
Full Maturity Fixed Income Strategy	10-35
Tax-Exempt Fixed Income Strategy	10-35
Short Term Fixed Income Strategy	10-35
Ultra Short Fixed Income Strategy	10-25
Short Term Government Corporate Strategy	10-25

**Intermediate Fixed Income** portfolios invest only in U.S. government securities and investment grade corporate bonds (investment grade is measured at time of purchase). U.S. government securities in this discussion includes United States Treasury obligations, United States Government Agency, or Taxable State or local agency municipal security obligations. The Intermediate Fixed Income portfolios are benchmarked to the Bloomberg Barclays Intermediate US Government/Credit Bond Index.

**Full Maturity Fixed Income** portfolios invest only in U.S. government securities and investment grade corporate bonds (investment grade is measured at time of purchase). The Full Maturity Fixed Income portfolios use the Bloomberg Barclays US Government/Credit Bond Index as a primary benchmark and the Bloomberg Barclays US Aggregate Bond Index as a secondary benchmark.

**Tax-Exempt Fixed Income** portfolios invest in tax-exempt municipal bonds. The Tax-Exempt Fixed Income portfolios use the ICE BofAML 3-7 Year US Municipal Securities Index as a primary benchmark. The typical Tax-Exempt Fixed Income portfolio will hold between 10 and 35 separate municipal bonds. When appropriate, the portfolios may also invest a small portion between 5% to 15% of the portfolio in

short term U.S. government and agency securities. Interest in these types of securities will be exempt from State income taxes but not from Federal income taxes.

**Short Term Fixed Income** portfolios invest primarily in U.S. government securities. The Short Term Fixed Income portfolios are benchmarked to the ICE BofAML 1-5 Year US Treasury and Agency Index.

**Ultra Short Fixed Income** portfolios invest in all types of Government and investment grade corporate securities that may be interest bearing or non-interest bearing. Portfolios will have securities of no more than one year in duration with the goal of an average 90-day maturity. These portfolios seek to offer clients a high degree of liquidity and minimal credit and duration exposure. This investment strategy is suitable for clients that are risk averse but would like an overall yield that is higher than the 90 day Treasury bill. The Ultra Short Fixed Income portfolios are benchmarked to the ICE BofAML US 3-Month Treasury Bill Index.

**Short Term Government Corporate Strategy** portfolios invest in all types of investment grade corporate bonds and U.S. Government securities with a maturity limitation not to exceed five years. The Short Term Government Corporate Strategy is actively managed around a target duration and seeks higher return than its benchmark in all interest rate environment. This investment strategy is suitable for investors who seek moderate income and growth return with a tolerance of having some short term corporate exposure. The Short Term Government Corporate portfolios are benchmarked to the ICE BofAML 1-5 Year US Corporate and Government Index.

### Methods of Analysis of Actively Managed Fixed Income Strategies

Oakwood uses a fundamental and quantitative approach to construct fixed income portfolios. This approach emphasizes a risk-sensitive investment process designed to control duration. Typically, portfolios are fully invested and duration is managed within a narrow defined range of the performance benchmark selected by the client. We actively monitor all core holdings using fundamental and technical analysis and exchange these securities for other opportunities based on relative attractiveness.

The investment process begins with a thorough analysis of high quality fixed income security candidates within a universe of security choices. This process entails a yield curve study, cash flow analysis and return behavior of each security candidate. We then establish an overall quality profile that considers present and future economic factors, yield advantages and historical trends.

From this information, we consider alternative security choices through a substitution process that includes the previous selected fixed income security candidates. Prior to executing trades or making changes in a client's portfolio, we perform a rate of return analysis utilizing various interest-rate changes and time horizons, on both the client's portfolio and the client's selected benchmark.

## Risks of Actively Managed Fixed Income Strategies

Clients that have selected Oakwood's actively managed fixed income strategies may be subject to the following principal risks depending upon the types of securities held in their portfolios:

**Market Risk:** Economic, political and issuer-specific events will cause the value of fixed income securities held in a client's portfolio to rise or fall. Unforeseen market events could negatively impact the value of a client's portfolio.

**Interest Rate Risk:** Fixed income securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices typically fall. When interest rates fall, fixed income security prices typically rise. In general, fixed income securities with longer maturities, some of which may be held in a client's portfolio, are more sensitive to these price changes.

**Credit Risk:** Credit risk is the risk that the issuer of a security may be unable or unwilling to make interest payments and/or repay principal when due and the related risk that the value of a bond may decline because of concerns about the issuer's ability or willingness to make such payments. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus impact the performance of a *client's* portfolio. In adverse economic or other circumstances, issuers of lower rated securities are more likely to have difficulty making principal and interest payments than issuers of higher rated securities.

**Tax Risk for Tax-Exempt Municipal Bonds**—Income from municipal bonds could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of a bond issuer. In addition, a portion of otherwise exempt-interest dividends may be taxable to those *clients* subject to the federal alternative minimum tax.

**Political and Economic Risks of Municipal Securities:** The values of municipal securities may be adversely affected by local political and economic conditions and developments. Adverse conditions in an industry significant to a local economy could have a correspondingly adverse effect on the financial condition of local issuers.

**Income Risk:** Income risk is the risk that falling interest rates will cause the income earned by fixed income securities to decline.

**Call Risk:** Call risk is the risk that during periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing Oakwood to reinvest the client's portfolio in bonds with lower or higher interest rates than the original obligations.

**Extension Risk** — During periods of rising interest rates, the average life of certain types of securities may be extended because of lower than expected principal payments. This may lock in a below market



interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk.

**Derivatives Risk:** A small investment in derivatives could have a potentially large impact on a *client's* portfolio performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative will not correlate with the underlying instruments or the portfolio's other investments. Derivative instruments also involve the risk that a loss may be sustained as a result of the failure of the counterparty to the derivative instruments to make required payments or otherwise comply with the derivative instruments' terms. Certain types of derivatives involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to illiquidity risk, counterparty risk, and credit risk.

**Mortgage Backed Securities Risk:** Mortgage-backed securities have unique risks. The value of these securities can fall if the owners of the underlying mortgages pay off their mortgages sooner than expected, which could happen when interest rates fall, or later than expected or not at all, which could happen when interest rates rise or economic conditions more generally deteriorate. If the underlying mortgages are paid off sooner than expected, Oakwood may have to reinvest this money in mortgage-backed or other securities that have lower yields. Downward trends in the housing market may negatively affect, both the price and liquidity of mortgage-backed securities. Mortgage-backed securities are also subject to extension risk, which is the risk that rising interest rates could cause mortgages or other obligations underlying the securities to be prepaid more slowly than expected, resulting in slower prepayments of the securities. This would, in effect, convert a short- or medium-duration mortgage- or asset-backed security into a longer-duration security, increasing its sensitivity to interest rate changes and causing its price to decline.

