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# Form ADV Part 2A

March 30, 2021

Okabena Investment Services, Inc.

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**This brochure provides information about the qualifications and business practices of Okabena Investment Services, Inc. If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer at (612) 339-7151. The information in this brochure has not been approved or verified by the US Securities and Exchange Commission or by any other state securities authority.**

**Additional information about Okabena Investment Services, Inc. also is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**



okabena® investment services

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### Item 2 - Material Changes

In this Item, we are required to disclose any material changes to this document since the last annual update dated March 12, 2020. In addition to the material and other changes set forth below, this annual update also includes certain technical, stylistic or clarifying changes intended to enhance the clarity and readability of our overall Form ADV Part 2A.

- We enhanced disclosure regarding cybersecurity and pandemic considerations in the Other Information section.
- We included references to limited non-discretionary advisory services in Items 4, 5 and 10.
- We enhanced certain disclosures concerning our pricing and valuation practices as well as OIS Private Fund expenses and the framework for allocating expenses in Item 5.
- Regarding investment program risks, we added disclosures concerning operational risk, tax-sensitive managing risk and responsible investing/ESG risks in Item 8.
- We added disclosure about different types of trade errors in Item 12.
- In Item 15, we added that we may request certain additional information from clients in connection with transacting in certain types of securities.

Notwithstanding this summary, we encourage clients to review this entire Form ADV Part 2A and contact us regarding any questions.

# Table of Contents

Item 2 – Material Changes.....	i
Item 3 - Table of Contents .....	1
Item 4 - Our Advisory Business .....	2
Item 5 - Fees and Compensation.....	3
Item 6 - Performance-Based Fees & Side-by-Side Management .....	6
Item 7 - Types of Clients .....	6
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....	7
Item 9 - Disciplinary Information .....	31
Item 10 - Other Financial Industry Activities and Affiliations.....	31
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	34
Item 12 - Brokerage Practices .....	36
Item 13 - Review of Accounts .....	39
Item 14 - Client Referrals and Other Compensation.....	40
Item 15 - Custody.....	40
Item 16 - Investment Discretion .....	40
Item 17 - Voting Client Securities.....	41
Item 18 - Financial Information.....	41
Other Information.....	42

## Item 4 - Our Advisory Business

Okabena Investment Services, Inc. ("OIS") is a fee-only, multi-family office wealth management firm that also provides investment services to charitable organizations, foundations, endowments and other tax-exempt investors. OIS is a wholly owned subsidiary of Okabena Company ("OC"), a family office which was formed in 1967 to provide a variety of financial services to the founding family. OC is owned by members of the founding family. OC created OIS in 1994 to house its investment function going forward and OIS registered as an investment adviser with the United States Securities and Exchange Commission in 1996. Over time, OIS also began offering investment advisory services to tax-exempt organizations such as charities, foundations and endowments as well as to other high-net worth families and individuals.

In addition to the clients referenced above, OIS also serves as the sponsor, manager, and discretionary investment adviser to private investment funds (the "OIS Private Funds"). The OIS Private Funds are generally asset class-based and invest in various combinations of other private investment funds, separately managed accounts, mutual funds and Exchange Traded Funds ("ETFs"). They are used as asset allocation vehicles within OIS' investment programs.

### Types of Advisory Services

OIS offers two investment programs- a taxable program for families and high net worth individuals and a tax-exempt program for charities, foundations and endowments. Both programs involve creating an Investment Policy Statement (IPS) which outlines the client's return objective, time horizon, risk tolerance, distribution/spending needs, and any circumstances unique to the client's preferences and typically includes various asset class targets and ranges. Clients may submit their own IPS or may request assistance in developing one. Although the IPS is generally reviewed with advisory clients annually, clients may change their objectives at any time. We rely on regular communication from clients to assure up-to-date information that may affect client goals and objectives.

Both programs feature model portfolios that combine a variety of the OIS Private Funds, but OIS, where appropriate, can also customize a model and use separately managed accounts and/or mutual funds and ETFs instead of some or all of the OIS Private Funds.

The taxable program offers three model options: Stable Growth, Growth, and Aggressive Growth, all of which have pre-established, long-term asset allocation targets and ranges. The tax-exempt program offers one model: the Strategic Allocation Model, which has pre-established, long-term asset allocation targets and ranges. As mentioned above, OIS may also implement a customized allocation to accommodate particular client needs.

As a result of this approach, OIS is able to provide the following services:

- Investment policy development
- Strategic and tactical asset allocation
- Portfolio construction
- Selection and monitoring of funds/managers
- Risk management
- Liquidity management

In limited instances, OIS also provides investment recommendations related to trusts holding insurance policies.

OIS reviews the asset allocations of the Model Portfolios, the OIS Private Funds and other clients and makes changes or rebalances as necessary in light of a variety of factors including market developments, investment performance (at both the portfolio and underlying investment levels), tax considerations (if any) and client liquidity needs.

On a very limited basis, OIS provides investment program services in which OIS does not have discretion over the client's account and needs client approval before implementing recommendations or where OIS only provides investment recommendations. OIS also provides limited non-discretionary investment services that do not involve portfolio construction or overall portfolio management services. Rather, such services involve specific recommendations as requested by a client.

OIS also offers a separate account equity strategy (the "Okabena Select Equity Strategy") within its investment programs and as a stand-alone strategy for clients who do not participate in the programs. Using quantitative and qualitative factors, OIS seeks to create a diversified (by style and strategy) core portfolio of US listed stocks (and some ADRs) with the goal of providing more consistent excess returns. OIS will generally seek to apply certain rules when considering maximum and minimum position size that may vary based a variety of factors in OIS' discretion, including but not limited to account size, transaction costs as compared to position size and tax considerations. The strategy is generally rebalanced quarterly subject to certain acceptable levels of variation from the model.

#### **Client Assets**

As of December 31, 2020, OIS managed \$1,283,930,871 on a discretionary basis and \$140,679,496 on a non-discretionary basis for a total of \$1,424,610,367 (calculated in accordance with the SEC's definition of "regulatory assets under management").

### **Item 5 - Fees and Compensation**

OIS' only source of revenue is the advisory fees it receives from clients- OIS does not receive payments from third parties in connection with its investment activities. With respect to our investment programs, pursuant to Investment Advisory Agreements signed by clients, we are compensated for investment management services based on a fee rate applied to advisory clients' assets under management. Given the firm's origin as a family office, as a general matter, client fees are intended to cover OIS' cost of operations. OIS offers two approaches to fees. The first approach is a non-negotiable agreement to pay the fee OIS determines in conjunction with its owner each year based on its financials, which is the fee rate paid by founding family clients and is offered to new clients as well. This flat fee is a percentage of assets under management which can vary from year to year. Fees are reviewed annually, and clients are notified in advance of the fee rate for the coming year. For 2021 the fee is 0.51% on assets under management for founding family clients and other advisory clients who select this approach. These clients may also be subject to a partial or complete waiver of fees or a special assessment at year-end as a result of changes in the firm's net operating income. The second approach is a negotiated percentage of assets under management which does not vary from year to year. Although there is no standard fee schedule for these clients, such fees are negotiable in OIS' discretion and generally ranged during the last year from 0.39% to 0.51% annually based on assets under management. OIS may, in its sole discretion, waive all or a portion of OIS' advisory fees.

Advisory fees are generally charged in quarterly installments in advance based on the value of the account assets as of the last business day of the previous calendar quarter, subject to certain adjustments relating to contributions, distributions and reallocations occurring at the beginning of the next quarter. If the Investment Advisory Agreement is in effect for less than the whole of any quarterly period at the beginning or end of OIS' provision of services, the advisory fee will be calculated on a pro rata basis for the partial period of the calendar quarter for which OIS provides services. The pro-rata portion of any pre-paid advisory fees will be refunded. Given the structure of OIS' investment program, per the terms of the Investment Advisory Agreement, such agreement (and the related advisory fee) will remain in effect after a notice of termination through the end of the liquidity terms of any applicable OIS Private Fund investment.

OIS does not charge a separate advisory fee to the OIS Private Funds. Rather, for advisory clients whose assets are invested in the OIS Private Funds, the client's advisory fee is allocated to the client's capital account and deducted by OIS. Fees are calculated based on the unaudited net asset value for the applicable OIS Private Fund.

For client investments outside of the OIS Private Funds, OIS deducts the applicable advisory fee directly from a client custodial account.

The limited non-discretionary advisory service discussed above has no standard fee and is negotiated on a case by case basis based on the services to be provided, but the fee is generally lower than the fee for the full investment program.

With respect to clients invested directly in the Okabena Select Equity Strategy, if such clients are in OIS' investment program, they currently pay no separate advisory fee related to the strategy. They still pay the advisory fee associated with the investment program described above, but there is no separate, second advisory fee on the assets invested in the strategy. The standard fee for clients only invested in the Okabena Select Equity Strategy is 0.50% annually based on assets under management. This fee is negotiable in OIS' sole discretion. The advisory fee is typically charged in quarterly installments in advance, pro-rated for partial periods and deducted from the client's account. Prepaid but unearned advisory fees are refunded.

### **Other Fees and Expenses**

To the extent client assets are invested in the OIS Private Funds, each OIS Private Fund bears its own expenses, including transaction, custody, legal and other expenses. Additional information about OIS Private Fund expenses is set forth below. Advisory clients will bear their pro rata share of these expenses, based on their ownership interest in the OIS Private Funds.

Advisory clients invested in the OIS Private Funds will also indirectly bear their pro rata share of the fees and expenses associated with the investments made by the applicable OIS Private Fund. For example, to the extent an OIS Private Fund invests in another private fund, these indirect fees and expenses would include, but not be limited to, the underlying fund's investment advisory fee, performance fee (if any), administrative fees and expenses, brokerage expenses such as commissions, custodial expenses, legal expenses, audit expenses and other operating expenses. In some instances, OIS may invest client assets in a fund of funds, which would create three layers of fees, inclusive of OIS' advisory fee. And, as disclosed in the applicable offering documents, one of the OIS Private Funds invests in other OIS Private Funds. Clients investing in the top-level OIS Private Fund are charged a reduced advisory fee but also pay their agreed advisory fee in connection with assets invested in the underlying OIS Private Funds.

To the extent client assets are invested directly in third party separate accounts, clients will pay advisory fees to those managers directly as well as OIS' advisory fee. Other fees and expenses related to those managers include performance fees (if any), custodial costs and brokerage expenses such as commissions. These expenses are described in each manager's Form ADV Part 2A, which OIS provides to clients.

To the extent client assets are invested directly in third party mutual funds and/or ETFs, the client's account will bear its proportionate share of the fees (including advisory fees) and expenses of these investment vehicles, in addition to the advisory fee payable to OIS.

In sum, clients that participate in OIS' investment program therefore will generally pay two levels of advisory fees- one to OIS and one indirectly to the manager of the underlying private fund, separate account or mutual fund/ETF. To the extent clients can invest directly with such managers and funds without OIS' involvement, they would pay less in advisory fees. However, not all such managers/funds are open to all investors and these clients would lose the benefit of OIS' investment and manager due diligence, selection and ongoing monitoring, as well as OIS' portfolio construction process.

Clients directly invested in the Okabena Select Equity Strategy will also pay the fees and expenses of their custodian as well as any related transaction costs or expenses. Please see Item 12 for more information on our brokerage practices.

### **OIS Private Fund Expenses**

Each OIS Private Fund bears its own ongoing expenses, including, in OIS' discretion, the following: transaction (e.g., brokerage commissions), administrative, custody, legal, tax preparation, audit and accounting expenses, pricing and valuation data, portfolio management software, as well as any other expenses of the Fund that, in the determination of OIS in its discretion, are reasonably incurred in connection with the operation of the business and maintenance of the OIS Private Fund. These expenses also data services used for performance, portfolio and holdings analytics, interest expense and related administrative expenses relating to an OIS Private Fund's use of a line of credit or margin account to facilitate liquidity needs as well as the due diligence fees and expenses of a third-party firm's review of certain prospective and existing third-party funds and managers. To the extent OIS pays an OIS Private Fund expense, OIS is reimbursed as soon as reasonably practicable. Certain expenses may benefit more than one OIS Private Fund, as well as client accounts and the business practices of both OIS and OC. OIS allocates such expenses among the benefitting parties as it may reasonably determine generally based on a pro rata approach. For example, certain expenses that are deemed to benefit multiple OIS Private Funds are allocated pro rata based on such funds' net asset value. Expenses that benefit OIS Private Funds as well as client separate accounts may be allocated pro rata based on the net asset value of all such accounts or on the value of the specific underlying investments that benefit from such expenses. With respect to the separate accounts that benefit from such expenses, OIS pays those expenses and does not assess them to client accounts. Other expenses that also benefit the business operations of OIS and OC are also allocated to each of those entities, typically based on usage considerations. This allocation framework presents a conflict of interest, because OIS could seek to reduce its or OC's expenses by allocating their portions to the OIS Private Funds or could decide to benefit one OIS Fund at the expense of another. OIS has addressed this conflict in its policies and procedures concerning the allocation framework and also requires these determinations to be documented. The OIS Valuation Committee reviews and approves the allocation methodology. Additional information about OIS Private Fund expenses is contained in the offering documents.

