



# **Eaton Vance WaterOak Advisors**

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## **Form ADV Part 2A**

March 30, 2021

This Brochure provides information about the qualifications and business practices of Eaton Vance WaterOak Advisors (“WaterOak”). If you have any questions about the contents of this brochure, please contact us at (866) 331-6472 or (617) 672-8166. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Eaton Vance WaterOak Advisors is an SEC-registered investment adviser. This registration does not imply a certain level of skill or training. Additional information about Eaton Vance WaterOak Advisors also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Summary of Material Changes

This Brochure dated March 30, 2021, is an interim amendment to our annual brochure update dated January 29, 2021. This amended Brochure contains the following material changes from the annual update:

**Item 4** – On March 1, 2021, Morgan Stanley acquired WaterOak’s parent company, Eaton Vance Corp. and its subsidiaries, including WaterOak (the Morgan Stanley Acquisition). WaterOak is now an indirect wholly-owned subsidiary of Morgan Stanley and is part of Morgan Stanley Investment Management (“MSIM”), the asset management division of Morgan Stanley. WaterOak is eventually expected to move under Morgan Stanley Wealth Management (“MSWM”), the wealth management division of Morgan Stanley.

**Item 10** – WaterOak is now affiliated with Morgan Stanley entities. The most material new affiliations are Morgan Stanley Investment Management Inc., Morgan Stanley & Co. LLC, and Morgan Stanley Smith Barney LLC. Item 10 has been updated to add other affiliated entities resulting from the Morgan Stanley Acquisition, including other registered investment advisers, broker-dealers, and electronic communication networks and alternative trading systems. In addition, Item 10 has been updated to only reflect affiliations which are material to WaterOak and its clients.

**Item 11** – As a result of the Morgan Stanley Acquisition, WaterOak is now subject to additional conflicts of interest and limitations on its ability to trade with Morgan Stanley affiliates. Updates to Item 11 include:

- Morgan Stanley Securities. WaterOak will generally not transact in equity and debt issued by Morgan Stanley and certain affiliates.
- Transactions with Affiliated Broker-Dealers. To the extent WaterOak enters into a transaction in securities or other instruments with an affiliated broker-dealer, WaterOak is subject to its duty to seek best execution on client transactions, its policies and procedures regarding such transactions, and WaterOak will comply with all applicable regulation, provide any required disclosure to clients, and if applicable, obtain client consent for such transactions.

*Principal Transactions:* WaterOak will provide disclosures to, and obtain consent from, clients for transactions where an affiliated broker-dealer acts on a principal basis. Generally, WaterOak will only recommend such a transaction if it believes the net price obtained is at least as favorable as could have been obtained elsewhere.

*Securities Offerings:* Morgan Stanley affiliates act as manager, underwriter, initial purchaser, or placement agent for underwritings and other public and private offerings of securities. WaterOak must make disclosures and obtain client consent to enter into such transactions. In addition, WaterOak affiliates may be a member or manager of a syndicate or selling group in such transactions. In situations where WaterOak enters into a transaction with another member of such group, WaterOak’s affiliates can still benefit. To the extent WaterOak is prohibited by client direction or applicable law, rule or regulation, WaterOak will be unable to participate in new issuances, initial public offerings, or other public or private offerings of securities involving an affiliate, or where an affiliate is a member or manager of such group.

*Agency Transactions:* Subject to client consent and applicable law, rule or regulation, WaterOak will enter into transactions where an affiliated broker-dealer acts on an agency basis, including in transactions in over-the-counter securities. The affiliated broker-dealer will act as agent in connection with the purchase and sale of securities from other market participants and the affiliated broker-dealer will generally charge a commission on such transactions.

*Agency Cross Transactions:* WaterOak will, from time to time, subject to applicable law, regulation and disclosure and consent requirements, enter into transactions for clients where an affiliated broker-dealer acts as agent for both the buyer and seller in the transaction. The affiliated broker-dealer may receive commissions from both the buyer and seller in the transaction, and WaterOak may have conflicting divisions of loyalties and responsibilities to the participating parties.

*Clearing Facilities:* WaterOak may execute transactions with non-affiliates who do not have their own clearing facilities and who utilize a WaterOak affiliate for clearing. In such instances, the affiliate will receive a clearing fee.

*ERISA Considerations:* WaterOak is subject to additional restrictions on transactions with affiliated broker-dealers for its clients for which WaterOak is a “fiduciary” under the Employee Retirement Income Security Act of 1974, as amended. WaterOak will comply with any exemptions issued by the U.S. Department of Labor and will generally have to obtain approval from an independent fiduciary for such clients.