**Foreign securities and currencies risk:** The prices of foreign bonds may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) less regulated or liquid securities markets. In addition, foreign currency will fluctuate in value against the U.S. dollar.

## Balanced Portfolios

Balanced strategies may combine any of the equity strategies (both structured and active) with any of the fixed income strategies (both structured and active) according to a client's desired asset allocation. Please see above for a discussion of the methods of analysis and risks of these strategies.

### *Additional Risk for Balanced Portfolios*

**Management/Asset Allocation Risk** — Actively managed balanced portfolios are dependent upon an adviser's ability to make appropriate asset allocation decisions to achieve a portfolio's investment objective. As a result, a portfolio may underperform its benchmark or other portfolios with similar investment objectives.

## Risks of Actively Managed Equity, Fixed Income and Balanced Strategies

**Climate Risk**--Oakwood expects portfolio companies in which clients' assets are invested to disclose information on their handling of risks from climate change, to the extent those risks may have a material impact on the company. Climate change risks may include physical risks of climate change from changing weather patterns and/or transitional risks of climate change from changes in regulation or consumer preferences. Disclosure should include the specific risks identified, the potential impact those risks could have on the company's business, operations, or strategy, the individuals responsible for managing these risks, and the metrics used to assess the handling of these risks. The methodology for measuring performance against these metrics should be clearly disclosed, particularly in instances where a recognized third-party framework, such as Task Force for Climate-related Financial Disclosures (TCFD) or Sustainability Account Standards Board (SASB), is not being used.

## Management of Fidelity Personal Retirement Annuity Client Accounts

### Investment Strategies for Fidelity Personal Retirement Annuity Client Accounts

Clients' Managed Annuity Accounts may be invested only in mutual funds managed by an affiliate of Fidelity Insurance or other firms Fidelity Insurance selects (the "Fidelity Approved Funds"). The Fidelity Approved Funds may invest both in U.S. and non-U.S. markets, including emerging markets. Oakwood determines the Fidelity Approved Funds in which each client Managed Annuity Account invests and periodically rebalances the allocation of Fidelity Approved Funds in a client's Managed Annuity Account based on a client's selection of investment strategy.

The following is a list of investment strategies available for Clients' Managed Annuity Accounts:

- Equity Strategy
- Fixed Income Strategy
- Balanced Strategies that combine any the above investment strategies according to a client's desired asset allocation

### Methods of Analysis for Fidelity Personal Retirement Annuity

#### Client Accounts' Investment Strategies

Oakwood manages these accounts based on the principles and beliefs that markets work, diversification reduces uncertainty, risk and return are related, and that asset allocation along company size, value, and market exposure dimensions primarily determines the results of a broadly diversified portfolio. Oakwood works with clients to determine the appropriate allocation among asset classes for each client's Managed Annuity Account based on the client's investment objectives, risk tolerance and any special needs. Oakwood then selects the Fidelity Approved Funds for a client's Managed Annuity Account accordingly.

Oakwood typically rebalances a client's Managed Annuity Account when the difference between the client's asset allocation guidelines and the Managed Annuity Account is approximately plus or minus 20%. The rebalancing normally takes place twice a year. However, Fidelity Insurance or its affiliates may impose limits on the number of purchases and sales of Fidelity Approved Funds that Oakwood may make for a client's Managed Annuity Account.

### **Risks of Fidelity Personal Retirement Annuity Client Accounts Investment Strategies**

Typically, clients that select a more aggressive asset allocation are subject to a greater risk of loss than clients that select a more conservative asset allocation. Because clients' Managed Annuity Accounts are invested in shares of the Fidelity Approved Funds, a client's Managed Annuity Account investment performance and risks are directly related to the investment performance and risks of the Fidelity Approved Funds. Please see the prospectuses of the Fidelity Approved Funds for additional information about risks.

An investment in the Fidelity Approved Funds involves risk, and a client's Managed Annuity Account could lose money on its investment in the Fidelity Approved Funds. In summarizing the risks of the Fidelity Approved Funds below, Oakwood has organized the discussion into those risks typically associated with Fidelity Approved Funds that invest in equity securities ("Equity Funds"), those risks typically associated with Fidelity Approved Funds that invest in fixed income securities ("Fixed Income Funds") and those risks generally associated with both types of Fidelity Approved Funds.

#### **Equity Funds**

***Small Company Risk:*** Small company stocks owned by the Fidelity Approved Funds are often less liquid and more volatile than those of large capitalization companies. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources. Moreover, companies with smaller market capitalizations also tend to have unproven track records and are more likely to fail than companies with larger market capitalizations.

***Value Investment Risk:*** Value stocks owned by the Fidelity Approved Funds may underperform other stocks.

***Foreign securities and currencies risk:*** The prices of foreign securities owned by the Fidelity Approved Funds may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) less regulated or liquid securities markets. In addition, foreign currency will fluctuate in value against the U.S. dollar.

***Emerging Markets Risk:*** Numerous emerging market countries have a history of, and continue to experience serious, and potentially continuing, economic and political problems. Stocks markets in many emerging market countries are relatively small, expensive to trade in and risky. Foreigners are often limited in their ability to invest in, and withdraw assets from, these markets. Additional restrictions may be imposed under other conditions. Frontier market countries generally have smaller economies or less

developed capital markets and, as a result, the risks of investing in emerging market countries are magnified in frontier market countries.

**Risks of Real Estate Funds:** The Fidelity Approved real estate Funds are exposed to the general risks of direct real estate ownership. The value of securities in the real estate industry can be affected by changes in real estate values and rental income property taxes, interest rates, and tax and regulatory requirements. In addition, the real estate Funds typically hold REITs or REIT-like entities. REITs or REIT-like entities are dependent upon management skill, may not be diversified, and are subject to heavy cash flow dependency and self-liquidation. Also, because REITs and REIT-like entities typically are invested in a limited number of projects or in a particular market segment, these entities are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments.

## Fixed Income Funds

**Interest Rate Risk:** The prices of fixed income securities owned by the Fidelity Approved Funds tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices fall. When interest rates fall, fixed income security prices rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

**Credit Risk:** Credit risk is the risk that the issuer of a security owned by the Fidelity Approved Funds may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus impact the performance of the Fidelity Approved Funds. Credit risk is greater for fixed income securities with ratings below investment grade. Below investment grade fixed income securities involve high credit risk and are considered speculative. Below investment grade fixed income securities may also fluctuate in value more than higher quality fixed income securities, and, during periods of market volatility, may be more difficult to sell at the time and price that a Fidelity Approved Fund desires.