## **Pricing and Valuation**

OIS seeks to maintain accurate valuations of the securities held in the OIS Private Funds and clients' separately managed portfolios. OIS obtains regular pricing for the securities held in the OIS Private Funds and clients' separately managed portfolios from reliable third-party sources e.g., custodian banks, broker/dealers, FactSet and underlying investment managers and/or administrators. In addition, OIS may determine fair values for securities for which market quotations are not readily available or when the price provided by a pricing source does not, in our view, represent fair value. Given the illiquid nature of certain of the OIS Private Funds' underlying investments, OIS relies on estimates received from the underlying investment manager or administrator as well as lagged (not current but most recently received) values. Such estimated or lagged values can constitute a material portion of an OIS Private Fund's valuation, particularly the Okabena Private Markets Fund. OIS Private Fund values are audited on an annual basis. The valuation of these securities forms the basis for calculating the value of the OIS Private Funds and the overall client account. These values are reflected in client reports and serve as the basis for calculating our advisory fee. This causes the potential for a conflict of interest because a higher fair value assigned to such investment can result in greater advisory fees paid (where advisory fees are based on net asset values). Valuations assigned to securities and other investments are not necessarily equivalent to the value that can be realized by client accounts (including the OIS Private Funds) on the immediate sale of those securities and other investments.

To address this issue, OIS has adopted a Valuation Policy that sets forth various valuation considerations and processes. The OIS Valuation Committee is chaired by the Chief Financial Officer and has oversight responsibilities over the proper execution of the Valuation Policy. The Valuation Committee meets monthly to review significant accounting reconciling items, assess fair value determinations, and review and approve values.

All estimated valuations are ultimately compared to the underlying manager's/administrator's final valuation when received. Resulting value differences are documented and aggregated by OIS Private Fund to identify whether a predetermined valuation true-up threshold has been exceeded. If the threshold has been exceeded, a true up entry will be posted to client accounts for the current period and any resulting advisory fee impact will be applied in that quarter. Clients are notified that a true up entry was made and that fees were affected. With respect to the Okabena Private Markets Fund, given the nature of its investments, any such true-up occurs annually in connection with the determination of final values as part of the annual audit process in June. As a result, the first two quarters' advisory fees are directly affected by the true-up, however, the calendar quarters going forward benefit indirectly resulting from the new "trued-up" valuation.

## **Item 6 - Performance-Based Fees & Side-by-Side Management**

OIS does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). As a result, we have no conflicts of interest between accounts that pay asset-based fees and accounts that pay performance-based fees (known as "side-by-side management").

## **Item 7 - Types of Clients**

We provide investment advice to the following types of clients:

- High net worth families and individuals and their related entities;



- Charities, foundations, endowments, and other not-for-profit organizations; and
- The OIS Private Funds.

We generally require that clients have \$5 million in investments to participate in our investment programs. With respect to the Okabena Select Equity Strategy, the account minimum is \$1 million. We have the right to waive these minimums in our sole discretion.

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

### **Core Programs- Methods of Analysis / Investment Strategies.**

#### Philosophy and Investment Programs

OIS' philosophy is grounded in fundamental concepts which emphasize understanding the risks and correlations across a variety of asset classes to seek to achieve the most efficient portfolios possible. Portfolios are diversified across multiple asset classes and in various investment strategies within each asset class. Where appropriate, the specific risks associated with individual funds or managers will be addressed by diversifying across multiple funds/managers. The systematic risks of specific asset classes will be addressed by investing in other asset classes with low correlations. Our investment programs can be summarized as a fully discretionary, open architecture, manager of managers structure implemented through pooled investment vehicles (including the OIS Private Funds, other private funds, mutual funds and/or ETFs) and/or separately managed accounts.

#### Strategy- OIS Asset Classes

In creating asset class-level strategies, as an independent investment management firm, our investment recommendations are not limited to or unduly influenced by any product or service offered by any particular broker-dealer, investment company, private investment fund, or other investment adviser. Rather, pursuant to the strategy implementation discussion below, we select what we believe are the best managers and/or funds for each asset class. For each of the asset classes offered, OIS has developed forward-looking expectations for return, risk, and the correlations among them. OIS reviews these assumptions periodically to confirm their continued validity.

Listed below are the OIS Asset Classes, including the objectives and composition of each asset class:

US Equity- Objective: Total return and growth, liquidity, and diversification.

- Equity securities of companies whose primary operations and revenues are based generally inside the United States, as well as ADRs.

Non-US Equity- Objective: Total return and growth, liquidity, and diversification through less correlated exposure to global economies and currencies.

- Equity securities of companies whose primary operations and revenues are based outside the United States.

Marketable Alternatives- Hedge Funds- Objective: Total return independent of overall market movements, risk reduction/low volatility, diversification through uncorrelated strategies, and exposure to global economies and currencies.

- Long and short positions in equity and debt securities of public and private companies, and derivatives in various asset classes typically held in private limited partnerships that are diversified by strategy.

Private Markets – Private Equity / Natural Resources / Private Real Estate- Objective: Total return and growth, diversification through uncorrelated strategies and exposure to global economies and currencies, a potential inflation hedge via exposure to real assets.

- Equity, debt, and derivative securities of private and some public companies typically held in private limited partnerships, diversified by strategy, stage of development, and vintage year.

Real Assets and Long Term Equity- Objective: Total return and growth, risk reduction/diversification through uncorrelated strategies, and exposure to global economies and currencies.

- Equity, debt, and derivative securities of companies, as well as exposure to natural resources and real estate in various forms.

Fixed Income (Taxable Investors) - Objective: Income and total return, with focus on liquidity, capital preservation, low volatility, and low correlation to other asset classes.

- Municipal bonds, U.S. government bonds, foreign bonds and currencies, precious metals, cash and other suitable fixed income securities. Securities are diversified by quality, sector, duration, structure, and geography. May also include underlying managers or funds with alternative strategies that use derivatives and leverage.

Fixed Income (Tax-exempt Investors)- Objective: Income and total return, liquidity, risk reduction/low volatility, diversification through low correlation to other asset classes, and a potential deflation hedge.

- Bonds and notes issued by the U.S. Treasury, federal government agencies, corporations, and foreign governments and corporations. Securities are diversified by quality, sector, duration, structure, and geography. May also include underlying managers or funds with alternative strategies that use derivatives and leverage.

#### Strategy- Model Portfolios

Based on these asset classes, OIS creates model portfolios. The Models are a starting point for discussion and construction of a client portfolio. OIS offers taxable advisory clients three Model options: Stable Growth, Growth, and Aggressive Growth, all of which have pre-established, long-term asset allocation targets and ranges. OIS offers tax-exempt advisory clients one Model: Strategic Allocation Model, which has pre-established, long-term targets and ranges. These models are designed to provide asset allocation guidance for clients with different investment objectives, constraints, and preferences.

Exposure to the asset classes is managed within ranges that are tight enough to seek to reasonably control risk, but wide enough to accommodate tactical shifts in response to market opportunities. Ranges for each asset class are determined based on a combination of factors including expected standard deviation of the asset class, rebalancing costs like taxes, correlation of the asset class to the rest of the portfolio, and the client's tolerance for tracking error.

#### Strategy- Model Implementation

To the extent the OIS Private Funds are used for model implementation, within each OIS Private Fund OIS engages in the following activity:

- Sourcing, Selection and Ongoing Monitoring of Managers/Funds – The process involves proprietary quantitative and qualitative analysis as well as input from external resources such as investment manager databases, portfolio analytics and risk modeling services, specialty due diligence, economic and market research providers, and legal and regulatory review.

We seek to engage multiple, best-in-class managers/funds for each component of the overall investment platform with complete objectivity. Each asset class and manager/fund decision is made in a total portfolio context, considering the expected impact of individual changes on the overall portfolio's risk and return characteristics.

Our investment professionals conduct manager/fund meetings throughout the selection process. Details of our comprehensive review process are captured in a due diligence report.

- Tactical Asset Allocation – OIS employs tactical asset allocation which is a proactive process that evaluates and anticipates market risks and attempts to capitalize on market opportunities. We monitor the markets and client portfolios regularly in an effort to identify opportunities.

OIS is also able to customize models that are implemented using separate account managers and/or third party private investment funds, mutual funds and ETFs. These are implemented using the same basic approach outlined above.

Overall client portfolios are reviewed on an ongoing basis in an effort to maximize returns relative to their risks. Underlying managers/funds undergo review and analysis, which seeks to ensure that each underlying manager/fund continues to have investment merit and is appropriately sized, given its strategy and the market environment. OIS also monitors client asset allocation for consistency with targets and ranges. Client accounts falling outside of a range will be brought back into the range, but sometimes over a longer period time because of factors such liquidity constraints, tax considerations and specific client needs or instructions.

### **Investment Programs- Risks**

All investments carry the risk of loss and there is no guarantee that any investment strategy will meet its objective. This Form ADV Part 2A does not purport to contain a complete disclosure of all risks that may be relevant.

Prior to entering into an agreement with OIS, the client should carefully consider the following:

- Investing in securities involves risk of loss of money that clients should be prepared to bear.
- Securities markets experience varying degrees of volatility. COVID-19, which originated at the end of 2019, has led to a global pandemic and has caused unprecedented market, employment, and societal disruptions in the United States and across the world. It is unknown how long these disruptions will last, if they may become more severe, or if they may lead to additional geopolitical or market risk which could negatively affect markets, liquidity, and investment valuation.
- Over time the client's assets may fluctuate and at any time be worth more or less than the amount invested.
- Clients should only commit assets that they feel are available for investment on a medium to long-term basis.
- Asset allocation may have a more significant effect on account value when one or more of the heavily weighted asset classes is performing more poorly than the others. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

- Our strategies are actively managed, and their performance therefore will reflect in part OIS' ability to make strategic and tactical allocation and specific investment decisions which are suited to achieving each portfolio's investment objective. Due to active management, the strategies could underperform other investments with similar investment objectives. There is no guarantee that any strategy will succeed and clients may lose money.
- There are risks to a multiple underlying managers/funds approach. The investment styles employed by the underlying managers/funds within an OIS asset class or OIS Private Fund may not be complementary. The interplay of the various strategies employed by the multiple underlying managers/funds may result in a client portfolio holding a concentration of certain types of securities. This concentration may be beneficial or detrimental to a portfolio's performance depending upon the performance of those securities and the overall economic environment. The underlying managers/funds for an OIS Private Fund or asset class may underperform the market generally or may underperform other underlying funds/managers that could have been selected. The multiple underlying managers/funds approach could increase a portfolio's turnover rate, realization of capital gains or losses, brokerage commissions, and other transaction costs.
- Investment in private funds is speculative and involves a substantial degree of risk. Investing in private funds may not be suitable for all investors and is intended for sophisticated investors who can accept the risks associated with its investments.
- Directional Bias – OIS' tactical asset allocation evaluates and seeks to anticipate market risks, attempting to capitalize on market opportunities. When merited, OIS may make tactical shifts away from long-term strategic allocation targets. This type of directional investing is subject to all the risks inherent in incorrectly predicting future price movements.
- Operational Risk- Client accounts are subject to operational risks arising from various factors, including but not limited to, processing errors, communication failures, human errors, inadequate or failed internal or external processes, fraud, limitations or failure in systems and technology, changes in personnel and errors caused by third-party service providers. During the pandemic, while OIS employees are remote and reliant on remote technology, operational risk is increased. OIS believes it has reasonably addressed these risks to the extent possible, but there can be no guarantees.
- Tax-Sensitive Investing Risk: Investment strategies that seek to enhance after-tax performance may be unable to fully realize strategic gains or harvest losses due to various factors. Market conditions may limit the ability to generate tax losses. A tax-sensitive strategy may cause a client portfolio to hold a security in order to achieve more favorable tax treatment or to sell a security in order to create tax losses.
- OIS may from time to time inadvertently receive or affirmatively agree to receive material non-public information concerning an issuer of securities which may cause it, in accordance with applicable laws and regulations, to restrict or limit its ability to trade securities of such issuer for client accounts.

The risks set forth below generally apply to the extent an OIS Private Fund or client portfolio is allocated to the asset class or type of security identified.