- Investment Banking Activities. Morgan Stanley participates in investment banking activities and advises its clients on a variety of merger, acquisitions, and financing transactions. These activities may compete with or conflict with WaterOak clients. Such conflicts include, but are not limited to: Morgan Stanley providing advice or recommendations to its clients which differ from advice WaterOak provides; Morgan Stanley advising a competitor of an issuer held in a WaterOak client’s account; and Morgan Stanley advising an issuer on an event, such as a bankruptcy which may conflict with the best interest of a WaterOak client. From time to time, WaterOak may be restricted from entering into certain types of transaction when Morgan Stanley is engaged in certain underwriting or other distributions of securities of a company. Morgan Stanley will also, from time to time, come into possession of material non-public information (MNPI). WaterOak has implemented information barriers with certain affiliates to minimize the impact to its clients if a separate division of Morgan Stanley has MNPI. WaterOak believes it would be inadvisable to exclude companies for which a Morgan Stanley affiliate is performing investment banking activities, and as such will hold such companies in client accounts unless advised otherwise by a client.
- Investment Limits. WaterOak has expanded its disclosures regarding investment limits. Various federal, state, and foreign laws, regulations, and rules, along with issuer specific restrictions limit the percentage of a position WaterOak and its affiliates may take in an issuers securities. In some cases, WaterOak is required to aggregate its positions with its affiliates. As such, WaterOak may not be able to enter into certain desired transactions if a limit could be exceeded.
- Investment Management Activities. WaterOak has expanded its disclosures related actual and potential conflicts of interest of its investment management affiliates. Such conflicts include affiliates managing long and short portfolios which could impact the

price of securities held in a WaterOak client's account, WaterOak and its affiliates investing in the same or similar securities, WaterOak and its affiliates giving advice or taking action which is not given, or is different from, advice or action for other clients. In addition, WaterOak clients may hold different classes of an issuers securities. In such a case, WaterOak or its affiliates may advise or take action for a client which could disadvantage a client holding a different class of securities. Updates have been made to disclose potential conflicts of interest created from collaboration between investment personnel from WaterOak and MSIM. Potential conflicts include one investment department trading ahead of the other, one investment department taking a different positions or views than the other, or investment departments engaging in similar transactions as each other.

- General Process with Conflicts of Interest. WaterOak has adopted policies and procedures and controls designed to ensure WaterOak complies with its fiduciary duty to clients and to seek to ensure potential or actual conflicts of interest are resolved taking into account the overriding best interest of clients. In addition, laws, rules and regulations impose certain requirements on WaterOak designed to decrease the possibility of conflicts of interest between WaterOak and its clients.

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## Item 4 - Advisory Business

Eaton Vance WaterOak Advisors (“WaterOak”) renders comprehensive wealth management solutions on both a discretionary and a non-discretionary basis to individuals, families, a registered investment company, pension plans, trusts, endowments and other institutional clients. Originally organized as Eaton Vance Investment Counsel (“EVIC”) in 2004, EVIC acquired the assets of WaterOak Advisors, LLC (“WOA”), a registered investment adviser based in Winter Park, Florida, and renamed the combined firm Eaton Vance WaterOak Advisors.

On March 1, 2021, Morgan Stanley acquired Eaton Vance Corp. and its subsidiaries, including WaterOak. WaterOak is now an indirect, wholly-owned subsidiary of Morgan Stanley and currently operating under Morgan Stanley Investment Management (“MSIM”), the asset management division of Morgan Stanley. WaterOak is expected to move under Morgan Stanley Wealth Management (“MSWM”), the wealth management division of Morgan Stanley, at a date to be determined.

As of October 31, 2020 WaterOak manages approximately \$11.1 billion in client assets. This figure reflects approximately \$9.54 billion in discretionary assets and \$823 million in non-discretionary assets, plus an additional \$702 million in assets for which advice is provided or reported on.

WaterOak provides wealth management services primarily to high net worth individuals, trusts, estates, personal holding companies, an open-ended mutual fund, pension and profit sharing plans, labor unions, religious organizations, foundations and charitable organizations, corporations, endowment funds, wrap programs, and educational institutions. WaterOak also provides discretionary investment management services to wrap fee programs sponsored by unaffiliated third parties (“Wrap Program”). WaterOak is not a sponsor of any wrap fee programs.

WaterOak provides customized investment advice to meet the needs of individual clients through a variety of investment strategies, including equity, income, mixed-asset, and alternative strategies. Each client works with a wealth advisor or a team of advisors who serve as the primary client contact. The wealth advisor discusses the investment objectives with clients and customizes an appropriate investment strategy to meet their needs. WaterOak may also provide advice on matters not involving securities, such as financial planning, taxation, charitable giving, and estate planning.