**Political and Economic Risks of Municipal Securities:** The values of municipal securities owned by a Fidelity Approved Fund may be adversely affected by local political and economic conditions and developments. Adverse conditions in an industry significant to a local economy could have a correspondingly adverse effect on the financial condition of local issuers.

**State-Specific Risk and Non-Diversification Risk:** Municipal securities of a specific state owned by a Fidelity Approved Fund are highly sensitive to events affecting the fiscal stability of that state and its agencies and municipalities. These events may include state or local legislation or policy changes, state constitutional limits on tax increases, erosion of the tax base of the state or one or more localities, the effects of possible terrorist acts or natural disasters, budget deficits, or other economic or credit problems affecting the state generally or any individual locality. There is also the risk that a state-specific Fund may be more volatile than a diversified fund because it invests in a smaller number of issuers. The gains or losses on a single security held by such a Fidelity Approved Fund may, therefore, have a greater impact on the Fund's value.

**Income Risk:** Income risk is the risk that falling interest rates will cause the income earned by fixed income securities owned by the Fidelity Approved Funds to decline.

**Call Risk:** Call risk is the risk that during periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing a Fidelity Approved fixed income Fund to reinvest in bonds with lower interest rates than the original obligations.

**Tax Liability Risk:** Distributions by a Fidelity Approved municipal bond Fund may become taxable to clients as ordinary income due to noncompliant conduct by a municipal bond issuer, unfavorable changes in federal or state laws, or adverse interpretations of tax laws by the Internal Revenue Service or state tax authorities. Such adverse interpretations or actions could cause interest from a security to become taxable, possibly retroactively, thereby increasing the tax liability to a client. In addition, such adverse interpretations or actions could cause the value of the Fidelity Approved municipal bond Fund to decline.

**Inflation-Protected Securities Interest Rate Risk:** Inflation-protected securities owned by a Fidelity Approved Fund may react differently from fixed income securities to changes in interest rates. Because interest rates on inflation-protected securities are adjusted for inflation, the values of these securities are not materially affected by inflation expectations. Therefore, the value of inflation-protected securities is anticipated to change in response to changes in “real” interest rates, which represent stated interest rates reduced by the expected impact of inflation. Generally, the value of an inflation-protected security will fall when real interest rates rise and will rise when real interest rates fall.

**Foreign securities and currencies risk:** The prices of foreign securities owned by the Fidelity Approved fixed income Funds may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) less regulated or liquid securities markets. In addition, foreign currency will fluctuate in value against the U.S. dollar.

## Equity and Fixed Income Funds

**Management/Asset Allocation Risk** — Clients’ Annuity Accounts are dependent upon Oakwood’s ability to make appropriate asset allocation decisions to achieve an Annuity Account’s investment objective. As a result, an Annuity Account may underperform its benchmark or other Annuity Accounts with similar investment objectives.

**Market Risk:** Economic, political and issuer-specific events will cause the market value of securities held by the Fidelity Approved Funds to rise or fall.

**Climate Risk:** Oakwood expects funds in which clients’ assets are invested to disclose information on their handling of risks from climate change, to the extent those risks may have a material impact on the fund, the fund may choose to rely on the disclosures about climate risk of the underlying portfolio companies. Climate change risks may include physical risks of climate change from changing weather patterns and/or transitional risks of climate change from changes in regulation or consumer preferences. Fund or underlying portfolio company disclosure should include the specific risks identified, the potential impact those risks could have on the fund’s business, operations, or strategy,

the individuals responsible for managing these risks, and the metrics used to assess the handling of these risks. The methodology for measuring performance against these metrics should be clearly disclosed, particularly in instances where a recognized third-party framework, such as Task Force for Climate-related Financial Disclosures (TCFD) or Sustainability Account Standards Board (SASB), is not being used.

**Derivatives:** Derivatives are securities, such as futures contracts, whose value is derived from that of other securities or indices. Some of the Fidelity Approved Funds may use derivatives, both for hedging and non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. The use of derivatives for non-hedging purposes may be more speculative than other types of investments. Derivative securities are subject to a number of risks including liquidity, interest rate, market, credit and management risks, and the risk of improper valuation. A small investment in derivatives could have a potentially large impact on a Fund's performance. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by a Fund's portfolio will not correlate with the Fidelity Approved Fund's instruments or the Fund's other investments. Derivative instruments also involve the risk that a loss may be sustained as a result of the failure of the counterparty to the derivative instruments to make required payments or otherwise comply with the derivative instruments' terms.

**Securities Lending:** The Fidelity Approved Funds typically lend some of the securities in the Fund's portfolio to third parties. The risk is that the borrower may fail to return the securities the Fund has lent in a timely manner or at all. As a result, a Fidelity Approved Fund may lose money as a result of a delay in the return of the lent securities or the borrower's failure to return the lent securities.

## Non-Discretionary Services for 401(k) Plans

### Methods of Analysis and Risks

Oakwood determines whether to recommend a TPP's suite of services to 401(k) Plans based on the Plan's needs and circumstances. Oakwood will conduct a due diligence on the TPP and its recommendation will be based on several factors including the TPP's investment philosophy, personnel, experience, quality of service, consistency in implementation, reputation, and compliance with regulatory bodies.

Please see the TPP's Firm Brochure for a description of the methods of analysis and risks associated with its portfolio management services. Please also see the prospectuses of the underlying mutual funds.

### Automated Investment Management Program

Oakwood offers an automated investment management program through Acorn Digital Wealth, a separate division of Oakwood. This on line investing and digital platform are further described in a separate brochure for Acorn Digital Wealth or by going to its website at [www.acorndw.com](http://www.acorndw.com). or on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or by emailing [info@acorndw.com](mailto:info@acorndw.com).

## **Financial Planning Services**

### **Methods of Analysis and Risks**

Oakwood uses standard financial planning techniques including Monte Carlo simulations.

A client's decision to implement any securities recommendations included in Oakwood's financial plan for the client involves risk of loss. Clients are not obligated to implement any recommendations included in a financial plan.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Oakwood, or the integrity of Oakwood's management. Oakwood has no legal or disciplinary events to disclose.

401(k) Plan trustees that select Oakwood's non-discretionary services and a TPP's suite of services should review the TPP's Firm Brochure for any disciplinary information about the TPP.