- *Market Risk.* The market values of the securities in which a client invests may decline, at times sharply and unpredictably. Market values of equity securities are affected by a number of different factors, including the historical and prospective earnings of the issuer, the value of its assets, management decisions, decreased demand for an issuer's products or services, increased production costs, general economic conditions, interest rates, currency exchange rates, investor perceptions, and market liquidity.
- *Security Selection.* The securities chosen by OIS or an underlying fund/manager may decline in value. Security selection risk may cause the strategy to underperform other strategies with a similar investment objectives and investment techniques.
- *Common Stocks.* The value of common stocks will rise and fall in response to the activities of the company that issued the stock, general market conditions, and/or economic conditions. If an issuer is liquidated or declares bankruptcy, the claims of owners of bonds will take precedence over the claims of owners of common stocks.
- *Value Stocks.* Investments in value stocks are subject to the risks of common stocks, as well as the risks that (i) their intrinsic values may never be realized by the market or (ii) such stock may turn out not to have been undervalued.
- *Growth Stocks.* Investments in growth stocks are subject to the risks of common stocks. Growth company stocks generally provide minimal dividends which could otherwise cushion stock prices in a market decline. The value of growth company stocks may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks.
- *Exchange Traded Funds.* ETF shares are shares of exchange traded investment companies that hold a portfolio of common stocks designed to track the performance of a particular index. ETFs and other similar instruments involve risks generally associated with investments in a broad-based portfolio of common stocks, including the risk that the general level of stock prices, or that the prices of stocks within a particular sector, may increase or decrease, thereby affecting the value of the shares of the ETF or other instrument. The main risk of investing in index-based investments like an ETF is the same as investing in a portfolio of equity securities comprising the index. As a shareholder of an ETF, a client portfolio would bear its pro rata portion of the ETF's expenses, including advisory fees, in addition to the expenses such ETF bears directly in connection with its own operation. The market prices of index-based investments will fluctuate in accordance with both changes in the market value of their underlying portfolio securities and due to supply and demand for the ETFs on the exchanges on which they are traded (which may result in their trading at a discount or premium to their net asset values). ETFs may not replicate exactly the performance of their specific index because of transaction costs and because of the temporary unavailability of certain component securities of the index.
- *Securities of Smaller Capitalization Companies.* Investments in securities of smaller capitalization companies are subject to the risks of common stocks. Investments in smaller capitalization companies may involve greater risks because these companies generally may have a more limited track record, narrower end markets for their products or services, more limited managerial and financial resources and a less diversified product offering than larger, more established companies. Smaller capitalization company stocks are also more likely than larger

companies to suffer from significantly diminished market liquidity and volume of trading. As a result of these factors, the performance of smaller capitalization companies can be more volatile, which may increase the volatility of a portfolio.

- *Active Management Risk.* The strategies are actively managed, and their performance therefore will reflect in part OIS' and any underlying managers'/funds' ability to make selective investment decisions which are suited to achieving each portfolio's investment objective. Due to active management, the strategies could underperform other investments with similar investment objectives.
- *International Investing Risk.* Investing in these securities involves risks not typically associated with U.S. investing. These risks include, but not limited to:
  - *Currency Risk.* Because foreign securities often trade in currencies other than the U.S. dollar, changes in currency exchange rates will affect a Fund's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of securities. A strong U.S. dollar relative to other currencies will adversely affect the value of a portfolio, separate from any intrinsic value of the security in its local currency.
  - *Foreign Securities Market Risk.* Securities of many non-U.S. companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. Securities of companies traded in many countries outside the U.S., particularly emerging markets countries, may be subject to further risks due to the inexperience of local investment professionals and financial institutions, the possibility of permanent or temporary termination of trading, and greater spreads between bid and asked prices for such securities. In addition, non-U.S. stock exchanges and investment professionals are subject to less governmental regulation, and commissions may be higher than in the United States. Also, there may be delays in the settlement of non-U.S. stock exchange transactions.
  - *Information Risk.* Non-U.S. companies generally are not subject to uniform accounting, auditing, and financial reporting standards or other regulatory requirements that apply to U.S. companies. As a result, less information may be available to investors concerning non-U.S. issuers. Accounting and financial reporting in emerging markets may be especially sub-standard, inconsistent, or not comparable.
  - *Investment Restriction Risk.* Some countries, particularly emerging markets, restrict to varying degrees foreign investment in their securities markets. In some circumstances, these restrictions may limit or preclude investment in certain countries or may increase the cost of investing in securities of particular companies.
  - *Political and Economic Risks.* International investing is subject to: the risk of political, social, or economic instability in the country of the issuer of a security; the difficulty of predicting international trade patterns; the possibility of the imposition of exchange controls, expropriation, limits on removal of currency or other assets; and nationalization of assets. There may also be additional tax costs and reporting requirements for non-resident investors.

- *Other Risks Related to ADRs.* ADRs are U.S. dollar-denominated equity and debt securities of foreign issuers or directly in foreign securities that are offered on U.S. exchanges. Interest or dividend payments on such securities may be subject to foreign withholding taxes.
- *Fixed Income Risks.* interest rate risk, which is the chance that bond prices overall will decline because of rising interest rates; income risk, which is the chance that a strategy's income will decline because of falling interest rates; credit risk, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline; and call risk, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. The strategy would then lose any price appreciation above the bond's call price and investors would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the strategy's income.
- *Municipal Securities Risks.* Such bonds are subject to the fixed income risks described above as well as the following risks: legislative risk- the risk that a change in the tax code could affect the value of tax-exempt interest income; and liquidity risk - the risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded, or bonds sold by an infrequent issuer.
- *Responsible Investing and ESG Risks:* Clients utilizing responsible investing strategies and environment, social responsibility and corporate governance (ESG) factors may underperform strategies which do not utilize responsible investing and ESG considerations. Responsible investing and ESG strategies may operate by either excluding the investments of certain issuers or by selecting investments based on their compliance with factors such as ESG. These strategies may exclude certain sectors or industries from a client's portfolio, potentially negatively affecting the client's investment performance if the excluded sector or industry outperforms. Responsible investing and ESG are subjective by nature, and OIS may rely on analysis and 'scores' provided by third parties. A client's perception may differ from OIS' or a third party's on how to judge an issuer's adherence to responsible investing principles.

Set forth below are various additional investment risks related to investments in the OIS Private Funds (the "Funds" below in this section only). These risks are relevant to the extent an OIS Private Fund retains a sub-adviser or invests in another fund (collectively, "Investment Funds" or "Investment Managers" (which can also refer to a fund manager) as context dictates below in this section only) that uses the instruments or techniques described below. Further risk information is contained in the respective offering documents of the OIS Private Funds. Risks related to an OIS Private Fund's investment in the Okabena Select Equity Strategy are set forth in the section below specifically addressing the strategy.

*Multi-Manager Concept.* Each Fund invests a portion of its assets in Investment Funds. Because each Fund invests in Investment Funds whose Investment Managers make their trading decisions independently, it is theoretically possible that one or more of such Investment Managers may, at any time, take investment positions that are opposite of positions taken by other managers. It is also



possible that these Investment Managers may, on occasion, be competing with each other for similar positions at the same time. Also, a particular Investment Manager may take positions for its other clients that are opposite to positions taken for a Fund.

*Investment Strategies.* The success of each Fund depends in part on the OIS' ability to select and allocate assets to individual Investment Funds and investments. Success also depends on each Investment Manager's ability to select individual investments, to correctly interpret market data, to predict future market movements, and otherwise to implement its investment strategy. OIS actively allocates and reallocates assets among various Investment Funds and investments. There can be no assurance that a Fund will always be able to invest in a particular Investment Fund. No assurance can be given that the investment strategies to be used by a Fund or an Investment Fund will be successful under all or any market conditions.

*Investment Risks in General.* Each Fund engages in speculative investment strategies through its investment in Investment Funds and through its direct investments. The prices of securities in which the Investment Funds or a Fund invests may be volatile. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary, and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets and related investments to move rapidly.

*Dependence on Investment Managers.* None of the Funds has direct control over that Fund's assets once they are allocated to Investment Funds; therefore, each Fund is highly dependent upon the expertise and abilities of the Investment Managers who have investment discretion over a Fund's assets invested with them. Therefore, the death, incapacity, or retirement of an Investment Manager or its principals, as well as the investment decisions made by any Investment Manager or its principals may adversely affect investment results of a Fund. Furthermore, while OIS analyzes Investment Funds and their Investment Managers prior to a Fund's investing with them, and while OIS monitors the performance of the Investment Funds and generally receives portfolio information from each Investment Manager retained on behalf of a Fund, the information OIS receives may not always be complete or accurate. As such, it may not be possible for OIS to uncover fraudulent activity perpetrated by one or more Investment Funds or their Investment Managers.

*Limited Asset Allocation Flexibility.* Each Fund is restricted in its ability to allocate capital and to control risk given various limitations on the liquidity of Investment Funds. Investment Funds may permit redemptions only on a semi-annual, annual, or less frequent basis and/or be subject to "lock-ups" (where investors are prohibited from redeeming their capital for a specified period following investment in such fund) and/or "gates" (where investors are prohibited from redeeming their capital above a certain level). A Fund could be unable to redeem its capital from Investment Funds in which it invests for an extended period after the OIS has determined that the Investment Manager operating such Investment Fund has begun to deviate from its announced trading policies and strategy.

*Reliability of Valuations.* A Fund's interest in an Investment Fund is generally valued at an amount equal to that Fund's interest in such Investment Fund, as determined pursuant to the instrument governing such Investment Fund, and reported by the Investment Manager of the relevant



Investment Fund or its administrator. As a general matter, the governing instruments of the Investment Funds provide that any securities or investments that are illiquid, not traded on an exchange or in an established market, or for which no value can be readily determined are assigned such fair value as the respective Investment Managers may determine in their judgment based on various factors, which include, but are not limited to, dealer quotes or independent appraisals, and may include estimates. A Fund generally relies on these valuations in calculating that Fund's Net Asset Value for reporting, redemptions, fees and other purposes. Such valuations may not be indicative of what actual fair market value would be in an active, liquid, or established market.

*Lack of Certain Registration and Regulatory Protections.* The Investment Funds in which a Fund invests may not be offered pursuant to registration statements effective under the Securities Act, and may not be subject to the periodic information and reporting provisions under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or the Investment Company Act. As a result, the amount of publicly available information that may be used by OIS in selecting Investment Managers may be relatively limited. OIS believes, however, that it will be able to obtain sufficient information regarding potential managers and Investment Funds to select them effectively.

*Investment Selection.* Some Investment Funds select investments in part on the basis of information and data filed by the issuers of such investments with various government regulators or made directly available to the Investment Funds by the issuers of securities or through sources other than the issuers. The Investment Funds are not in a position to confirm the completeness, genuineness, or accuracy of such information and data, and in some cases, complete and accurate information may not be readily available. The likelihood that clients will realize gains depends on the skill and expertise of OIS and the Investment Managers.

*Access to Information.* OIS requests information from each Investment Manager regarding that Investment Manager's historical performance and investment strategy. OIS also requests portfolio information on a continuing basis from each Investment Manager retained on behalf of a Fund. However, OIS may not always be provided with such information, and any information provided may not be complete. This possible lack of access to information may make it more difficult for OIS to select, allocate among, and evaluate Investment Managers. In addition, Investment Managers may use proprietary investment strategies that are not fully disclosed to OIS. These strategies may involve risks under certain market conditions that have not been anticipated by the Investment Managers. OIS' inability to control the frequency, quantity, or quality of information obtained from Investment Funds regarding their investment portfolios may make it difficult or impossible for OIS to implement its risk management strategies as intended. There can be no assurance or guarantee that a Fund will be profitable even if OIS is able to implement its risk management strategies as intended.

*Third-Party Data.* In performing its duties with respect to a Fund, OIS will rely upon information provided by the Investment Funds, their Investment Managers, and their respective agents and representatives and other third parties (all such information, the "Third-Party Data"). OIS makes no representations or warranties to any Member with regard to any Third-Party Data or any derivative information and analyses based on such Third-Party Data, including, but not limited to, any warranty as to the general accuracy, time accuracy, historical accuracy, completeness, integrity, or any other aspect of the Third-Party Data or its content. OIS will also be entitled to rely upon such Third-Party Data in performing its duties with respect to a Fund.

*Newly-Operating Managers.* A Fund may directly or indirectly invest a portion of its assets in Investment Funds managed by newly-operating Investment Managers. Such Investment Managers may have less experience managing their respective Investment Funds and operating an investment management firm than other managers that have been in business for a longer period of time. The relatively shorter operational experience of emerging managers could lead to greater losses for their respective Investment Funds and for a Fund invested with them than if the Fund had invested in Investment Funds managed by more experienced managers under similar circumstances.

*Leverage; Interest Rates.* Certain Investment Funds may seek to enhance returns through the use of leverage, including borrowing to buy securities on margin or make other investments. The Investment Funds may also leverage their assets by entering into reverse repurchase agreements whereby they effectively borrow funds on a secured basis by “selling” their interests in investments to a financial institution for cash and agree to “repurchase” such investments at a specified future date for the sales price paid plus interest at a negotiated rate. Certain Investment Funds may borrow greater than one hundred percent (100%) of their assets under management pursuant to the strategy employed by such Investment Funds. Leverage magnifies both the favorable and unfavorable effects of price movements in the investments of an Investment Fund, which may subject the Investment Fund, and thus a Fund invested in it, to a substantial risk of loss. In the event of a sudden, precipitous drop in value of an Investment Fund’s assets occasioned by a sudden market decline, it might not be able to liquidate assets quickly enough to meet its margin or borrowing obligations. Also, because acquiring and maintaining positions on margin allows the Investment Fund to control positions worth significantly more than its investment in those positions, the amount that it stands to lose in the event of adverse price movements is high in relation to the amount of its investment. In addition, since margin interest will be one of the Investment Fund’s expenses and margin interest rates tend to fluctuate with interest rates generally, an Investment Fund is at risk that interest rates generally, and hence margin interest rates, will increase, thereby increasing its expenses. OIS may use leverage in a Fund to aid in cash flow needs or to accommodate periods of uneven cash flows, but not for the purpose of enhancing returns.