Under a typical discretionary account, the client has authorized WaterOak to supervise, manage and direct the investment of the assets of the account, including the selection of individual securities and various investment vehicles, such as ETFs, mutual funds and separately managed accounts, without prior consultation with the client. Accounts with respect to which WaterOak

makes recommendations to the clients or otherwise must consult with the client prior to making and implementing investment decisions are non-discretionary accounts. In some cases, a discretionary account will implicitly contain a non-discretionary component, such as when a subscription for an investment managed by an outside manager requires a client's signature. Investment decisions or recommendations for both types of accounts are made and implemented in accordance with each client's investment objectives and any investment restrictions described in the advisory agreement or otherwise provided to WaterOak by the client. Client portfolios may consist of individual securities, as well as registered or unregistered funds (including funds managed by WaterOak or affiliates of WaterOak). WaterOak utilizes sub-advisers, including its affiliates, to manage client assets. WaterOak also provides discretionary investment management services to wrap fee programs sponsored by unaffiliated third parties. WaterOak is not a sponsor of any wrap fee programs. For more information about WaterOak's investment advisory services, see *Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss* below and see *Item 12 - Brokerage Practices* below for additional information about trade execution.

WaterOak is the investment manager to an open-ended mutual fund (the "Fund") which acts as a fund-of-funds and primarily invests in other pooled vehicles such as exchange-traded funds (ETFs), exchange traded notes (ETNs), open- and closed-end funds, and certain individual securities and futures. Unless otherwise agreed, WaterOak may invest client assets in the Fund. Please see *Item 5 – Fees and Compensation* below for additional details.

WaterOak's integration of operational procedures and systems for legacy EVIC ("WaterOak Boston") and WOA ("WaterOak Florida") is ongoing. During this period of operational integration, certain practices, policies and procedures applicable to the respective offices will differ.

## Item 5 - Fees and Compensation

For investment management services provided, WaterOak charges a fee to its clients. Fees are generally quoted on an annualized basis as a percentage of client assets under management. WaterOak's standard fees, and minimum account size for prospective clients are set out below. The fee schedules stated below are negotiable and can vary by investment strategy, product type, account size, overall relationship considerations, customization, and required service levels.

<b>Investment Strategy</b>	<b>Fee Schedule</b>	<b>Minimum Separate Account Initial Balance</b>
Equity, Balanced & Global Multi-Asset Class Strategies *Includes Core WaterOak and affiliate strategies, as well as Principled Investment (ESG/SRI) strategies	1.00% on first \$2 million 0.80% on next \$3 million 0.60% on next \$5 million 0.40% on balance	Generally \$1 million or a minimum annual fee of \$10,000
Global Multi-Asset Class Strategy with Private Equity and Venture Capital	0.85% on first \$5 million 0.60% on next \$5 million 0.40% on balance	Generally \$5 million or a minimum annual fee of \$42,500
Global Multi-Asset Class Strategy with Direct Hedge Funds, Private Equity and Venture Capital	0.50% on first \$25 million 0.40 on balance	Generally \$25 million or a minimum annual fee of \$137,500
Fixed Income Strategies * Includes Core WaterOak taxable and tax-exempt mandates, as well as EVM TABS Ladders strategies	0.45% first \$10 million 0.30% next \$40 million 0.20% on balance	Generally \$2 million or a minimum annual fee of \$9,000
Active Short Duration Fixed Income Strategy	0.45% on first \$10 million 0.30% on next \$40 million 0.20% on balance	Generally \$5 million or a minimum annual fee of \$22,500
Custom Core Enhanced Index Strategies *Managed by Parametric Portfolio Advisors, an affiliate company.	0.75% on first \$2 million 0.70% on next \$3 million 0.50% on next \$5 million 0.40% on balance	Generally \$1 million or a minimum annual fee of \$7,500
Managed ETF Strategies	0.75% on first \$2 million 0.70% on next \$3 million 0.50% on next \$5 million 0.40% on balance	Generally \$1 million or a minimum annual fee of \$7,500
Tactical Portfolio	1.00% on all assets	Generally \$1 million



<b>Investment Strategy</b>	<b>Fee Schedule</b>	<b>Minimum Separate Account Initial Balance</b>
Outside Manager Strategies	0.50% overlay fee on balance	Generally \$10 million or a minimum annual fee of \$50,000