## **Item 10 – Other Financial Industry Activities and Affiliations**

401(k) Plan trustees that select Oakwood's non-discretionary services and a TPP's suite of services should review the TPP's Firm Brochure for additional information about its financial industry activities and affiliations.

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

### **Code of Ethics**

Oakwood's Code of Ethics emphasizes the high standards of conduct that Oakwood has always sought to observe. The Code of Ethics consists of certain core principles including, but not limited to: 1) the interests of clients will be placed ahead of the firm's or any employee's own investment interests, 2) officers and employees will not take inappropriate advantage of their positions, 3) officers and employees will deal fairly and objectively with all clients when taking investment action for clients, 4) information concerning clients' investments will be kept confidential, 5) employees will provide professional investment management advice based upon unbiased independent judgment, and 6) officers, managing members and employees will act with the utmost integrity.

In addition, the Code of Ethics places restrictions on officer and employee personal securities transactions and requires officers and employees to obtain prior approval of most of their personal securities transactions. The Code also requires officers and employees to report periodically, with a few minor exceptions set forth in Rule 204A-1 under the Investment Advisers Act of 1940 as amended (“Advisers Act”), their personal securities transactions and holdings.

Specifically, officers and/or employees of Oakwood are permitted to buy and sell securities for their own accounts provided they comply with procedures and reporting requirements which are designed to prevent any conflict of interest with client transactions. Oakwood has procedures in place to avoid contemporaneous trading by its officers and/or employees in securities that are also being recommended to clients or which are involved in buy and sell programs by Oakwood for its clients. Oakwood believes that these procedures are adequate to prevent any intentional or inadvertent conflict of interest. Nevertheless, it is possible that from time to time, Oakwood may recommend to clients, or purchase for or sell from Client portfolios, securities that are also held in the personal investment portfolios of Oakwood officers and/or employees. In addition, Oakwood's officers and employees may purchase or sell the same securities as clients a day or more in front of clients and receive a more favorable price. Oakwood's officers and employees may not purchase or sell the same securities on the same day as clients.

Oakwood employee accounts that are managed by the firm or other advisers are not subject to any of the restrictions of the policy on personal security transactions because the employee does not have any control over the employee's account.

Oakwood employees are also prohibited from purchasing securities in an initial public offering. However, subject to the preclearance requirement described above, Oakwood employees may purchase securities in the aftermarket. Oakwood employees must receive written permission from the Chief Compliance Officer (“CCO”) or his designee to purchase any private placement. Oakwood grants permission when it believes the investment would not be suitable for its clients or if there are sufficient securities for both its clients and its employees to purchase the private placement.

Oakwood and its officers and/or employees may, from time to time, come into possession of material nonpublic and other confidential information, which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Oakwood and its officers and/or employees may be prohibited from improperly disclosing or using such information for their own personal benefit or for the benefit of any other person, regardless of whether such other person is a client. Accordingly, should such persons come into possession of material nonpublic or other confidential information with respect to any company, they may be prohibited from communicating such information to, or using such information for the benefit of clients, and have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of any client.

Oakwood has adopted procedures to prevent the misuse of material information by it and its employees. Among other things, these provisions include requirements that Oakwood employees refrain from trading on or communicating such information to others.



Any employee who fails to comply with the Code of Ethics or observe the above-described policies risks serious sanctions, including fines, dismissal and personal liability.

Oakwood will provide any client or prospective client a copy of the Code of Ethics upon request.

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

Oakwood may act as investment manager to numerous client accounts. Oakwood may give advice and take action with respect to any accounts it manages, or for its own account, that may differ from action taken by Oakwood on behalf of other client accounts, and differ from the action taken by Acorn (Oakwood's separate division that manages clients' accounts pursuant to its automated investment program that is supervised by Oakwood's investment professionals) for the client accounts that Acorn manages. Oakwood is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that Oakwood or its employees may buy or sell for its or their own account or for the accounts of any other client or any Acorn client. Oakwood is not obligated to refrain from investing in securities held by clients' accounts that it manages except to the extent that such investments violate Oakwood's Code of Ethics.

From time to time, employees of Oakwood may have interests in securities owned by or recommended to Oakwood's clients. As these situations may represent a potential conflict of interest, Oakwood's Code of Ethics described above includes procedures relating to personal securities transactions that are designed to prevent actual conflicts of interest. In addition, Oakwood may manage accounts for its employees and their family members alongside client accounts. Oakwood has adopted trade aggregation and allocation procedures, which permit block trading of employee and family accounts with client accounts under certain circumstances. See discussion of Aggregation and Allocation of Sales and Purchase Orders in item 12 below.

Oakwood does not engage in principal or agency cross transactions with clients.

401(k) Plan trustees that select Oakwood's non-discretionary services and a TPP's suite of services should review the TPP's Firm Brochure for additional information about its Code of Ethics and Participation in Client Transactions.

## **Item 12 – Brokerage Practices**

### **Discretionary Investment Management Services**

Brokerage selection, transaction costs, custodial arrangements and related trading issues are complex. Clients who have questions concerning these issues after reading the information provided below are encouraged to discuss them with their wealth management executive. Clients' selection of investment strategy, brokerage firms and custodians may impact the order in which their trades are placed, whether their orders may be aggregated with other clients' orders, and transaction costs. Thus, transaction costs can

generally vary significantly from trade to trade and aggregate transaction costs incurred during any particular period vary from client to client.

### **Selection Criteria for Brokers and Dealers**

The following discussion applies only to the purchase and sale of individual equities or fixed income securities for actively managed equity and fixed income portfolios. Oakwood's policy is to seek the best qualitative executions for its clients' accounts, rather than the lowest possible commission costs. While it is not always possible to measure "qualitative" execution with any precision, Oakwood's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its clients' portfolio transactions. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant.

The factors include, but are not limited to: the nature of the security being traded; the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security; the execution, clearance and settlement capabilities; and the reasonableness of spreads or commissions.

For purposes of increasing the size of potential orders and reducing related commission costs, Oakwood often uses professional brokers affiliated with strong national firms who are capable of providing a broad range of quality brokerage services for clients. Oakwood may recommend that clients open their accounts with one of these firms.

In particular, Oakwood may recommend, and clients may choose, to custody their funds and securities with Fidelity Brokerage Services, LLC ("Fidelity") and TD Ameritrade Institutional. TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"), an unaffiliated SEC broker-dealer and member of FINRA/SIPC. Also, Fidelity is an unaffiliated SEC registered broker-dealer and a member of FINRA/SIPC as well. Both programs offer services to independent investment advisers which are not affiliated with executing brokerage firms and whose clients maintain their accounts with such firms. Services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment, as well as a referral service. Clients whose accounts are held by either firm generally do not pay a separate fee for custody. The broker-dealers are compensated by account holders through commissions or other transaction-related fees for trades executed through the firms or that settle into accounts held by the firms.