*Equity Securities.* The value of the securities held by a Fund, directly or through the Investment Funds, is subject to market risk, including changes in economic conditions, growth rates, profits, interest rates, and the market’s perception of these securities. A Fund’s Net Asset Value will increase and decrease, reflecting fluctuations in the value of securities underlying the securities held by a Fund or by an Investment Fund.

*Short Selling.* Some of the Investment Funds engage in short selling, both as part of their general investment strategy and for hedging purposes. Short selling involves selling securities that are not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows an Investment Fund to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss upon such purchase. An Investment Fund’s obligations under its securities loans will be marked to market daily and collateralized by that Investment Fund’s assets held at the broker, including its cash balance and its long securities positions. Because securities loans must be marked to market daily, there may be periods when the securities loan must be settled prematurely, and a substantial loss would occur.

Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short-selling exposes an Investment Fund (and thus a Fund invested in it) to unlimited risk with respect to that security due to the lack of an upper limit on the price to which an instrument can rise.

*Debt and Other Income Securities.* Many of the Investment Funds may invest in fixed-income and adjustable rate securities. Income securities are subject to interest rate, market, and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. In general, the values of fixed income securities increase when prevailing interest rates fall and decrease when interest rates rise. Because of the resetting of interest rates, adjustable rate securities are less likely than non-adjustable rate securities of comparable quality and maturity to increase or decrease significantly in value when market interest rates fall or rise, respectively. Market risk relates to the changes in the risk or perceived risk of an issuer, country, or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of income securities may be affected by changes in the credit rating or financial condition of the issuing entities. Income securities denominated in non-U.S. currencies are also subject to the risk of a decline in the value of the denominated currency relative to the U.S. dollar. The debt securities in which the Investment Funds may invest are not necessarily required to satisfy any minimum credit rating standard, and may include instruments that are considered to be of relatively poor standing and have predominantly speculative characteristics with respect to capacity to pay interest and repay principal. The Investment Funds may invest in bonds rated lower than investment grade, which may be considered speculative. The Investment Funds may also invest a substantial portion of their assets in high-risk instruments that are low-rated or unrated.

*Mortgage-Related Securities.* Mortgage-related securities are collateralized by residential or commercial mortgages or pools of residential or commercial mortgages. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related, and private organizations. These securities may include complex instruments such as collateralized mortgage obligations ("CMOs"), stripped mortgage-backed securities ("SMBS"), mortgage pass-through securities, interests in real estate mortgage investment conduits, as well as other real estate-related securities. The mortgage-related securities in which the Investment Funds invest may include those with fixed, adjustable, floating, or variable interest rates, those with interest rates that change based on multiples of changes in a specified index of interest rates, and those with interest rates that change inversely to changes in interest rates, as well as those that do not bear interest. The mortgage-related securities in which the Investment Funds invest may also relate to "balloon mortgages" (a type of short-term mortgage that requires the borrower to make regular payments for a specific interval, then payoff the remaining balance within a relatively short time).

Mortgage-related securities are subject to credit risks associated with the performance by the mortgagors. In certain instances, the credit risk associated with mortgage-related securities can be reduced by third-party guarantees or other forms of credit support. Improved credit risk does not reduce prepayment risk, which is unrelated to the rating assigned to the mortgage-related security. Prepayment risk can lead to fluctuations in value of the mortgage-related security, which may be pronounced. If a mortgage-related security is purchased at a premium, all or part of the premium may be lost if there is a decline in the market value of the security, whether resulting from changes in interest rates or prepayments on the underlying mortgage collateral. Certain mortgage-related

securities that may be purchased by the Investment Funds, such as inverse floating rate CMOs, have coupons that move inversely to a multiple of a specific index, which may result in a form of leverage. As with other interest-bearing securities, the prices of certain mortgage-related securities are inversely affected by changes in interest rates. However, although the value of a mortgage-related security may decline when interest rates rise, the converse is not necessarily true, since in periods of declining interest rates the mortgages underlying the security are more likely to be prepaid. For this and other reasons, a mortgage-related security's stated maturity may be shortened by unscheduled prepayments on the underlying mortgages. Therefore, it is not possible to predict accurately the security's return to an Investment Fund. Moreover, with respect to certain SMBS, if the underlying mortgage securities experience greater than anticipated prepayments of principal, an Investment Fund may fail to fully recoup its initial investment even if the securities are rated in the highest rating category by a rating agency. During periods of rapidly rising interest rates, prepayments of mortgage-related securities may occur at slower than expected rates. Slower prepayments effectively may lengthen a mortgage-related security's expected maturity, which generally would cause the value of such security to fluctuate more widely in response to changes in interest rates.

Investments in subordinated mortgage-backed securities ("MBS") involve greater credit risk of default than the senior classes of the issue or series. Default risks may be further pronounced in the case of subordinated MBS secured by, or evidencing an interest in, a relatively small or less diverse pool of underlying loans.

*Convertible Securities.* Some of the Investment Funds may invest in convertible securities ("Convertibles"), which are generally debt securities or preferred stocks that may be converted into common stock. Convertibles typically pay current income as either interest (debt security convertibles) or dividends (preferred stocks). A Convertible's value usually reflects both the stream of current income payments and the value of the underlying common stock. The market value of a Convertible performs like that of a regular debt security; that is, if market interest rates rise, the value of a Convertible usually falls. Since it is convertible into common stock, the Convertible generally has the same types of market and issuer risk as the underlying common stock. Convertibles that are debt securities are also subject to the normal risks associated with debt securities, such as interest rate risks, credit spread expansion and ultimately default risk, as discussed below. Convertibles are also prone to liquidity risk as demand can dry up periodically, and bid/ask spreads on bonds can widen significantly.

An issuer may be more likely to fail to make regular payments on a Convertible than on its other debt because other debt securities may have a prior claim on the issuer's assets, particularly if the Convertible is preferred stock. However, Convertibles usually have a claim prior to the issuer's common stock. In addition, for some Convertibles, the issuer can choose when to convert to common stock, or can "call" (redeem) the Convertible. An issuer may convert or call a Convertible when it is disadvantageous for an Investment Fund, causing it to lose an opportunity for gain. For other Convertibles, an Investment Fund can choose when to convert the security to common stock or to put (sell) the Convertible back to the issuer.

Because convertible arbitrage also involves the short sale of underlying common stock, the strategy is also subject to stock-borrow risk, which is the risk that the Investment Fund will be unable to sustain the short position in the underlying common shares.

*High-Yield Securities.* Investment Funds may invest in high-yield securities, which are generally unrated or rated below investment grade and may be considered speculative. Such securities are

generally not exchange-traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, an Investment Fund may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities (which react primarily to fluctuations in the general level of interest rates) and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. A major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

*Distressed Securities.* An Investment Fund may invest in “below investment grade” securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they may also offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, often there is no minimum credit standard that is a prerequisite to an Investment Fund's investment in any instrument, and a significant portion of the obligations and securities in which it invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is particularly high. There is no assurance that an Investment Manager will correctly evaluate the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which an Investment Fund invests, it may lose the entire investment, may be required to accept cash or securities with a value less than its original investment, and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from its investments in such securities may not compensate its investors, including a Fund invested in it, adequately for the risks assumed.

*Foreign Sovereign Debt.* Sovereign debt includes bonds that are issued by foreign governments or their agencies, instrumentalities or political subdivisions or by foreign central banks. Sovereign debt also may be issued by quasi-governmental entities that are owned by foreign governments but are not backed by their full faith and credit or general taxing powers. Investment in sovereign debt involves special risks. The issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal and/or interest when due in accordance with terms

of such debt, and an Investment Fund may have limited legal recourse in the event of a default because, among other reasons, remedies must be pursued in the courts of the defaulting party. In addition, political conditions, especially a sovereign entity's willingness to meet the terms of its debt obligations, are of considerable significance.

A sovereign debtor's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward principal international lenders, and the political constraints to which a sovereign debtor may be subject.

The occurrence of political, social or diplomatic changes in one or more of the countries issuing sovereign debt could adversely affect an Investment Fund's investments. Political changes or a deterioration of a country's domestic economy or balance of trade may affect the willingness of countries to service their sovereign debt.

*Non-U.S. Exchanges and Markets.* An Investment Fund may engage in trading on non-U.S. exchanges and markets. Trading on such exchanges and markets may involve certain risks not applicable to trading on U.S. exchanges, and it is frequently less regulated. For example, certain of those exchanges may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants, as do U.S. exchanges. There also may be less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on those exchanges. Some non-U.S. exchanges, in contrast to U.S. exchanges, are "principals' markets" in which performance is the responsibility only of the individual member with whom the trader has dealt and is not the responsibility of an exchange or clearing association. Furthermore, trading on certain non-U.S. exchanges may be conducted in such a manner that all participants are not afforded an equal opportunity to execute certain trades and may also be subject to a variety of political influences and the possibility of direct government intervention. Investment in non-U.S. markets would also be subject to the risk of fluctuations in the exchange rate between the local currency and the dollar and to the possibility of exchange controls. Foreign brokerage commissions and other fees are also generally higher than in the United States.

*Non-U.S. Investments.* Investment in non-U.S. issuers or securities principally traded outside the United States may involve certain special risks due to economic, political, and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive, accounting reporting and disclosure requirements than domestic issuers. The securities of some foreign governments and companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets. The foregoing risks associated with non-U.S. investments are even greater in emerging markets.

*Custody Risk.* There are risks involved in dealing with the custodians or brokers who settle trades, particularly with respect to non-U.S. investments. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the relevant Investment Fund, and hence it should not be exposed to a credit risk with regard to such parties.



However, it may not always be possible to achieve this segregation, and there may be practical or time problems associated with enforcing its rights to its assets in the case of an insolvency of any such party.

*Currency Risk.* The value of an Investment Fund's assets may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred when it changes investments from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments. An Investment Fund may "hedge" against some of these fluctuations, but such hedges, if available for the size of the transactions involved, may be prohibitively costly and may not protect against some of the more significant risks.

*Derivatives Risk.* Certain Investment Funds may trade derivatives ("Derivatives"). These are financial instruments that derive their performance, at least in part, from the performance of an underlying asset, including, but not limited to, stocks, bonds, commodities, currencies, interest rates, and market indices. The Derivatives they may use include, without limitation, futures, options, swaps, and swaptions.

Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular Derivative and the portfolio as a whole. Derivatives permit an Investment Fund to increase or decrease the level of risk, or change the character of the risk, to which its portfolio is exposed in much the same way as it can increase or decrease the level of risk, or change the character of the risk, of its portfolio by purchasing or selling specific securities.

Derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in Derivatives could have a large potential impact on an Investment Fund's performance. The risks generally associated with Derivatives include the risks that: (a) the value of the Derivative will change in a manner detrimental to the Investment Fund; (b) before purchasing the Derivative, the Investment Fund will not have the opportunity to observe its performance under all market conditions; (c) another party to the Derivative may fail to comply with the terms of the Derivative contract; (d) the Derivative may be difficult to purchase or sell; and (e) the Derivative may involve indebtedness or economic leverage, such that adverse changes in the value of the underlying asset could result in a loss substantially greater than the amount invested in the Derivative itself or in heightened price sensitivity to market fluctuations.

If an Investment Fund trades Derivatives at inopportune times or if its manager judges market conditions incorrectly, such investments may lower its return or result in a loss. It also could experience losses if its Derivatives were poorly correlated with its other investments or if it were unable to liquidate its position because of an illiquid secondary market. The market for many Derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for Derivatives. The assets of an Investment Fund may be pledged as collateral in swaps and other Derivatives. Thus, if the Investment Fund defaults on such an obligation, the counterparty may be entitled to some or all of the assets of that Investment Fund as a result of the default.

Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as over-the-counter Derivatives. Exchange-traded Derivatives generally are guaranteed by the clearing agency that is the issuer or counterparty to such Derivatives. This guarantee usually is supported by a daily payment system (*i.e.*, variation margin requirements) operated by the clearing agency in order to reduce overall credit risk. As a result, unless the clearing agency defaults, there is relatively little counterparty credit risk associated with Derivatives purchased on an exchange.

*Futures Contracts and Options on Futures Contracts.* In entering into futures contracts and options on futures contracts, there is a credit risk that a counterparty will not be able to meet its obligations to the investing Investment Fund. The counterparty for futures contracts and options on futures contracts traded in the United States and on most non-U.S. futures exchanges is the clearinghouse associated with such exchange. In general, clearinghouses are backed by the corporate members of the clearinghouse who are required to share any financial burden resulting from the non-performance by one of its members and, as such, should significantly reduce this credit risk. In cases where the clearinghouse is not backed by the clearing members (*i.e.*, some non-U.S. exchanges), it is normally backed by a consortium of banks or other financial institutions. There can be no assurance that any counterparty, clearing member or clearinghouse will be able to meet its obligations to the Investment Fund.

In addition, under the CEA, futures commission merchants are required to maintain customers' assets in a segregated account. If an Investment Fund engages in futures and options contract trading and the futures commission merchants with whom it maintains accounts fail to so segregate its assets or are not required to do so, it will be subject to a risk of loss in the event of the bankruptcy of any of its futures commission merchants. Even where customers' funds are properly segregated, it might be able to recover only a *pro rata* share of its property pursuant to a distribution of a bankrupt futures commission merchant's assets.