All advisory fees charged by WaterOak are documented in writing in the client's investment management agreement with WaterOak, as such agreement may be amended from time to time. While the above fees are quoted annually, unless otherwise agreed, fees are generally charged quarterly in arrears at a rate of  $\frac{1}{4}$  of the stated fee schedule. Fees are generally calculated based on the client's assets under management as of the last day of the calendar quarter, but upon mutual agreement, certain clients are billed on different methodologies, such as average month-end value and in the case of certain legacy clients, on the average daily market value of the client's account during the applicable quarter. Accounts with margin balances will be billed based on the total gross value of assets under management. Cash flows in excess of certain thresholds may be factored into the fee calculation if agreed upon in writing. While fees are generally payable quarterly in arrears, WaterOak and clients may mutually agree on alternative payment options, including payment in advance or payment monthly in arrears, and fixed- or flat-fee pricing. Clients managed by WaterOak Florida are billed in arrears based on the average daily net assets.

Clients may elect to be billed directly for fees, or may authorize WaterOak to directly bill fees to the client's custodial account. If WaterOak bills the client's custodian directly, WaterOak must have written authorization from the client to invoice the custodial account and the client must receive at least quarterly statements from their custodian in order to comply with applicable regulation. See also *Item 15 – Custody*.

Unless otherwise provided in an investment advisory contract, WaterOak or an affiliate is typically responsible for calculating the fees owed by a client. WaterOak will calculate the billable assets for which WaterOak has investment discretion according to its internal accounting system. WaterOak most commonly will use account values provided by a client's custodian when determining a client's account value. In certain situations, such as when a custodian does not value a security, or WaterOak reasonably disagrees with a price provided by a custodian, WaterOak will, in very rare situations, utilize unaffiliated third party pricing vendors to value securities held by clients or will fair value a security. Fair value calculations will be used in situations where current market prices are not available, or when WaterOak elects to override a price provided by a custodian or third party vendor. WaterOak factors in pending portfolio transactions when calculating an account's value. Due to fair-valued securities and pending portfolio activities, a client account's value calculated by WaterOak may not match the account's value reported by the client's custodian. When this occurs over a billing period end, and WaterOak is responsible for calculating account value, WaterOak will calculate fees based on the value reflected in its

accounting systems, which may differ from the value reported by the client's custodian. A conflict of interest exists when WaterOak calculates fees based on securities it has set a fair value for, as WaterOak is incentivized to apply a higher valuation. WaterOak has adopted valuation policies and procedures which are designed to value securities fairly, mitigating this conflict of interest.

WaterOak reserves the right to change its standard fee schedules and absent contractual agreement, is not required to change the fee schedules of existing clients to match such updated fee schedules, even if such updated fee schedules would be more advantageous to existing clients. WaterOak may, at its sole discretion, offer certain clients more advantageous fee schedules than those offered to other clients for similar services provided or waive fees (including minimum annual fees) entirely for affiliated or non-affiliated entities.

WaterOak generally negotiates the fees paid to us for investment management services provided to Wrap Programs directly with the Wrap Program sponsor, and not with individual Wrap Program participants. Wrap Program participants receive a brochure from the Wrap Program sponsor detailing all aspects of the Wrap Program. Fees and features of each Wrap Program vary by sponsor. Wrap Program clients should consult the Wrap Program sponsor's brochure for the specific fees and features applicable to their program. For Wrap Program accounts, participants generally pay the sponsor a single fee and out of this amount WaterOak is paid its negotiated fee rate by the Wrap Program sponsor for advisory services. The Wrap Program sponsor retains the remainder of the fee for trade execution, custody, and additional services.

Special requirements or circumstances may result in different fee arrangements than those stated above for certain clients. For example, additional reporting, investment policy or risk management consulting, estate and financial planning resources, legal research, or additional investment administrative services required or requested by some clients or investors may, upon mutual agreement, lead to higher fees. From time to time, WaterOak may render specialized services to clients in a manner and/or under circumstances which may not properly be characterized as investment advisory services; e.g., investment advice with respect to structuring investments for maximum U.S. federal tax efficiency or specialized advice to executors or administrators of estates or trustees of various trusts. In such cases, the fee payable to WaterOak may be negotiated and will be determined on a case-by-case basis.

Clients or WaterOak may terminate a contract for any reason. Normally, clients may cancel WaterOak's services upon such specified period provided for in the investment management agreement between the client and WaterOak (e.g., 30 days). WaterOak reserves the right to waive any applicable notice period or agree to different notice periods. During the period specified, WaterOak's normal management fees are earned and payable (unless waived pursuant to the preceding sentence). WaterOak may terminate a contract by giving the specified written notice to the client. Accounts opened or closed during a billing period are charged a prorated fee. If a client

has paid any advisory fees in advance for the period in which the investment advisory agreement is terminated, WaterOak will prorate the advisory fees for the period and return any unearned portion to the client by check or wire transfer.