Oakwood makes a subjective valuation of the research and other brokerage services provided by a brokerage firm. In addition, unless otherwise specifically instructed by the client, Oakwood negotiates a reasonable discount from the former fixed commission rates on most transactions even when the commission includes payment for research and brokerage services.

Unless the client specifically directs Oakwood otherwise, Oakwood's practice is to negotiate appropriate commission discounts on equity securities and implied discounts on fixed income securities. While commissions are negotiated as to price, Oakwood will sometimes pay a broker a higher commission rate

than is charged by another broker in recognition of the brokerage and transactional ability of the broker, research services and products provided and client servicing performed by that broker.

### Research and Other Soft Dollar Benefits

(The term “client portfolios” in the remainder of this brochure refers to Structured Managed Global Portfolios and Actively Managed Equity and Fixed Income Portfolios.) When appropriate under its discretionary authority and consistent with its duty to obtain best execution, Oakwood may direct brokerage transactions for securities for client portfolios to broker-dealers who provide Oakwood with research and brokerage products and services. The client portfolios’ brokerage commissions used to acquire research or brokerage in these arrangements are known as “soft dollars.” Broker-dealers typically provide a bundle of services including research and execution of transactions. The services provided can be either proprietary (created and provided by the broker-dealer, including tangible products as well as access to analysts and traders) or third party (created by a third party but provided by the broker-dealer). Oakwood may use client portfolios’ brokerage commissions to acquire either type of services. Please also see the discussion under Client Directed Brokerage Transactions below.

Oakwood’s use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a “safe harbor” for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), the firm will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid is reasonable in relation to the value of all the brokerage and research products and services provided by the broker. In making this determination, we typically consider not only the particular transaction or transactions and the value of brokerage and research services and products to a particular client, but also the value of those services and products in Oakwood’s performance of its overall responsibilities to all of its clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.

When Oakwood uses client portfolios’ brokerage commissions to obtain proprietary research or third-party research services, Oakwood receives a benefit because Oakwood does not have to produce or pay for the research services it receives from broker-dealers. Oakwood, at no cost to it, may supplement its own research and analysis activities, receive the views and information of individuals and research staffs of other securities firms, and gain access to persons having special expertise on certain companies, industries, areas of the economy and market factors.

In addition, when Oakwood uses client portfolios’ brokerage commissions to obtain proprietary research or third-party research services, Oakwood may cause client portfolios to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). This practice creates a conflict of interest for Oakwood. Oakwood may have an incentive to select or recommend broker-dealers

based on Oakwood's interest in receiving research services, rather than on Oakwood's clients' interest in receiving the most favorable execution. For this reason, Oakwood carefully evaluates the value of the products and services it receives on a "soft dollar" basis to ensure that Oakwood is receiving good value in relation to the commission paid and to ensure that the products and service are of real use to Oakwood in performing its advisory duties to the benefit of its clients.

In addition, as a result of these soft dollar arrangements, Oakwood may have an incentive to trade client portfolios more frequently or in a greater volume than necessary. Oakwood typically directs more brokerage over which Oakwood has discretion, to the brokerage firm(s) that provides Oakwood with third-party research than to other firms.

Oakwood uses the research services obtained with soft dollar credits to service all of Oakwood's clients' portfolios. It is impractical to allocate the benefits among client portfolios proportionately according to the soft dollar benefits they generated. Thus, Oakwood may use the research services paid for with soft dollars in servicing all the firm's clients, and not all such services may be used by the firm in connection with the client portfolios that paid commissions to the broker providing such services.

In order to obtain additional research and brokerage services on a "soft dollar" basis, Oakwood may sometimes send fixed income transactions to specialized brokers with whom Oakwood has a "soft dollar" credit arrangement and who execute such transactions on an agency basis. Typically, fixed income transactions are effected on a principal basis, and the use of fixed income brokers with whom Oakwood has a "soft dollar" credit arrangement is limited to transactions involving treasuries and municipal bonds. When Oakwood uses a fixed income broker on an agency basis, Oakwood takes steps to ensure that the total transaction cost (price plus commission) is competitive with the cost embedded in the typical principal transaction. Oakwood receives this assurance based on two separate cost comparisons, one done by Oakwood itself and one done by the specialized broker. Thus, Oakwood uses an agency broker for fixed income transactions only in limited circumstances and only where the cost to the client is competitive.

During 2020, research services and products Oakwood acquired with clients' portfolios' brokerage commissions included economic data and trends, sector and industry data and trends, asset class performance data, benchmark compositions, company analyses, credit analyses, news services, on-line quotation and trading systems, risk measurement as well as direct access to analysts or traders.

During the fiscal year ending December 31, 2020, Oakwood directed most brokerage for actively managed portfolios over which it had discretion to a brokerage firm that provided third-party research services to Oakwood in exchange for the soft dollar credits generated by client portfolios' brokerage commissions. In addition, as required by certain client custodial arrangements, Oakwood directed brokerage to the firms at which these clients' portfolios were custodied or their affiliates and received proprietary research services in exchange for client portfolio brokerage commissions.

During this same period, Oakwood followed the procedures listed below to direct client portfolios' brokerage transactions to these brokerage firms.

- Oakwood's Chief Compliance Officer ("CCO") reviewed and approved the products and services it receives in connection with each soft dollar arrangement.
- Oakwood's CCO reviewed the soft dollar arrangements to ensure that the products and services received were of real use to Oakwood and assisted the firm in investment decision making or involved the provision of brokerage services.
- Oakwood obtained copies of each agreement between a broker-dealer and a third-party vendor to provide research services to Oakwood.
- Oakwood obtained monthly statements from each broker-dealer that paid for any research or brokerage services with client commissions.

### Brokerage for Client Referrals

Oakwood is not currently directing brokerage for client portfolio transactions in order to receive client referrals.

### Brokerage Firm Referral Programs

Oakwood may participate in referral programs offered by independent and unaffiliated broker/dealers. This participation may pose conflicts of interest between the client's interest in obtaining best execution and Oakwood's interest in obtaining future referrals. These referral programs will typically involve prearranged or directed brokerage arrangements. As explained in the following three paragraphs and within the constraints described therein, Oakwood will attempt to seek best execution of client transactions.