If an Investment Fund were unable to liquidate a futures contract or an option on a futures position due to the absence of a liquid secondary market or the imposition of price limits, it could incur substantial losses. It would continue to be subject to market risk with respect to the position. In addition, except in the case of purchased options, it would continue to be required to make daily variation margin payments.

*Futures Cash Flow.* Futures contracts gains and losses are marked-to-market daily for purposes of determining margin requirements. Option positions generally are not marked-to-market daily, although short option positions will require additional margin if the market moves against the position. Due to these differences in margin treatment between futures and options, there may be periods in which positions on both sides must be closed down prematurely due to short-term cash flow needs. Were this to occur during an adverse move in the spread or straddle relationships, a substantial loss could occur.

Most United States futures exchanges limit fluctuations in certain commodity interest contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a particular contract has increased or decreased by an amount equal to the daily limit, positions in the contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Contract prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent an Investment Fund from promptly liquidating



unfavorable positions and subject it to substantial losses, which could exceed the margin initially committed to such trades.

Each exchange on which futures are traded and the CFTC typically have the right to suspend or limit trading in the contracts that each such exchange lists. Such a suspension or limitation could render it impossible for an Investment Fund to liquidate its positions and thereby expose it to losses. In addition, there is no guarantee that an exchange and other secondary markets will always remain liquid enough to close out existing futures positions. It is also possible that an exchange or the CFTC could order the immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

*Options Transactions.* The purchase or sale of an option by a Fund and/or one or more Investment Funds involves the payment or receipt of a premium payment and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security or other instrument in excess of the premium payment received.

*OTC Transactions.* Certain Investment Funds may invest in instruments that are not traded on organized exchanges and, as such, are not standardized. These transactions are known as over-the-counter ("OTC") transactions. In general, there is less governmental regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. This exposes it to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. In addition, it will be subject to the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy, governmental prohibition, or other causes, which could subject it to losses.

The stability and liquidity of repurchase agreements, swaps, forward contracts and other OTC Derivatives depend in large part on the creditworthiness of the parties to the transactions. If there is a default by the counterparty to such a transaction, the Investment Fund that entered into that transaction will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs, which could result in its net asset value being less than if it had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent. In September 2008, Lehman Brothers Holdings Inc., a major investment bank based in the United States, filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. While none of its U.S. broker-dealer subsidiaries was included in the Chapter 11 filing, certain of Lehman Brothers subsidiaries, including Lehman Brothers International (Europe) ("LBIE"), have been placed under the administration chartered to wind down their respective businesses. If one or more of an Investment Fund's counterparties were to become insolvent or the subject of liquidation proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of its securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, one or more Investment Funds may use counterparties located in various jurisdictions outside the United States like LBIE. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to its assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on it and its assets. Investors should assume that the insolvency of any counterparty would result in a loss to it, which could be material.

*Failure of Prime Broker, Other Broker-Dealers and Banks.* Institutions, such as brokerage firms or banks, may hold certain of an Investment Fund's assets in "street name." Bankruptcy, inadequate controls or fraud at one of these institutions, in particular, an Investment Fund's prime broker, which may hold the majority of that Investment Fund's assets, could impair the operational capabilities or the capital position of that Investment Fund.

In addition, as an Investment Fund may borrow money or securities or utilize operational leverage with respect to its assets, it will post certain of its assets as collateral securing the obligations or leverage ("Margin Securities"). The prime broker generally holds the Margin Securities on a commingled basis with margin securities of its other customers and may use certain of the Margin Securities to generate cash to fund its leverage, including pledging such Margin Securities. Some or all of the Margin Securities may be available to the creditors of the prime broker in the event of its insolvency. In addition, there may be substantial delays in the repayment of its assets in the event that the prime broker was to become insolvent, as well as a risk of total loss of such assets. In such event, the timing and amount of recovery from the prime broker will depend on the circumstances of its insolvency (including the amount and value of assets still held by the prime broker) and any related liquidation proceedings. The prime broker has netting and set-off rights over all the assets held by it to satisfy its obligations under its agreements with the prime broker, including obligations relating to any margin or short positions. Any Margin Securities included in such assets might be subject to claims of the prime broker's creditors in the event of its insolvency.

*U.S. Government Securities.* Certain Investment Funds may hold U.S. government securities, which include direct obligations of the U.S. Treasury and obligations issued by U.S. government agencies and instrumentalities, including securities that are supported by: (1) the full faith and credit of the United States (e.g., certificates of the Government National Mortgage Association); (2) the right of the issuer to borrow from the U.S. Treasury (e.g., Federal Home Loan Bank securities); (3) the discretionary authority of the U.S. Treasury to lend to the issuer (e.g., Fannie Mae securities); and (4) solely the creditworthiness of the issuer (e.g., Freddie Mac securities). Neither the U.S. government nor any of its agencies or instrumentalities guarantees the market value of the securities they issue. Therefore, the market value of such securities can be expected to fluctuate in response to changes in interest rates.

*Cash Positions.* A substantial portion of an Investment Fund's assets may, from time to time, be maintained in cash or cash-equivalent investments. Although such a practice may assist in the preservation of capital, the cash positions may also impact overall investment return. Cash investment practices of a Fund may be expected, therefore, to affect total investment performance of that Fund.

*Special Situations.* Certain Investment Funds may invest in companies involved in (or which are the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies, and similar transactions. In any investment opportunity

involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time, or result in a distribution of cash or a new security the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, it may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which it may invest, there is a potential risk of loss by it of its entire investment in such companies.

*General Economic Conditions.* The success of any trading activity may be affected by general economic conditions, which may affect the level and volatility of securities prices, currency exchange rates, interest rates and the extent and timing of investors' participation in the markets for currencies, securities and other instruments. Unexpected volatility or liquidity in the markets in which a Fund directly or indirectly holds positions could impair the Fund's ability to carry out its business or cause it to incur losses.

*Financial Market Conditions, Illiquidity and Resultant Actions of Investment Managers.* The financial markets in the United States and other countries have in the last several years, and may in the future, experience a variety of difficulties and changes. These difficulties and changed conditions, coupled with other recent challenges affecting the economies of certain countries, have led to reduced liquidity in equity, credit and fixed-income markets, which in turn have adversely affected many issuers worldwide as well as the Investment Funds. This reduced liquidity may also result in more difficulty obtaining financing by issuers and the Investment Funds. In addition, these conditions could result in reduced demand for the securities and other assets in which Investment Funds invest, and may affect the valuations assigned to such securities and assets, and similar securities and assets, by the Investment Funds and other market participants. Further, the Investment Funds and such other market participants may not always value these investments at the same prices or in the same manner. Such reduced demand and affected valuations may in turn decrease the value of securities and assets held by the Investment Funds, and may prevent the Investment Funds from liquidating such securities or other assets at any price, or at prices deemed favorable to the Fund or the Investment Funds, during certain periods, which periods may be substantial and prolonged and which may include periods during which investors are seeking to redeem substantial amounts from the Fund or the relevant Investment Fund. In addition, a decrease in the net asset value of an Investment Fund could lead to a default under some or all of its credit and loan facilities, as well as the repurchase, reverse repurchase, securities lending, swap, and/or similar agreements to which it is a party, and force it to sell its securities or other assets at reduced prices to satisfy its obligations to its lenders and counterparties. If investors seek to redeem their investments in an Investment Fund, it may be forced to sell investments at less than intrinsic value in order to meet such redemption requests.

The Investment Manager or directors of an Investment Fund affected by such market conditions may seek to impose certain limitations on redemptions from such Investment Fund for prolonged periods by, for example: (1) suspending the determination of the Investment Fund's net asset value, (2) suspending redemptions in whole or in part, (3) suspending subscriptions or capital contributions, (4) imposing "gates" and/or (5) extending the period for payment of redemption proceeds. In addition, such manager or directors may seek to, among other things, (i) wind up the relevant Investment Fund, including at times and under conditions where the disposition of its securities and other assets may not be at prices deemed favorable to a Fund invested in the Investment Fund and other investors therein, (ii) assign certain illiquid or similar assets held by the relevant Investment Fund to "special situation" or "side pocket" accounts, from which redemptions are prohibited, (iii) distribute certain securities or

other assets held by the relevant Investment Fund into a liquidating trust or similar account or vehicle, in which case payment to a Fund invested in the Investment Fund and other investors in such Investment Fund of the portion of their redemptions attributable to the securities or other assets held in such liquidating trust or similar account or vehicle may be delayed until such time as such securities and other assets are liquidated or become freely tradable, and/or (iv) distribute certain securities and other assets held by such Investment Fund in-kind to a Fund invested in the Investment Fund and other investors therein, in which case the Fund invested in the Investment Fund may not be able to liquidate such securities and other assets during certain periods and/or at prices deemed favorable to its investors.

The occurrence of any one or more events described above may render a Fund's investment in an Investment Fund illiquid and/or may substantially impair the value of one or more investments of a Fund, including any investment in an Investment Fund. This, in turn, may have a material and adverse effect on clients, including without limitation by rendering some or all of their Interests illiquid or substantially impairing the value of some or all of their Interests, in each case for prolonged periods.

*Turnover.* An Investment Fund's trading activities may be made on the basis of short-term market considerations. Certain Investment Funds' portfolio turnover rates will be significant, involving substantial brokerage commissions and fees. Each Investment Fund will be responsible for the payment of all of the trading expenses incurred in connection with its trading activities, which will ultimately affect the return achieved by a Fund invested in that Investment Fund.

*Start-Up Periods.* The Investment Funds may encounter start-up periods during which they will incur certain risks relating to the initial investment of newly contributed assets. Moreover, start-up periods also represent a special risk in that the level of diversification of an Investment Fund's portfolio may be lower than in a fully committed portfolio.

*Future Regulatory Change is Impossible to Predict.* Market disruptions and the dramatic increase in the capital allocated to asset management strategies during recent years have led to increased governmental as well as self-regulatory organization scrutiny of alternative investment vehicles, such as a Fund and the Investment Funds. The Dodd-Frank Wall Street Reform and Consumer Protection Act could have a significant impact on the private fund industry, as well as the operations of the Funds and the Investment Funds. The SEC, the CFTC, the U.S. Congress, U.S. state legislatures and state securities administrators could impose greater regulation on the industry in the future. It is uncertain what impact the changes in the regulations applicable to the Funds, OIS, the Investment Managers and the Investment Funds, the markets in which they trade and invest, or the counterparties with which they do business will have, or what further changes may be instituted. Any such regulation could have a material adverse impact on the profit potential of the Funds and could require increased transparency as to the identity of clients.

The securities and derivatives markets are subject to comprehensive statutes, regulations and margin requirements. In addition, the SEC, the CFTC, and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of securities and derivatives both inside and outside the United States is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Funds or the Investment Funds is impossible to predict, but could be substantial and adverse.

*Nature of Assets.* One or more of the Investment Funds' investments in real estate and real estate-related assets will likely involve a long-term commitment and a high degree of financial risk. There can be no assurance that a Fund's objectives will be realized or that there will be any return of capital.

*Investments in Illiquid Assets.* The investments of an Investment Fund in real estate and real estate-related assets are likely to be risky, illiquid and long term. Illiquidity may result from the absence of an established market for the investments as well as legal or contractual restrictions on their resale, refinancing from other parties (including the lack of favorable financing terms) or other disposition by the Investment Fund. The market prices, if any, for such investments may be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates (affecting potential purchasers), prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, and developments or trends in any particular industry. An Investment Fund may not be able to sell its investments when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The possibility of partial or total loss of capital will exist. Even if an Investment Fund's investments in real estate are successful, they are unlikely to produce a realized return to Investment Fund's investors (including a Fund) for a period of years.

*Investments in Real Estate.* One or more of the Investment Funds may invest in real estate. Investments in real estate are subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include, but are not limited to: (i) changes in the general economic climate, (ii) local, national or international conditions (such as an oversupply of space or a reduction in demand for space), (iii) the quality and philosophy of management, (iv) competition based on rental rates, (v) attractiveness and location of the properties and changes in the relative popularity of property types and locations, (vi) changes in the financial condition of tenants, buyers, and sellers of properties, (vii) changes in operating costs and expenses, (viii) uninsured losses or delays from casualties or condemnation, (ix) changes in applicable laws, government regulations (including those governing usage, improvement, and zoning) and fiscal policies, (x) the availability of financing generally in the real estate market, (xi) interest rate levels affecting the real estate market generally, (xii) environmental liabilities, (xiii) contingent liabilities, (xiv) acts of God, acts of war (declared or undeclared), terrorist acts, strikes, and (xv) other factors beyond the control of the Investment Managers.

*Natural Resources.* Since one or more Investment Funds invest in securities of companies engaged in natural resources activities, those Funds may be subject to greater risks and market fluctuations than funds that do not invest in such companies. The value of the securities of companies engaged in natural resources fluctuate in response to market conditions generally, and will be particularly sensitive to the markets for those natural resources in which such company is involved. The values of natural resources may also fluctuate directly with respect to real and perceived inflationary trends and various political developments.