WaterOak's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses. Such expenses will be assessed to the client. Clients may incur certain charges imposed by custodians, broker-dealers and other third-parties, including but not limited to: fees charged by third-party managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, withholding fees, country tax or delivery fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. For more information about WaterOak's brokerage practices, see *Item 12 - Brokerage Practices* below. Certain WaterOak investment strategies invest in mutual funds, closed-end funds, exchange-traded notes and exchange traded funds ("ETFs") which charge shareholders with management fees. These fees are disclosed in the fund's or ETF's prospectus or offering memorandum. Additionally, if WaterOak hires a third party to manage client assets in a separate account, the WaterOak client will generally pay such third party a management fee in addition to the fees described in this *Item 5*.

In the event a client's assets are invested in the Fund, such investment will be subject to the fees and expenses of the Fund as detailed in the Fund's prospectus. To avoid receiving both management fees from the Fund and advisory fees from clients, WaterOak will not charge advisory fees on client assets invested in the funds but will collect management fees from the Fund. A conflict of interest is created to the extent compensation received by WaterOak from the Fund exceeds what it would have otherwise received from advisory fees, as WaterOak would be incentivized to invest more client assets in the Fund. WaterOak has adopted policies and procedures to mitigate such conflicts. See also *Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* for information regarding certain other fees which may be paid to affiliates.

As outlined in *Item 8*, WaterOak offers a broad array of investment strategies across different asset classes. Many of these strategies are offered in multiple types of investment vehicles (e.g. separately managed account, private fund, and registered fund). The amount of compensation or commission earned by the sales personnel of WaterOak and its affiliates varies across both investment strategy and investment vehicle. This could create a conflict of interest by incentivizing the sale of one strategy or investment vehicle over another. WaterOak believes this potential conflict is largely mitigated through supervisory review and by the fact that WaterOak strategies are offered primarily to or through sophisticated investors and financial intermediaries.

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

WaterOak does not currently receive any performance based fees from clients and none of WaterOak's supervised persons currently manages any accounts that are charged a performance based fee.

In the event it agrees to performance based fees in the future, WaterOak will structure any performance or incentive-based fee arrangement in compliance with Section 205(a)(1) of the Investment Advisers Act of 1940, as amended ("Advisers Act") and in accordance with the exemptions available thereunder, including the exemption set forth in Rule 205-3. In measuring a client's assets for the calculation of performance-based fees, WaterOak expects realized and unrealized capital gains and losses would be included.

Performance based fees have the potential to generate significant advisory fees for WaterOak. While they are intended to reward WaterOak for successful management of a client account, they may create an incentive for WaterOak to take additional risks in the management of the account. WaterOak often manages multiple accounts with similar investment strategies. If some of these accounts charge performance based fees, this creates a conflict of interest with respect to the management of these accounts. For example, a wealth advisor may have an incentive to allocate attractive or limited investments to the accounts that charge performance based fees. An advisor may also have an incentive to favor the performance based fee accounts with respect to trade timing and/or execution price. In addition, an advisor may have an incentive to engage in front running so that the trading activity of other accounts benefits the performance based fee accounts.

### **Side-by-Side Management**

WaterOak provides investment advisory services within the same strategies to various clients. This gives rise to potential conflicts of interest since WaterOak has an incentive to favor certain accounts or the Fund over others. Examples of conflicts include:

- Allocating favored investment opportunities to larger accounts or relationships which pay more fees in the aggregate than smaller accounts or relationships.
- Allocating favored investment opportunities to accounts with performance-based fees or higher fee schedules than other accounts.
- A wealth advisor allocating more time and attention to accounts with higher fee rates or larger aggregate fee amounts.
- Allocating investment opportunities to accounts or funds where an employee, WaterOak, or an affiliate has a proprietary interest.

- Executing trades executed for an account or client that may adversely impact the value of securities held by a different account or client.
- If there is limited availability of an investment opportunity, WaterOak may not be able to allocate such opportunity to all eligible accounts or the Fund which could have otherwise participated in the investment opportunity
- Trading and securities selected for a particular account or the Fund may affect the performance of other accounts or the Fund that have similar strategies.

To address these and other conflicts of interest, WaterOak has adopted various policies and procedures designed to ensure that all client accounts are treated equitably and that no account receives favorable treatment. For example, WaterOak has adopted procedures governing the allocation of securities transactions among clients and the aggregation of trades by multiple clients. For more information about how WaterOak addresses certain conflicts of interest, see *Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* below. See also *Item 12 - Brokerage Practices* below for more information about conflicts of interest related to portfolio transactions and trade allocations.