Oakwood previously participated in the Fidelity Wealth Advisor Solutions® Program® (the "WAS Program") and the TD Ameritrade Institutional ("TD Ameritrade") referral program with respect to referral of new clients. Oakwood currently has clients who were referred to Oakwood as part of the WAS Program and the TD Ameritrade Program.

Oakwood continues to pay referral fees to a Fidelity affiliate, Fidelity Personal and Workplace Advisors LLC ("FPWA") for each referral previously received based on Oakwood's assets under management attributable to each existing client account referred by FPWA and also to TD Ameritrade for each existing client previously referred. FPWA, in turn, pays a portion of the referral fee it receives from Oakwood to the individual registered representative who referred the client to Oakwood. Thus, the FPWA registered representative had an economic incentive to refer clients to Oakwood. Oakwood has agreed not to charge clients more than the standard range of advisory fees as disclosed under Item 5, Fees and Compensation, to cover referral fees paid to FPWA.

Oakwood also received referrals from FPWA and from Fidelity for Fidelity Personal Retirement Annuity Accounts.

Clients of Oakwood who were previously referred by FPWA or TD Ameritrade and clients who elect to place their accounts in custody with Fidelity or TD Ameritrade also receive brokerage services at commission rates established by the firms in connection with transactions, which Oakwood executes through their trading facilities. Please see Item 14 below for additional information.

### Directed Brokerage

Clients, except those with Managed Annuity Accounts, are permitted to direct Oakwood to use a specific brokerage firm (“Directed Broker”), or may have their portfolios custodied at a brokerage firm (“Custodial Broker”). When a client has a Directed Broker, Oakwood is required to direct all transactions for the client portfolio to this broker unless otherwise prohibited by law (e.g., ERISA). Clients who use a Directed Broker should understand that as a result of such direction, Oakwood may be unable to achieve the most favorable execution of client portfolio transactions.

Directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions than Oakwood would be able to negotiate with other brokerage firms, or the client may receive less favorable prices, because Oakwood may not be able to aggregate orders for a client’s portfolio with orders for other clients’ portfolios.

Those clients who use a Directed Broker should also consider whether the commission expenses, execution, clearance and settlement capabilities of the Directed Broker are comparable to those that Oakwood could otherwise attain for them.

When a client has a Custodial Broker, Oakwood directs most transactions for actively managed portfolios and all transactions for structured managed portfolios and Fidelity Personal Retirement Annuity Accounts to this broker. As discussed below, Oakwood attempts to aggregate client portfolio trades when possible and when Oakwood believes there would be a benefit to clients. As with a Directed Broker, clients who use a Custodial Broker may be unable to participate in aggregated trades. If Oakwood trades a client’s portfolio with a broker other than the Custodial Broker, as is often the case with fixed income transactions, the client’s portfolio typically will be charged a trade-away fee.

Clients should carefully consider the advantages and disadvantages associated with selecting a particular bank or brokerage firm to custody their accounts. In many instances, selecting a particular firm may result in directing Oakwood to execute transactions for the clients’ portfolios through the brokerage firm acting as custodian or through a broker-dealer affiliate of the bank custodian with all of the potentially negative consequences and costs identified above. Oakwood requests that clients negotiate or approve commission discounts with any Directed Broker or Custodial Broker. Accounts domiciled with bank custodians may provide greater opportunities for commission discounts and order aggregation; however, banks charge a variety of fees for custody services, which may result in no real net economic savings. Account size and activity are the determining factors. Clients sometimes select brokers to custody their portfolios in order to avoid bank trust department custodian fees and/or to receive other services.

In cases where commission rates are not negotiated because of a client instruction or custodial arrangement, the client should be aware that a conflict of interest may exist and should take into consideration the following: 1) a conflict of interest may exist to the extent Oakwood receives or may receive

referrals from the broker or dealer; 2) the client may pay higher commission rates due to Oakwood's inability to fully negotiate the commission rate and/or obtain volume discounts when the client's portfolio transaction is combined with those of other clients' portfolios and traded as a "block"; 3) execution of all trades for the client portfolio by one broker or dealer could result in failure to receive the best execution in some transactions; and/or 4) the client's instruction may restrict Oakwood's ability to allocate brokerage to receive research services which may be of benefit to the client's portfolio and to other client portfolios.

The client should also be aware that directing brokerage may result in the client not being able to participate in an allocation of shares of a new issue if such issue is being offered by another broker or dealer.

When a client participates in a wrap fee program sponsored by a third party and selects Oakwood as portfolio manager, the client's portfolio is custodied at the wrap fee program sponsor or its brokerage affiliate. In this arrangement, Oakwood typically directs all brokerage transactions for that client's portfolio to the wrap fee program sponsor or its brokerage affiliate. If Oakwood directed the client's portfolio transactions to a different brokerage firm, the brokerage firm that executed that transaction would charge a commission and the client would be paying both a wrap fee and brokerage commissions. As a result, Oakwood considers these clients' portfolios to have a Directed Broker. Clients should consider all of the advantages and disadvantages of a wrap fee arrangement described above for clients with Directed Brokers.

### **Aggregation and Allocation of Sales and Purchase Orders**

Oakwood has the obligation to seek "best execution" on each portfolio and Managed Annuity Account transaction. Best execution entails the efficient placement of orders, clearance, settlement and the overall quality execution as well as the cost of the transaction. As part of its effort to obtain best execution, Oakwood may aggregate orders for several clients' portfolios (a practice known as block trading). However, transactions for Managed Annuity Accounts must be placed with Fidelity and cannot be aggregated due to the structure of the Fidelity Personal Retirement Annuity. In addition, Oakwood is not required to aggregate client portfolio transactions. Each client portfolio that participates in a block trade will receive the average share price and a pro rata portion of the transaction costs on the trade, as described below.

Before entering a block trade, Oakwood determines the allocation to be made in connection with the order.

Typically, Oakwood is able to fill complete orders for structured managed portfolios.

However, Oakwood may be unable to fill complete orders for actively managed portfolios because of market conditions or limited supply and demand. Oakwood's allocation procedures are designed to prevent any client portfolio from being favored consistently over any other client portfolio. Employee and employee family accounts managed by Oakwood will participate in allocations in the same manner as any other client portfolio.

If an order for individual equity securities is only partially filled, the amount of the equity securities actually purchased will be allocated among portfolios equitably taking into account such factors as common

custodian, the size of the order fill, the size of the various portfolios participating in the transaction, the effect on overall portfolio structure, and the degree to which a portfolio may have been given allocation preference in prior transactions based on the above factors. In addition, to the extent practicable (a) the actual prices applicable to the partially filled block equity trade will be averaged, and (b) all transaction costs in such block trades shall be shared on a pro rata basis among all participating client portfolios except as noted below.