Natural resource industries throughout the world may be subject to greater political, environmental, and other governmental regulation than many other industries. Changes in governmental policies and the need for regulatory approvals may have an adverse effect on the products and services of natural resources companies. For example, many natural resource companies have been subjected to significant costs associated with compliance with environmental and other safety regulations. Such regulations may also hamper the development of new technologies. The

direction, type, or effect of any future regulations affecting natural resource industries are virtually impossible to predict.

*Volatility of Natural Resources Prices.* The performance of certain of an Investment Fund's investments may be substantially dependent upon prevailing prices of oil, natural gas, coal, and other natural resources products (such as metals and agricultural products). Such prices have been, and are likely to continue to be, volatile and subject to wide fluctuations in response to any of the following factors: (i) relatively minor changes in the supply of and demand for each commodity; (ii) market uncertainty; (iii) political conditions in international commodity producing regions; (iv) the extent of domestic production and importation of oil, gas, coal, or metals in certain relevant markets; (v) the foreign supply of oil, natural gas, and metals; (vi) the price of foreign imports; (vii) the price and availability of alternative fuels; (viii) the level of consumer demand; (ix) weather conditions; (x) the competitive position of oil, gas, or coal as a source of energy as compared with other energy sources; (xi) the industry-wide refining or processing capacity for oil, gas, or coal; (xii) the effect of regulation on the production, transportation and sale of commodities; (xiii) with respect to the price of oil, actions of the Organization of Petroleum Exporting Countries ("OPEC"); (xiv) the amount and character of excess electricity generating capacity in a market area; (xv) overall economic conditions; and (xvi) a variety of additional factors that are beyond the control of the particular Investment Fund.

*Precious Metal-Related Securities.* One or more Investment Funds may invest in the equity securities of companies that explore for, extract, process, or deal in precious metals (e.g., gold, silver, and platinum), and in asset-based securities indexed to the value of such metals. Such securities may be purchased when they are believed to be attractively priced in relation to the value of a company's precious metal-related assets or when the values of precious metals are expected to benefit from inflationary pressure or other economic, political or financial uncertainty or instability. Based on historical experience, during periods of economic or financial instability the securities of companies involved in precious metals may be subject to extreme price fluctuations, reflecting the high volatility of precious metal prices during such periods. In addition, the instability of precious metal prices may result in volatile earnings of precious metal-related companies, which may, in turn, adversely affect the financial condition of such companies.

*Cyclicity of Natural Resource Markets.* The markets for natural resources and entities whose businesses are dependent on natural resources and related activities are cyclical and, in many circumstances, dependent upon a variety of macroeconomic and political factors, some or all of which will be beyond the control of the managers of the companies in which an Investment Fund may invest, especially recessionary or inflationary economies and inflationary expectations in the United States and other countries. The values of energy and energy-related businesses are affected by changes in the supply and demand of oil, natural gas and other energy fuels. Supply and demand can fluctuate significantly over a short period of time due to changes in, for example, weather, international politics (including developments in the former Soviet Union and the Middle East), policies of OPEC, relationships between OPEC nations, the rate of economic growth in the Pacific Rim (particularly in China and India), conservation, the regulatory environment, governmental tax policies and the economic growth and stability of countries that consume or produce large amounts of energy resources. Interest rates, currency fluctuations, real or perceived market shortages, global conflicts, acts of terrorism, overproduction or overcapacity are additional factors that may result in price distortions. Such distortions may last for extended periods, thereby limiting investment opportunities as well as opportunities to exit previous Investments at reasonable valuations.



*Environmental Matters.* Environmental laws, regulations and regulatory initiatives play a significant role in the natural resources sector and can have a substantial impact on investments in this industry. For example, global initiatives to minimize pollution have played a major role in the increase in demand for natural gas and alternative energy sources, creating numerous new investment opportunities. Conversely, required expenditures for environmental compliance have adversely impacted investment returns in a number of segments of the industry.

The natural resources sector will continue to face considerable oversight from environmental regulatory authorities and significant influence from non-governmental organizations and special interest groups. Investment Funds may invest in investments that are subject to changing and increasingly stringent environmental and health and safety laws, regulations, and permit requirements. New and more stringent environmental and health and safety laws, regulations, and permit requirements or stricter interpretations of current laws or regulations could impose substantial additional costs on Investments or potential Investments. Compliance with such current or future requirements does not ensure that the operations of such investments will not cause injury to the environment or to people under all circumstances or that such investments will not be required to incur additional unforeseen expenditures. Moreover, failure to comply with any such requirements could have a material adverse effect on a company in which an Investment Fund invests, and there can be no assurance that such companies will at all times comply with all applicable laws, regulations, and permit requirements. Past practices or future operations of such companies could also result in material personal injury or property damage claims.

*Private Equity Investing.* An Investment Fund's success with respect to private equity investments is subject to many factors, including the quality of the management of the companies in which the Investment Funds invest. Many of the companies in which the Investment Funds will invest will have little operating history, will not be operating profitably, will have limited or no revenue, will be thinly capitalized, and will operate in new or developing industries. As a result, an investment in such portfolio companies (and, therefore in an Investment Fund ) carries a high degree of business and financial risk and may result in substantial losses.

*Investment Opportunities.* The business of investing in private equity is competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions and competition from other private equity investors, some of whom may have greater available capital than the Investment Funds. Because of heightened interest in private equity investing by funds of funds, pension funds, institutions, and endowments, there is considerable competition to gain access to the top-tier private equity funds. There can be no assurance that sufficient high-quality investment opportunities will be available.

*Capital Call Default Risk.* Like the other investors in a private equity transaction, an Investment Fund invested in private equity will be required to make payments from time to time to satisfy its capital commitments. The failure of another investor to meet its capital call obligations in a timely manner could result in a greater obligation to the Investment Fund invested in such transaction. Such greater investment could result in greater economic gain to the Investment Fund, but could also result in greater economic losses to the Investment Fund with respect to its interests in that private equity investment. An increased investment in a private equity investment by an Investment Fund could also cause less diversification than the Investment Manager intended and/or less liquidity than anticipated.

*Limited Recourse to Private Equity Management.* Typically, the limited partnership agreement of the private equity fund limits the circumstances under which the general partner and the investment manager to the entity can be held liable by its investors, including an Investment Fund. A general partner and an investment manager generally will not be held liable with respect to its actions or inactions unless they constitute gross negligence, willful misconduct, fraud or reckless disregard of its obligations and duties to the private equity fund.

## **Okabena Select Equity Strategy - Methods of Analysis / Investment Strategy / Risks**

As noted above, OIS also offers the Okabena Select Equity Strategy within its investment programs (including within two of the OIS Private Funds) and as a stand-alone strategy for clients who do not participate in the programs. OIS uses its knowledge of managers and funds to identify managers it believes have the potential to provide excess returns. OIS engages in a quantitative review of each such manager's source of returns, alpha, information ratio, factor exposure, correlation and any publicly filed holdings reports. OIS uses various quantitative tools such as FactSet and Axioma to seek to create a diversified (by style and strategy) core portfolio of US listed stocks (and some ADRs) with the goal of providing more consistent excess returns. As part of this process, OIS leverages its deep experience with manager selection and portfolio construction to supplement the quantitative analysis.

As discussed above, investing involves the risk of loss that clients should be prepared to bear. In addition to the applicable risks disclosed above, this strategy is also subject to other risks, including but not limited to the following.

*Public Filings Risk.* The public filings (including Form 13F filings) used in the construction of the strategy's portfolio, which disclose holdings as of the end of each calendar quarter, are filed up to 45 days after the end of the calendar quarter, rendering certain information stale. Accordingly, a given manager may have already exited positions disclosed on a form by the time the filing is available to OIS. Further, Form 13F filings may only disclose a subset of holdings, as not all securities are required to be reported. As a result, a Form 13F may not provide a complete picture of the holdings of a given manager. Because Form 13F filings are publicly available, it is possible that other investors are also monitoring these filings and investing accordingly, which could result in inflation of the share price of securities included in the strategy.

*Equity and Asset Class Risk.* Stock prices have historically risen and fallen in periodic cycles. U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. Securities in the strategy may underperform in comparison to the general securities markets or other asset classes.

*Concentration Risk.* The strategy, because it may invest in a limited number of companies, may have more volatility in its performance and is considered to have more risk than a strategy that invests in a greater number of companies because changes in the value of a single security may have a more significant effect, either negative or positive, on the strategy's performance. To the extent the strategy invests its assets in fewer securities, the strategy is subject to greater risk of loss if any of those securities decline in price.

*Quantitative Modeling Risk.* The strategy employs quantitative models as part of the management technique. These models examine multiple factors using large data sets. The results



generated by quantitative analysis may perform differently than expected and may negatively affect strategy performance.

*Technology Risk.* OIS uses various technologies in managing the strategy. For example, proprietary and third-party data and systems are utilized to support decision making for the strategy. Data imprecision, software or other technology malfunctions, programming inaccuracies and similar circumstances may impair the performance of these systems, which may negatively affect strategy performance.

*Active Management and New Strategy Risks.* OIS has only relatively recently started managing assets using this strategy. Its experience in building out the investment model and executing related trades in client accounts is limited. Failure to execute the strategy properly could result in losses. Because OIS uses its discretion in building the model and selecting managers, weightings and securities, the strategy is subject to management risk, which is the chance that OIS will not successfully execute the strategy even after applying its investment techniques and risk analysis. There can be no guarantee that OIS' decisions will produce the intended result, and there can be no assurance that the strategy will succeed.

## **Item 9 - Disciplinary Information**

Registered investment advisers are required in this Item to disclose all material facts regarding certain legal or disciplinary events that would be material to a client's evaluation of OIS or the integrity of our management. OIS has no legal or disciplinary event responsive to this Item to report.

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

The following describes OIS' relationships with affiliates and related conflicts of interest, including how OIS seeks to manage those conflicts.

### **Enterprise Affiliate Accounts**

As noted in Item 4, OIS is a wholly owned subsidiary of Okabena Company ("OC"), which provides comprehensive family office and administrative services to high net worth families and individuals as well as certain non-profit clients. Clients typically retain both OC and OIS for a complete service offering. OC's owners are members of the founding family and many of the owners are also clients of both OC and OIS. OC also owns Boulder Bridge Trust Company ("BBTC"), a South Dakota domiciled private trust company. Many OC clients use the services of BBTC. BBTC also sponsors and manages two commingled investment funds (the "BBTC Funds") for its clients' assets and has retained OIS to provide investment services to such funds. The BBTC Funds and the OC shareholders who are OIS advisory clients are considered OIS enterprise affiliate accounts and present the conflict of interest that OIS could favor them over non-affiliated client accounts. The two primary ways of favoring such accounts involve preferential fee treatment and the allocation of preferential investment and/or trading opportunities. As noted above, OIS' "floating" fee rate for founding family members is set each year and new clients have the opportunity to be charged the floating rate if they so choose. The "floating" fee rate is also paid by the BBTC Funds. Therefore, no preferential fee treatment is provided to the enterprise affiliate accounts. The use of an asset allocation strategy reduces the importance of the timing and allocation of individual investment recommendations, as OIS feels the investment allocation model is more influential on performance than the underlying investments. Further, OIS' asset allocation models primarily use the

OIS Private Funds, which reduces the opportunity to favor one account over another. To assist in addressing conflicts of interest, OIS maintains investment and trade allocation policies and procedures designed to ensure all OIS clients are treated fairly over time, as well as a Code of Ethics which includes standards of conduct expected of all personnel, including acting in the best interest of clients and treating all clients fairly.

## **OC and BBTC**

OIS has a Services Agreement with Okabena Company. Pursuant to the Agreement, Okabena Company provides OIS with office space, office services, corporate accounting and related services, human resources, employee benefits and payroll services, information technology and related services, insurance and bonding, and access to various personnel to provide administrative support services, among other things. For these services, OIS pays a fee to OC as agreed from time to time. Regarding BBTC, as discussed above OIS provides advisory services to the two BBTC Funds. OIS also provides valuation services to the BBTC Funds and investment services to certain BBTC trust accounts.

As a result of the broader enterprise structure, there is personnel overlap between the three entities. With respect to overlap involving OIS, one OC executive who also serves as President and a director of BBTC also serves on OIS' Valuation Committee (discussed in Item 5 above). More significantly, OC's President and CEO who also serves as Vice President and a director of BBTC, also serves as President of OIS and on several OIS committees. This creates the practical conflict of interest regarding allocation of employee time and resources (e.g., will the President be able to devote enough time to OIS). The governing bodies of all entities as well as the affected employees have considered these issues and are comfortable that the appropriate balance can be achieved. These conflicts are also monitored on an ongoing basis by the affected parties in an effort to ensure the President's OC and BBTC responsibilities do not impair his responsibilities and obligations to OIS. There is also the theoretical conflict that the President could favor one business over another. However, the businesses do not compete with each other for existing or new clients and their growth strategies are aligned. Moreover, as noted above there is significant commonality of clients, so favoring one business over another does not make sense. OIS believes these potential conflicts are further mitigated because personnel providing services on its behalf are subject to applicable OIS policies and procedures, as well as applicable portions of OIS' Code of Ethics, which requires OIS and its personnel to put client interests first.