## Item 7 - Types of Clients

WaterOak provides investment advisory services primarily to high net worth individuals, trusts, estates, personal holding companies, the Fund, pension and profit sharing plans, labor unions, religious organizations, foundations and charitable organizations, corporations, endowment funds, insurance companies, and educational institutions. In addition, WaterOak provides investment advice to individual retail investors through Wrap Programs sponsored by unaffiliated third parties.

WaterOak requires its advisory clients to enter into a written investment advisory agreement. WaterOak's minimum relationship size is strategy dependent, and ranges from \$1 million to \$25 million. Please see *Item 5 – Fees and Compensation* above for details regarding the minimum account size required for specific investment strategies. WaterOak reserves the right to waive any account minimums. The minimum account size for accounts within a Wrap Program is generally lower and is determined by the agreement between WaterOak and the Wrap Program sponsor.

## **Item 8 - Methods of Analysis, Investment Strategies and Summary of Risk**

### **Methods of Analysis**

WaterOak's evaluation of investment alternatives places primary emphasis and reliance upon fundamental analysis of issuers of equity and debt securities; political, economic, and industry developments; money and capital market conditions; and any other factors that, in WaterOak's judgment, may have an impact on the value of an investment.

Although it conducts some of its own independent research, WaterOak relies heavily on the research evaluations and recommendations developed by its affiliates, primarily Eaton Vance Management ("EVM"), and unaffiliated third-parties. EVM additionally provides WaterOak with portfolio models which WaterOak implements in whole or in part in client accounts. In developing information for use in making investment decisions and recommendations for clients, EVM places importance on personal visits with company management by members of its research staff, in the case of issuers of equity and corporate debt securities, and with industry representatives and governmental officials where appropriate. EVM and WaterOak also use various standard databases available to institutional investors. WaterOak and EVM may utilize other sources of information, such as on-line services and financial database services.

In some cases WaterOak may rely on ratings issued by third party rating services. In other cases, although WaterOak may consider ratings issued by third party rating services, it utilizes EVM to perform independent credit and investment analysis and does not rely primarily on the ratings assigned by the third party rating services. Credit ratings are based largely on the issuer's historical financial condition and the rating agency's investment analysis at the time of rating, and the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition. In general, the rating assigned to a security by a rating agency does not reflect assessment of the volatility of the security's market value or of the liquidity of an investment in the security.

WaterOak recommends investment strategies and vehicles that are not managed by WaterOak or its affiliates, including mutual funds, ETFs, and exchange traded notes. Such non-proprietary investments are screened by individual wealth advisors and/or investment research professionals before they are recommended to clients, with careful analysis of risk made at the advisor and research professional level.

If deemed appropriate for certain clients, WaterOak will utilize affiliated or third-party managers to invest client assets or provide models WaterOak implements. Such investments may be through separate accounts or funds, both registered and un-registered. Such managers are subject to additional due diligence procedures before being approved for recommendation to WaterOak.

clients. WaterOak conducts comprehensive initial and on-going due diligence of third-party managers.

WaterOak also offers Tactical Portfolios that have a primary objective to outperform broad equity market indices utilizing tactical asset allocation. Adjustments are made to the portfolios based on a combination of quantitative indicators.

WaterOak may also implement investment allocation strategies through Centralized Portfolio Management (“CPM”). CPM is an investment management process offered by a WaterOak affiliate, Parametric Portfolio Associates LLC (“Parametric”), that is customized to address the investment objective, risk tolerance, and tax considerations of each client. The investment objective of a CPM portfolio is to provide—within a single coordinated portfolio—the pre-tax return of a combination of asset managers or styles while seeking to maintain control over total portfolio risk, costs and taxes. WaterOak selects the investment allocation for client portfolios, and Parametric executes trades that best serve the overall portfolio’s needs. The benefits of CPM include coordinated account rebalancing, enhanced tax lot management and processes designed to control risk relative to the client asset allocation. CPM portfolios generally invest exclusively in equity securities, including mutual funds and exchange-traded funds, but may also invest in other security types to the extent that the customized strategy permits the use of non-equity securities.

Subject to and consistent with the individual investment objectives of clients, WaterOak generally seeks to achieve above-average long-term investment results for its clients through emphasis on equity, debt instruments, real assets and currencies judged by WaterOak to have unrecognized value or investment potential. Although WaterOak always attempts to retain sufficient portfolio flexibility to react to abrupt changes in securities markets, unless otherwise agreed upon between a client and WaterOak, investment decisions and recommendations for clients are generally made with a long-term outlook consistent with a client’s long term objectives. In managing investment portfolios, WaterOak directs considerable attention to the overall composition of the portfolio in order to provide proper portfolio balance and diversification, and thus reduce risk.