If an order for individual fixed income securities is only partially filled, the amount of the fixed income securities actually purchased will be allocated among portfolios equitably taking into account such factors as common custodian, the size and the denomination of the order fill, the size of the various portfolios participating in the transaction, the duration objectives of the portfolio, the effect on overall portfolio structure, and the degree to which a portfolio may have been given allocation preference in prior transactions based on the above factors.

Clients who have negotiated their own commission rates and directed their brokerage to a particular broker may be charged different commission rates in the same aggregated order. In addition, some clients may be paying a single fee based on assets under management for various brokerage services and others may be paying commissions. As a result, clients who have directed their brokerage to a particular broker may pay higher or lower commission rates than other persons in the same aggregated order.

#### **Non-Discretionary Services**

401(k) Plan trustees that select Oakwood's non-discretionary services and a TPP's suite of services should review the TPP's Firm Brochure for additional information about its brokerage practices.

### **Item 13 – Review of Accounts**

#### **Discretionary Investment Management Services**

The Director of Equity Investments, Director of Fixed Income Investments, and the appropriate Portfolio Manager ("Portfolio Managers") monitor the portfolios and accounts they manage. They will each be responsible for approximately 200 portfolios and accounts and will review each portfolio at least on a weekly basis and individual trades during and upon execution. In addition, Oakwood's investment professionals are responsible for the supervision of all accounts of Oakwood's division, Acorn.

The Portfolio Managers have detailed account portfolio holdings as well as a master summary of security positions cross referenced by portfolio. When a Portfolio Manager contemplates acquiring a security, he/she will review portfolios to determine whether the particular security is appropriate taking into account such factors as diversification, risk, and return. When a security position is to be sold, the Portfolio Manager will also review the affected portfolios. In addition, the Portfolio Managers will review the portfolios for which they are responsible frequently to assess the total portfolio taking into account such factors as diversification, risk, return and performance.



Clients will receive a written quarterly summary of their portfolio which will include asset allocation, sector diversification, quantity, security description, purchase date, percent of each security, unit cost, total cost, market price, market value, annual interest/dividend rate, projected annual income, and percent yield. This summary will also show statement of changes and year to date income, expense and gain/loss summary including management fees paid by the client. An annual written tax report will also include a schedule of capital transactions and items of income and expenses. These reports are in addition to the reports the client will receive directly from the client's custodian. In addition, clients may log into Oakwood's password-protected portfolio accounting system on a daily basis to check the transactions and holdings in their portfolios. Clients may print these reports.

### **Non-Discretionary Services**

Oakwood's wealth management executive will typically review the investment portfolios of 401(k) Plans who have selected a TPP once a quarter and more frequently upon client request. Please see the TPP's Firm Brochure for a description of how it reviews 401(k) Plan client accounts.

### **Financial Planning Services**

Oakwood's Financial Planning advice and recommendations are based upon the information provided by the client and the planning assumptions agreed to by the client, and are valid only as of the date the advice and/or recommendations are provided and not for any additional period of time.

## **Item 14 – Client Referrals and Other Compensation**

### **Discretionary Investment Management Services**

#### **Other Compensation Benefits Received by Oakwood**

As disclosed above under Item 12, Oakwood previously received referrals from Fidelity through its WAS Program through which Oakwood received referrals from FPWA, a registered investment adviser and a Fidelity Investments company and also received referrals from TD Ameritrade. Oakwood may recommend TD Ameritrade or Fidelity to clients for custody and brokerage services.

Under the WAS Program, FPWA acted as a solicitor for Oakwood, and Oakwood pays referral fees to FPWA for each referral based on Oakwood's assets under management attributable to each client account referred by FPWA. More specifically, Oakwood pays the following amounts to FPWA for referrals: for referrals made prior to April 1, 2017, an annual percentage of 0.20% of any and all assets in client accounts; for referrals made after April 1, 2017, the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed income" assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. For referrals made prior to April 1, 2017, these fees are payable for a maximum of seven years. Fees with respect to referrals made after that date are not subject to the seven-year limitation. In addition, Oakwood has agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by Oakwood and not the client. Oakwood also agreed to pay TD Ameritrade referral fees of 25% on all advisory fees received from existing

clients previously referred by TD Ameritrade starting September 2012 and 15% referral fees for clients referred prior to that date. Neither firm charges Oakwood clients a custody fee for maintaining their accounts but may charge clients nominal fees for settling transactions executed at other brokerage firms into their custody accounts. Both firms have minimum brokerage commissions and trade-away fees. Other custodial firms may have more favorable arrangements.

Under an agreement with FPWA, Oakwood has agreed that it will not charge clients more than the standard range of advisory fees disclosed in this Brochure to cover referral fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, Oakwood has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when Oakwood fiduciary duties would so require, and Oakwood has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA's affiliates to another custodian; therefore, Oakwood may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit Oakwood's duty to select brokers on the basis of best execution.

As part of its fiduciary duties to clients, Oakwood endeavors at all times to put the interests of its clients first.

#### **Client Referrals**

Oakwood may enter into contractual agreements with individuals and organizations, including broker/dealers (hereafter referred to as "solicitors"), who refer or solicit clients for Oakwood. All such agreements are made in writing pursuant to Rule 206(4)-3 under the Advisers Act. While the specific terms of each agreement may differ, generally, a solicitor's compensation is based upon signing new clients and the retention of those clients through a varying percentage interest in the fees paid to Oakwood by such clients. The agreement also may provide for the solicitor to receive a minimum guaranteed amount of compensation for a specified or definite period of time. Under any circumstance, the solicitor's compensation does not increase the fee which Oakwood would otherwise charge for its investment management services.

#### **Non-Discretionary Services**

As noted above in Item #5, Oakwood receives a portion of the TPP's fee charged to 401(k) Plan clients and this amount is disclosed in the three-party agreement between the client, the TPP and Oakwood. Please see the TPP's Firm Brochure for additional information.

#### **Financial Planning Services**

If a client utilizes the services of insurance agents suggested by Oakwood, Oakwood will not receive any portion of the insurance commission.

## **Item 15 – Custody**

### **Discretionary Investment Management Services**

Oakwood does not maintain custody of client assets, except as a consequence of its ability to withdraw its advisory fee directly from certain client accounts that have provided Oakwood written authority to do so. Oakwood sends each client an advisory fee invoice and an account statement quarterly. In addition, clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains a client's investment assets. Oakwood urges each client to carefully review such statements and compare such official custodial records with Oakwood's account statements. Our statements may vary from custodial statements based on accounting procedures (e.g. accrual basis vs. settlement date basis), reporting dates, or valuation methodologies of certain securities.