## **Private Funds**

OIS is the sponsor of and investment adviser to the OIS Private Funds, which are identified below. The OIS Private Funds are not publicly offered or traded. The offering documents for the OIS Private Funds provide additional information on the OIS Private Funds. As described in Item 4 and Item 8, the OIS Private Funds are used within the OIS asset allocation models to manage client assets. They are not offered to individual investors outside of an OIS advisory client relationship.

Okabena Bond Fund, LLC  
Okabena U.S. Equity Fund, LLC  
Okabena International Equity Fund, LLC  
Okabena Marketable Alternatives Fund II, LLC  
Okabena Private Markets Fund, LLC  
Okabena Opportunities Fund, LLC  
Okabena Fixed Income Fund, LLC  
Okabena Diversified Equity Fund, LLC

Okabena Marketable Alternatives Fund, LLC  
Okabena Special Opportunities Fund, LLC

As disclosed in their governing documents, the OIS Private Funds have restrictions on when clients can redeem their investments and also on when such redemptions are paid out. Clients and potential clients should review this information carefully if they have particular liquidity concerns or needs. From time to time, clients seek to fund significant charitable contributions using appreciated stock attributed to their OIS Private Fund holdings. OIS, in its sole discretion based on the best interests of the affected fund and the client, may choose to facilitate such transfers by providing a distribution in kind to the client. This typically provides the client with a tax benefit but also benefits all shareholders by decreasing embedded gains within the fund. As noted in Item 5 above, even after a client notifies OIS of its intention to terminate the advisory relationship, such relationship and the associated advisory fees will continue until the final fund redemption is paid out. This Form ADV Part 2A Brochure is not an offer to sell, or a solicitation of an offer to purchase, interests in the OIS Private Funds. Such an offer can only occur when the prospective investor receives the offering documents.

As discussed above, the OIS taxable and tax-exempt investment programs generally involve asset allocation models that typically use the OIS Private Funds. OIS has a perceived conflict of interest in recommending the OIS Private Funds as components of the models. The primary potential conflict of interest relates to the possibility of earning more in fees by recommending the OIS Private Funds versus equivalent third-party funds. This conflict does not exist for OIS because its advisory fee is assessed only on the client assets invested in OIS Private Funds- OIS does not charge a second, separate OIS Private Fund advisory fee. Therefore, OIS receives the same total advisory fee from the client that would be received if the client invested in a third-party fund. Another potential conflict exists with respect to recommending one of the OIS Private Funds that might not be suitable for a client over an equivalent third-party fund. OIS does not believe this conflict exists as a practical matter because given the highly customized nature of investing in the OIS Private Funds, there are not “equivalent” funds available, and because recommendations are made only after a thorough assessment of client objectives, tolerance for risk, liquidity needs, and suitability as outlined in the IPS.

Similarly, to the extent OIS implements the Okabena Select Equity Strategy within an OIS Private Fund or otherwise recommends it to a program client, the potential conflict of two layers of advisory fees exists. OIS has addressed this conflict by not charging a second, separate advisory fee on assets invested in the strategy to either the OIS Private Funds or to clients. As a result, OIS has no financial interest in allocating client (including OIS Private Fund) assets to itself- it receives the same client-level fee regardless of whether client assets are invested in this strategy or with a third-party manager or fund. This approach benefits clients from a fee perspective as they do not pay a separate advisory fee like they would to a third-party manager or fund. OIS has a potential conflict regarding placing client assets in this strategy for the purpose of growing the strategy’s assets and theoretically making the strategy more attractive to prospective investors. This is generally not a realistic conflict given OIS’ business model- asset allocation and portfolio construction and management for high net worth families and individuals as well as non-profits. This type of business model does not typically rely on strategy AUM for “sales.” Moreover, OIS only recommends the strategy when it is suitable for a client.

This fee conflict is different with respect to the limited non-discretionary advisory service discussed above because OIS charges a higher fee on assets invested in the OIS Private Funds and the equity strategy, which creates the incentive to recommend such investments to make more money. These higher fees are disclosed in the Investment Advisory Agreement signed by the client and at the time of the

investment recommendation. Moreover, OIS only recommends the OIS Private Funds or the equity strategy when they are suitable for a client.

Also see other sections of this Form ADV Part 2A for additional disclosures related to conflicts, including Item 5, Item 11, Item 12 and Item 17.

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

We have adopted a Code of Ethics (the “Code”) that sets forth the standards of business, fiduciary and ethical conduct we require of our employees. Among other things, the Code requires us to conduct our business at all times consistent with our status as a fiduciary to our clients. This means we have affirmative duties of care, loyalty, honesty, and good faith in connection with all of our activities for our clients and must always act in the best interests of our clients. The Code also requires all employees to comply with all applicable federal securities laws, prohibits misuse of material non-public information or communicating material non-public information to others in violation of the law, prohibits certain personal securities transactions and requires pre-approval of certain types of securities transactions (investments in private placements and in initial public offerings). The Code also includes policies and procedures on serving as officers, trustees and/or directors or advisers of outside organizations and participating in outside business activities.

Our employees do now and are expected in the future to have interests in securities that may be recommended to a client, including the OIS Private Funds. This creates a conflict to the extent that an employee could use the knowledge about pending or currently considered client securities transactions to profit in personal securities transactions. For example, an employee who is aware of an upcoming client purchase of a security that might increase the price of that security could use that knowledge to buy the security before the client account buys the security and then sell the security and reap a profit (known as “front running”).

To address this issue, when trading certain securities or rebalancing the equity strategy for client accounts, OIS generally prohibits employee trading of these securities for a period of time. OIS as a general matter does not believe its equity trading is of a sufficient volume to have a price impact (and hence no employee could benefit), but out of an abundance of caution imposes such a trading prohibition when appropriate. This issue is also addressed by the provisions of OIS’ Code that (i) prohibit front running; (ii) prohibit trading in securities on the OIS restricted list; and (iii) require reporting and monitoring of certain securities transactions.

OIS’ Code of Ethics is available upon request to clients and prospective clients.

Because we perform advisory services for more than one client account, there may be conflicts of interest over the time devoted to managing any one account and the allocation of investment opportunities among all accounts managed by us. When this happens, we try to resolve any conflicts in a manner that is fair to all of our clients. Sometimes we may give advice and take action for one client that is different than the advice given or action taken for another client. We have no obligation to recommend or conduct the purchase or sale by a client any security that our advisors, managers, members, officers, or employees may purchase or sell for their own accounts, or for the account of another client, if we believe the sale or purchase may be unsuitable, impractical or undesirable for that client’s account. For example, when a limited opportunity to acquire or dispose of an investment which

is either suitable for, or already held by, more than one client, including the OIS Private Funds, with similar investment objectives, OIS seeks to allocate investment opportunities in such a manner that, to the extent feasible, no client receives consistently more or less favorable treatment than any other client. Investment opportunities suitable for more than one client generally will be allocated on a pro rata basis amongst the clients based on total capital commitments. However, these investment opportunities may be allocated other than on a pro rata basis where OIS determines another equitable allocation is appropriate in light of one or more relevant factors affecting each client, including available capital, capital constraints, portfolio diversification and asset allocation, duration of investment and timing of the client's commitment period and term, investment horizon (i.e., capital obligations, funding or distribution requirements), tax and other structural considerations. We strive to allocate investment opportunities over a period of time on a fair and equitable basis to all clients.

From time to time, employees may receive gifts and/or entertainment in connection with their employment at OIS. Our gift and entertainment policy provides that neither OIS as a firm nor any OIS employee may offer or give, or solicit or accept, in the course of business, any gifts, entertainment or other inducements: that may lead to improper or undisclosed conflicts of interest; that may be deemed lavish or extravagant; or that may present legal, regulatory or reputational risk to OIS, its employees or its clients. OIS employees from time to time may accept from third party investment firms reasonable business entertainment, including seminars, lunches and other events. Similarly, in connection with OIS Private Fund investments, OIS employees attend investor meetings and, when applicable, advisory committee meetings, where they are permitted to receive the same business entertainment benefits (including meals) that are provided equally to all investors/attendees. OIS personnel receive no financial compensation in connection with any advisory committee service. All gifts and entertainment above certain thresholds are reported to ensure reasonableness, propriety and consistency with the policy and certain gifts and entertainment require pre-approval by the employee's manager and the Chief Compliance Officer.

We and our employees occasionally may make contributions or provide partial event sponsorships to certain long-standing clients that are charitable organizations. Both the firm and employees are prohibited from making charitable contributions for the purpose of obtaining or retaining advisory contracts with organizations. In addition, employees are prohibited from solely considering OIS' current or anticipated business relationships in making charitable contributions. Any OIS corporate contributions or sponsorships must be reviewed and approved by the CCO. Certain of our personnel serve as officers and/or directors of unaffiliated non-profit organizations that have hired us to provide advisory services. These personnel are required to disclose these relationships both to us and to the non-profits and are required to abide by any restrictions such organizations impose on them regarding decisions to retain us. Any employee wishing to serve as a director, committee member, or in a similar oversight role for an outside public company or private company (for profit or not-for-profit), or who wishes to engage in certain outside business activities, must first seek approval from the CCO. The CCO will review the request to ensure such service is not inconsistent with the interests of OIS or its clients. All employees complete a periodic questionnaire that requires disclosure of outside activities to assess the potential for conflicts of interest.

Certain of our employees and related persons invest in the OIS Private Funds. With respect to such natural person investors, transactions in the OIS Private Funds are subject to pre-approval and must be reported. Such natural person investors are subject to all of the same terms and conditions as all other investors other than they pay no advisory fee. OIS' related person trust company has two commingled

investment funds that invest in certain of the OIS Private Funds. These funds pay the standard “floating” advisory fee and are subject to the same terms and conditions as other investors.

In addition to personnel investing in the OIS Private Funds, we manage investment accounts on behalf of certain employees. Employee accounts do not receive favorable investment or trading treatment. These accounts are managed in the same manner as other advisory clients in the same strategy, although they are not charged an advisory fee. As with other client accounts as described in Item 12 below, where possible we will generally aggregate trades involving both client and employee accounts in an effort to ensure that employee accounts do not receive favorable treatment.

## **Item 12 - Brokerage Practices**

As a general matter, given the nature of our advisory business, we do not engage in significant trading activity. Rather, the underlying managers and funds within the OIS Private Funds as well as the separate account sub-advisers engage in most of the trading. OIS does trade mutual funds, ETFs and limited options for client accounts, including the OIS Private Funds. OIS will also trade specific securities when requested by clients and trades the securities in the Okabena Select Equity Strategy.

OIS recommends that clients establish a custodial relationship with Charles Schwab & Co (“Schwab”). Clients enter into an account agreement directly with Schwab that governs the client’s relationship with Schwab and contains information about Schwab’s fees and expenses. We do not open the account for the client, although we may assist the client in doing so. Not all advisers recommend their clients use a particular broker-dealer or other custodian selected by the adviser. Schwab will hold client assets in a brokerage account and trade securities when we instruct them to.

Our recommendation of Schwab is generally based upon the following considerations:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, ETFs, etc.)
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.); Schwab moved many transaction types to reduced or zero commissions in 2019
- Reputation, financial strength, security and stability
- Prior service to us and our clients
- Availability of other products and services that benefit us, as discussed below

Because accounts custodied at a broker-dealer custodian like Schwab typically charge clients extra for transactions executed at another broker-dealer, OIS currently conducts its trading through Schwab to minimize trading costs. We have a conflict in recommending Schwab, however, because Schwab provides us and client accounts with access to their institutional brokerage services, such as trading, custody, reporting, and other related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help

us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. Other services we receive from Schwab do not benefit client accounts directly but do benefit us and are identified below. The benefits we receive are not provided on the basis of client transactions, nor do clients pay additional fees or commissions to us or Schwab to obtain these products or services. These products and services that assist us in managing and administering our clients' accounts but may not directly benefit client accounts involve access to software and other technology that:

- Provides access to client account data (such as duplicate trade confirmations and account statements);
- Facilitates trade execution and allocate aggregated trade orders for multiple client accounts;
- Provides pricing and other market data;
- Facilitates payment of our fees from our clients' accounts; and
- Assists with back-office functions, recordkeeping, and client reporting.

We also from time to time will use other Schwab services that benefit only us and are intended to help us manage and further develop our business, including: educational/training seminars, compliance information and informal consulting on technology and business needs.

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. This creates an incentive to recommend that clients maintain their account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of their transactions. This is a potential conflict of interest. We believe, however, that our recommendation of Schwab as custodian and broker is in the best interests of our clients. Our recommendation is primarily supported by the scope, quality, and price of Schwab's services, as described above, and not Schwab's services that benefit only us.

With respect to the Okabena Select Equity Strategy, we require that clients that want to access the strategy through a separate account retain Schwab as their custodian so that strategy orders can be aggregated. All of the above Schwab considerations apply to this practice as well.

### **Research and Soft Dollars**

As a matter of policy and practice, OIS does not use client commissions to pay for research or brokerage services.

### **Directed Brokerage**

Currently, Okabena Select Equity Strategy clients direct us to execute trades through our recommended broker-dealer custodian, Schwab. Our relationship with Schwab is discussed above. This direction allows us to aggregate trades in the strategy and permits us to trade with a counterparty with which we are familiar.