WaterOak Florida’s services include the development of dynamic asset allocation strategies that are implemented using exclusive, institutionally priced funds. WaterOak Florida’s asset allocation process involves the development of model portfolios based on each specific client’s time frame, required rate of return and personal tolerance for risk, as well as utilizing modern portfolio theory as a tool for portfolio construction.

WaterOak Florida utilizes a factor-based approach formulated on academic-based evidence. A factor-based approach utilizes time tested principles based on academic risk factors such as the market, size (small vs. large stocks), style (value vs. growth), momentum, profitability, term/credit factors (fixed income), as well as alternative investments, including alternative asset classes



(exotic beta) and alternative strategies (hedge fund beta). From time to time, WaterOak Florida utilizes outside consultants to assist the investment committee with timely market research, as well as mean variance optimization and historical studies to ensure that WaterOak models reflect the impact of correlation, volatility (realized volatility) and friction, as well as being consistent with the expectations with a client's risk objective.

The investment and research process for the Managed Portfolios is based on forward looking market segment (asset class) decisions, as WaterOak believes asset allocation has the biggest impact on portfolio performance and risk management. The investment strategies utilized in WaterOak Florida's Managed Portfolios are exclusive to institutional and investment advisor clients of WaterOak Florida and are not directly accessible to retail clients. It is anticipated that over time, WaterOak Florida will integrate its investment philosophy with WaterOak Boston.

WaterOak does not generally engage in short-term trading for accounts, although the length of time a security has been held in a client's account will not be a limiting factor if WaterOak determines that the holding should no longer be retained by the account.

## **Investment Strategies**

Rather than simply offering clients only a preset menu of investment strategies from which to choose, WaterOak provides customized investment strategies designed to meet the needs of individual clients. WaterOak's advisory relationships may also involve a wider range of services than just portfolio management. For example, WaterOak advises certain clients on financial planning, tax-management strategies, charitable giving, estate planning and wealth transfer, executive compensation and business succession strategies. The proprietary investment strategy designed for a particular client will be tailored to consider these and other issues relevant to the client's unique situation. As such, the proprietary investment strategies offered by WaterOak are not easily summarized. However, when designing a proprietary investment strategy for a client, WaterOak will generally pursue investments in one or more of the following asset classes: equities, investment grade bonds, high yield bonds, municipal bonds, alternatives, floating-rate bank loans, and funds. WaterOak also offers third party management strategies, which involve investing client assets in funds or accounts managed by unaffiliated third-party managers. WaterOak assists clients in identifying third-party managers that specialize in particular investment strategies. The available third party management strategies are not limited, but third-party managers typically include private equity fund managers, hedge fund managers (including fund-of-hedge fund managers) and traditional asset managers with an expertise in a particular area (such as emerging markets investing). Listed below are the material risks associated with WaterOak's proprietary investment strategies and non-proprietary management strategies. These material risks are not comprehensive and a particular investment strategy may invest in other types of financial instruments and be subject to additional risks not described below.

WaterOak recognizes that no single type of investment strategy will ensure rewarding investment results in every political, economic and market environment. Investing in securities and other financial instruments involves a risk of loss that clients should be prepared to bear.

*Equities.* Equity strategies may involve one or more of the following material risks: Equity Investing Risk; Foreign and Emerging Market Investment Risk; Risks Associated with Active Management; General Investing Risks; Small Companies Risk; Growth Risk; Real Estate Risk; Derivatives Risk; ETF Risk; Income Risk; Concentration Risk; Issuer Diversification Risk; Convertible and Preferred Securities Risk; Short Sale Risk; and Tax-Managed Investing Risk. Not all of these risks apply to each equity strategy. The specific risks associated with a particular equity strategy depend on the approaches used and the extent to which the strategy employs certain portfolio management techniques or invests in financial instruments other than equity securities. For a summary of each risk, see *Summary of Material Risks* below.

*Investment Grade Bonds.* Investment grade bond strategies may involve one or more of the following material risks: Income Market Risk; Interest Rate Risk; Credit Risk; Derivatives Risk; Risk of U.S. Government-Sponsored Agencies; Commercial Mortgage-Backed Securities Risk; ETN Risk; Issuer Diversification Risk; Risks Associated with Active Management; General Investing Risks; Duration Risk; Inflation-Linked Security Risk; Maturity Risk; Risk of Leveraged Transactions; Risk of Residual Interest Bonds; Risk of Principal Only Investments; Fixed-Income, Convertible Securities and Preferred Stock Risk; Tax Risk; and Risks Associated with Quantitative Management. Not all of these risks apply to each investment grade bond strategy. The specific risks associated with a particular investment grade bond strategy depend on the approaches used and the extent to which the strategy employs certain portfolio management techniques or invests in financial instruments other than investment grade bonds. For a summary of each risk, see *Summary of Material Risks* below.