### **Non-Discretionary Services**

Clients should receive at least quarterly statements from their custodian. Oakwood urges each client to carefully review such statements. 401(k) Plan trustees that select Oakwood's non-discretionary services and a TPP's suite of services should review the TPP's Firm Brochure for additional information.

## **Item 16 – Investment Discretion**

### **Discretionary Investment Management Services**

Oakwood requires clients to enter into an investment advisory agreement before Oakwood provides any services. Depending on the terms of this agreement, Oakwood may be given authority to make the following determinations without obtaining the consent of the client before transactions are effected:

- (A) The securities to be bought or sold;
- (B) The total amount of the securities to be bought or sold;
- (C) Through which broker securities are to be bought or sold; and
- (D) The commission rates at which securities transactions for client accounts are effected.

Discretionary investment authority varies significantly among clients. Each client is free to set specific limitations on such authority in the agreement with Oakwood and many do so. Clients generally select their own custodians. Clients with actively managed portfolios may restrict or prohibit transactions in securities of a specific industry. Clients may also direct Oakwood to execute transactions through specified brokers or dealers. The latter restriction may be conditioned by the client on the broker or dealer being competitive as to price and execution for each transaction, or offering a specified level of commission discount or may be subject to varying degrees of restrictions such as an instruction to utilize the broker or dealer: a) whether or not competitive, and b) where the specified levels of commission discounts are less favorable than might otherwise be obtained by Oakwood. In addition, various securities and/or tax laws as well as Oakwood's internal policies may impose additional restrictions on the investments that may be made for a client's account.

Clients are encouraged to participate in establishing specific policy guidelines for their portfolios, such as asset mix, risk and return objectives. Clients must provide Oakwood any investment guidelines and restrictions in writing.

### **Non-Discretionary Services**

Oakwood does not have any discretion over 401(k) Plan client accounts that select a TPP. Please see the TPP's Firm Brochure for additional information.

### **Financial Planning Services**

Oakwood does not have discretion over the accounts of financial planning clients unless the client has entered into an agreement with Oakwood for discretionary investment management services.

## **Item 17 – Voting Client Securities**

### **Discretionary Investment Management Services**

It is the policy of Oakwood to vote all proxies unless specifically instructed in writing by the client not to do so or unless the client has specifically reserved in writing the right to vote proxies.

In the course of performing fundamental securities analysis, Oakwood investment professionals investigate the quality of management and evaluate management policies as an integral part of choosing a stock for inclusion in client portfolios. Oakwood investment professionals are generally not shareholder activists and most proxy proposals contain adequate information to aid the informed investment professional in making a decision on how to vote the proxy in the best interests of the client. As a result, Oakwood generally votes with management on most issues, preferring that management be granted maximum flexibility and freedom to make decisions in the best interests of the shareholders.

If a client makes a written request to Oakwood, the client may direct Oakwood how to vote in a particular proxy solicitation.

In the event of a material conflict of interest, Oakwood may eliminate the conflict by choosing one of the two following options: (1) notify affected clients of the conflict of interest and seek a waiver of the conflict; or (2) if agreed upon in writing with the client, forward the proxies to affected clients allowing them to vote their own proxies.

If a client wants to find out how Oakwood voted his or her proxy on any given issue, the client should contact his Oakwood wealth management executive or client service person to make this request.

Clients may obtain a complete copy of Oakwood's written proxy voting policies and procedures as well as information on how proxies were voted for their account by requesting such information from Oakwood at the address and phone listed on page 1 of this Brochure. Oakwood will not disclose proxy votes for a client

to other clients or third parties, unless specifically requested, in writing, by the client. However, to the extent that Oakwood may serve as a sub-adviser to another adviser to a client (as in a wrap fee program), Oakwood will be deemed to be authorized to provide voting records on such client accounts to such other adviser.

### **Non-Discretionary Services**

Oakwood does not vote proxies for 401(k) Plans that have selected a TPP. Please see the TPP's Firm Brochure for additional information about their proxy voting policies.

### **Financial Planning Services**

Oakwood does not vote proxies for any securities held by financial planning clients unless they also engage Oakwood to provide discretionary investment management services.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Oakwood's financial condition. Oakwood has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

401(k) Plan trustees that select Oakwood's non-discretionary services and a TPP's suite of services should review the TPP's Firm Brochure for financial information about the TPP.

### **Additional Information**

#### **Class Actions and Legal Proceedings**

Oakwood will not advise or take action on any legal proceedings except class actions related to securities purchased by Oakwood for a client's discretionary portfolio managed by Oakwood as long as the client is a client at the time Oakwood receives the class action forms. If the class action involves securities that are not presently in a client's portfolio or were not purchased for the client by Oakwood, then Oakwood will not process the class action forms.

## Privacy Notice

Oakwood Capital Management LLC recognizes and respects the privacy expectations of our clients. Our clients entrust us not only with their hard-earned assets, but also with their personal and financial data. We consider our clients' data to be private and confidential, and we hold ourselves to the highest standards of trust and fiduciary duty in their safekeeping and use.

We have not and will not sell your personal information to anyone.

We collect nonpublic personal information about our clients from the following sources:

- Account Applications and other Forms, which may include a client's name, address, telephone number, social security number, and information about a client's investment goals and risk tolerance;
- A Client's Professional Advisors such as consultants, attorneys and accountants, who may provide financial, investment history and tax information about a client;
- Account History, including information about the transactions we have ordered for you and balances in your account; and
- Correspondence, written, electronic or telephonic between you and us or your broker or custodian and us.

We will not release information about you or your accounts to any third party unless one of the following conditions is met:

- We receive your prior consent
- We believe the recipient to be you or your authorized representative, including your attorney or accountant
- The recipient is a broker, custodian or other service provider with whom we must share information in order to manage or service your account properly
- We are permitted or required by law to release the information to the recipient

We will only use information about you and your accounts to:

- Help us better serve your investment and financial needs,
- Suggest services or other materials that may be of interest to you,
- Fulfill our regulatory obligations, and
- Administer our business.

We restrict access to nonpublic personal information about you to those employees who need to know that information in order to provide our services to you. We also maintain physical, electronic and procedural safeguards that comply with federal standards to guard the privacy of your nonpublic personal information.

We will adhere to the policies and practices described in this notice whether you are a current or former client.