In limited other circumstances, OIS may permit a client to direct us to use a broker-dealer other than Schwab to execute a specific securities transaction. This direction must be in writing and accepted by



OIS. If this direction does not instruct OIS to seek best execution in connection with the transaction, the client has removed the broker dealer selection decision from OIS and we are not obligated to seek best execution. Clients are apprised of the potential risks associated with directed brokerage, including that it may cost the client more money or otherwise disadvantage the client for the following reasons:

- the direction may result in higher commissions, greater spreads or less favorable net prices than would be the case if OIS selected the brokers;
- the direction may result in trades for the client's account not being aggregated with similar trades for other client accounts and thus not eligible for the benefits that accrue to such aggregation of orders;
- as a result of not being aggregated, client transactions will generally be executed after client accounts whose trades are aggregated and may receive less favorable prices; and
- because of the direction, the client's account may not generate returns equal to those of other client accounts which do not direct brokerage.

### **Order Aggregation**

With respect to individual clients, given the highly individualized nature of the investment services we provide, securities transactions for these accounts are often effected separately for each account. In our discretion, we may combine or aggregate purchase or sale orders for more than one client when we believe such aggregation is consistent with our duty to seek best execution. For example, trades for clients in the Okabena Select Equity Strategy are generally aggregated. The decision to aggregate is made only after we determine that it does not intentionally favor any account over another and that each participating account will receive the average share price and pay their share of the transaction costs. From time to time an aggregated order involving multiple accounts does not receive sufficient securities to fill all the accounts. In these instances, clients will participate on a pro rata basis in any partially filled orders, potentially subject to certain minimums. As most of our clients use Schwab as their custodial broker-dealer, the opportunity to bunch trades for clients using alternative brokerage arrangements is extremely limited. Clients using alternative brokerage arrangements should therefore understand that they may lose the possible advantage that clients using Schwab as their custodial broker-dealer may derive from the bunching of orders. Certain advisory arrangements may be non-discretionary, where clients retain investment discretion with respect to transactions in the account and must approve our recommendations before we can implement the recommendations. We may provide our recommendations to these clients at the same time we seek to implement the recommendations to our discretionary clients. To the extent there is a delay in obtaining approval from non-discretionary clients, their transactions will be executed after the transactions of our discretionary clients. This may result in non-discretionary clients obtaining a price that is different and in some cases less favorable than those account trades that are executed first.

### **Internal Cross Trades**

We have adopted policies and procedures governing the purchase or sale of securities between client accounts, including from one OIS Private Fund to another OIS Private Fund (internal cross trade). This is a highly uncommon practice, and we would only seek to enter into such a transaction if we believed it was in the best interest of affected clients. This is accomplished via a transfer of interest for fair value between two clients, seeking to ensure that no client is disadvantaged by the transaction, and that we receive no remuneration for effecting the transaction.

### **Trade Errors**



Occasionally, a trading error may occur in a client's account. *Errors may occur for a number of reasons; examples include, but are not limited to, the following:*

- Buying or selling the wrong security;
- Buying, selling or allocating the incorrect number of shares;
- Buying or selling a security in the wrong account;
- Buying rather than selling a security;
- Selling rather than buying a security;
- Buying or selling securities not authorized for a client's account;
- Failing to follow specific client instructions to purchase, sell or hold securities; or
- Buying or selling in violation of one of our policies.

We of course seek to keep these errors to a minimum. However, if we do discover a trading error, we immediately contact the broker-dealer to provide notice of the error and to correct it. If feasible, the trade will be canceled. If the trade error correction results in a net loss to the client, and we were responsible for the trade error, we will reimburse the client either through a direct reimbursement or a credit against the next quarterly invoice, except as set forth below with respect to de minimis errors in accounts custodied at Schwab. If the error was attributable to a broker's action, we will seek reimbursement from the broker. If correcting an error results in a gain in a client's account, the client will keep any such gain unless (i) the same error involved other client accounts that should have received the gain, (ii) it is not permissible for the client to retain the gain, or (iii) we confer with the client and the client chooses to forego the gain (e.g., due to tax reasons). As a general matter, to the extent related trade errors result in both gains and losses in a client's account, they will be netted for the purpose of determining the amount of overall loss or gain.

With respect to clients custodied at Schwab that do not retain a gain resulting from correcting a trade error, Schwab will donate the amount of any gain \$100 or over to charity. If the loss is greater than \$100, OIS will pay for the loss. Schwab will bear the loss or gain (if such gain is not retained in the client account) if it is under \$100 to minimize and offset its administrative time and expense. Schwab's policy therefore relieves us of the financial obligation to reimburse losses of less than \$100 with respect to clients custodied at Schwab.

## **Item 13 - Review of Accounts**

The OIS investment team continually monitors market and other developments for their effect on client accounts. The OIS Investment Committee reviews client accounts on either a monthly or quarterly basis, depending on the nature of the accounts' investments. Certain accounts are reviewed regularly by at least one member of the Investment Committee and then reviewed at the periodic full Investment Committee meetings as necessary. The Investment Committee meets formally on a monthly basis to review market developments, client liquidity needs, the OIS Models, the OIS Private Funds and certain other client asset allocations and portfolios. The Investment Committee's review is supported by the broader OIS investment team, which includes the client service professionals. Client accounts are monitored, reviewed, and rebalanced as needed on a regular basis. OIS also monitors and reviews client accounts for appropriateness of benchmarks, investment performance, and adherence to client-specific investment guidelines.

Clients in the tax-exempt program generally receive a monthly flash report, with final performance for each of the OIS Private Funds, the Strategic Allocation Model, relevant benchmarks, as well as brief market commentary.

Clients in the taxable program generally receive a quarterly flash report summarizing investment performance and benchmarks that are specific to the OIS Private Funds and the three taxable Models.

Advisory clients receive written Quarterly Investment Reports covering activity through the end of the most recently completed calendar quarter. The report contains commentary covering the prevailing market and economic environment, a review of global financial market performance within the major asset classes, and discussions of portfolio performance along with the OIS investment outlook. Further, the report covers, as applicable to the client's account, the following: end of period asset allocation, list of holdings/managers; OIS Private Fund performance; client-specific account performance; OIS Private Fund-specific commentary; and a compilation of global reference index performance.

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

Neither OIS nor any of its employees receive any financial benefit, sales awards, or other prizes from any outside parties for providing investment advice to our advisory clients, nor does OIS compensate any person for client referrals.

OIS receives an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisers whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above in Item 12.

## **Item 15 - Custody**

Under the applicable regulatory rule, OIS is deemed to have custody of the OIS Private Fund assets and of other client portfolios, even though OIS does not physically hold any assets. OIS seeks to comply with the applicable regulatory requirements by, among other things, arranging for an audit of the OIS Private Funds and a surprise custody exam, both by an independent public accountant. To the extent clients with assets outside of the OIS Private Funds receive periodic statements from their custodians, they should carefully review their statements. OIS also urges those clients to compare those statements carefully with the reports OIS sends each quarter and bring any questions to OIS' attention immediately.

## **Item 16 - Investment Discretion**

OIS has investment discretion with respect to all securities and limited partnership interests owned by the OIS Private Funds. This is set forth in the OIS Private Funds' governing documents and reflected in the applicable subscription documents. OIS also accepts investment discretion over client accounts as reflected in the Investment Advisory Agreements signed by clients. Any limitations on this discretion are reflected in a client's Investment Policy Statement. On a very limited basis, OIS agrees to Investment Advisory Agreements in which OIS does not have discretion over the client's account and needs client approval before implementing recommendations or where OIS only provides investment recommendations. The failure to provide timely direction to OIS may result in delayed implementation of a recommendation, which depending on market movements, may have a negative or positive affect on the account.

In order to fully implement certain investment strategies, OIS may ask clients to assist with completing and/or executing documentation to utilize certain investments (e.g., third party private investment funds). OIS may also need to provide information (including but not limited to investment management agreements, organizational and tax documents, and other due diligence and anti-money laundering documentation of its clients) to counterparties as may be reasonably required by them in connection with such transactions. In the event such required information is not provided, OIS is restricted from effecting such transactions.

## **Item 17 - Voting Client Securities**

OIS typically agrees to vote proxies for client accounts as part of its Investment Advisory Agreements with clients. OIS has developed written proxy voting policies and procedures. OIS seeks to vote proxies in a way that it believes is in the best interest of enhancing or protecting the economic value of the securities held in client accounts. Given the nature of OIS' investment program, OIS typically votes in favor of management and always does so with respect to the Okabena Select Equity Strategy, where stock selection is not based on "bottom-up" research. See Item 8 above for a description of such strategy.

With respect to proxy voting conflicts, such as an issuer who is also an advisory client or an advisory client who is a senior level executive or a member of a Board of Directors of a company in which we invest, OIS identifies and determines the materiality of any potential conflicts between our interests and those of our clients. Due to the size and nature of our business, it is highly unlikely that conflicts of interest will occur. In situations where OIS perceives a material conflict of interest, OIS may: disclose the conflict to the relevant advisory clients and obtain their consent before voting; follow the voting recommendation of an independent third party provider of proxy services; send the proxy directly to the relevant advisory clients for voting; vote the proxy based on the voting guidelines set forth in the policies if the application of the guidelines to the matter presented involved little discretion on the part of OIS; or take such other action in good faith that would protect the interest of advisory clients.

Under certain circumstances, OIS may not be able to vote proxies or may find that the expected economic costs from voting outweigh the benefits associated with voting. For example, OIS may not vote proxies on certain foreign securities.

Clients may request a copy of OIS' proxy voting policies and procedures, as well as client specific relevant proxy voting records, by calling (612) 339-7151. Clients may direct how we vote a particular proxy solicitation within their account by contacting us and providing written direction.

As a general matter, when OIS retains a sub-adviser, OIS delegates proxy voting responsibility to that sub-adviser who will generally vote proxies consistent with its own proxy voting policies and procedures. OIS periodically reviews the proxy voting of sub-advisers.

## **Item 18 - Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. OIS has no financial commitments that impair its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.

## **Other Information**

### **Pandemic Considerations**

Disease outbreaks that affect local economies or the global economy may have material and adverse impacts on OIS' investment strategies and those of the OIS Private Funds, as well as on OIS itself. The outbreak of the novel coronavirus, first detected in December 2019, rapidly became a pandemic and has resulted in disruptions to the economies of many nations, individual companies and the markets in general, the impact of which cannot necessarily be foreseen at the present time. This has created closed borders, quarantines, supply chain disruptions and general anxiety, negatively impacting global markets in an unforeseeable manner. The impact of the novel coronavirus and other such future infectious diseases in certain regions or countries may be greater or less due to the nature or level of their public health response or due to other factors. Health crises caused by the recent coronavirus outbreak or future infectious diseases may exacerbate other pre-existing political, social and economic risks in certain countries. The impact of such health crises may be quick, severe and of unknowable duration. This pandemic and other epidemics and pandemics that may arise in the future could result in continued volatility in the financial markets and could have a negative impact on investment performance. During an outbreak, there can be no assurance that OIS or any of its service providers will be able to maintain normal business operations or will not lose the services of key personnel on a temporary or long-term basis due to illness or other reasons. The full impacts of disease outbreaks are unknown, resulting in a high degree of uncertainty for potentially extended periods of time.

### **Cybersecurity and Business Continuity Considerations**

As the use of technology and the Internet has become more prevalent in the course of business, OIS has become more susceptible to operational, financial, and information security risks resulting from cybersecurity breaches or other cyber-attacks. Cyber incidents can result from deliberate attacks or unintentional events and include, but are not limited to, gaining unauthorized access to electronic systems for purposes of misappropriating assets, sensitive information (including personal information relating to investors and the beneficial owners of investors), corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites.

Cyber incidents affecting OIS or any its service providers have the ability to cause disruptions and affect business operations, potentially resulting in financial losses, interference with the ability to calculate account values, impediments to trading, the inability to transact business, destruction of equipment and systems, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs. In addition, substantial costs may be incurred to prevent any cyber incidents in the future. Similar adverse consequences could result from cyber incidents involving counterparties with which OIS engages in transactions: governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions and other parties.

OIS uses a combination of internal and external resources and vendors to mitigate cybersecurity threats.

Although OIS has established internal risk management security protocols reasonably designed to prevent or detect, identify and respond to and recover from cybersecurity incidents, there are inherent limitations in such protocols including the possibility that certain threats and vulnerabilities have not been identified or made public due to the evolving nature of cybersecurity threats. As such, there is a

possibility that OIS has not adequately prepared for or identified certain risks. Furthermore, OIS cannot directly control any cyber security plans and systems put in place by third-party service providers. The failure, corruption or breach of one or more internal systems or the systems of our service providers (occurring as a result of, but not limited to: a cyberattack, a natural catastrophe, a global pandemic, an industrial accident, a terrorist attack, a global conflict and/or war or any other unanticipated events may compromise our ability to effectively conduct business. Additionally, if a significant number of OIS personnel were to become unavailable due to but not limited to the events as listed above, our ability to effectively conduct business may likewise be compromised.

Cybersecurity risks are also present for issuers of securities in which a client account invests, which could result in material adverse consequences for such issuers and may cause a client account's investment in these securities to lose value.