*High Yield Bonds.* High yield bond strategies may involve one or more of the following material risks: Income Market Risk; Interest Rate Risk; Credit Risk; Derivatives Risk; Risk of U.S. Government-Sponsored Agencies; ETN Risks; Risk of Lower Rated Investments; Issuer Diversification Risk; Risks Associated with Active Management; General Investing Risks; Duration Risk; Maturity Risk; Risk of Leveraged Transactions; Risk of Residual Interest Bonds; Risk of Principal Only Investments; Tax Risk; and Risks Associated with Quantitative Management. Not all of these risks apply to each high yield bond strategy. The specific risks associated with a particular high yield bond strategy depend on the approaches used and the extent to which the strategy employs certain portfolio management techniques or invests in financial instruments other than high yield bonds. For a summary of each risk, see *Summary of Material Risks* below.

*Municipal Bonds.* Municipal bond strategies may involve one or more of the following material risks: Income Market Risk; Interest Rate Risk; Credit Risk; Derivatives Risk; Risk of Lower Rated Investments; Municipal Bond Market Risk; Issuer Diversification Risk; Risks Associated with Active Management; General Investing Risks; Duration Risk; Inflation-Linked Security Risk; Maturity Risk; Risk of Leveraged Transactions; Risk of Residual Interest Bonds; Risks of Principal Only Investments; Tax Risk; and Risks Associated with Quantitative Management. Not all of these risks apply to each municipal bond strategy. The specific risks associated with a particular municipal bond strategy depend on the approaches used and the extent to which the strategy employs certain portfolio management techniques or invests in financial instruments other than municipal bonds. For a summary of each risk, see *Summary of Material Risks* below.

*Floating Rate Bank Loans.* Floating rate bank loan strategies may involve one or more of the following material risks: Income Market Risk; Interest Rate Risk; Credit Risk; Derivatives Risk; Risk of Lower Rated Investments; Issuer Diversification Risk; Risks Associated with Active Management; General Investing Risks; Duration Risk; Maturity Risk; Risk of Loans; Tax Risk; and Risks Associated with Quantitative Management. Not all of these risks apply to each floating rate loan strategy. The specific risks associated with a particular high floating rate loan strategy depend on the approaches used and the extent to which the strategy employs certain portfolio management techniques or invests in financial instruments other than floating rate loans. For a summary of each risk, see *Summary of Material Risks* below.

*Alternative Strategies.* Alternative strategies may involve a wide array of risks. The risks associated with an investment in a fund or account managed by a particular third-party manager will be described in the fund offering documents (if applicable) or the third-party manager's Form ADV. A client should carefully review the applicable offering documents and/or third-party manager's Form ADV before pursuing a non-proprietary management strategy. Listed below are a number of risks that may be applicable to an investment in a non-proprietary management strategy: Manager Selection Risk; Income Market Risk; Interest Rate Risk; Credit Risk; Equity Investing Risk; Derivatives Risk; Risk of U.S. Government-Sponsored Agencies; Risk of Lower Rated Investments; Issuer Diversification Risk; Risks Associated with Active Management; General Investing Risks; Short Sale Risk; Risk of Repurchase Agreements and Reverse Repurchase Agreements; Risk of Commodity-Related Investments; Foreign and Emerging Market Investment Risk; Concentration Risk; Risk of Loans; Inflation-Linked Security Risk; Duration Risk; Municipal Bond Market Risk; Small Companies Risk; Securities Lending Risk; Option Strategy Risk; Hedge Correlation Risk; Currency Risk; and Tracking Error Risk. Not all of these risks apply to each non-proprietary management strategy. The specific risks associated with a particular non-proprietary management strategy depend on the investment strategies used by the third-party manager. For a summary of each risk, see *Summary of Material Risks* below.

*Managed Portfolios and Tactical Strategies Risks.* Managed Portfolios and Tactical Strategies may involve a wide array of risks. The risks associated with an investment in a fund or account managed by a particular third-party manager will be described in the fund offering documents (if applicable) or the third-party manager's Form ADV. Depending on the asset classes invested in, the risks mentioned above for specific security types (e.g. Equity Risk) are expected to apply to Managed Portfolios and Tactical Risk strategies.

Certain risks are applicable to all strategies offered by WaterOak. These include Cyber Security Risks, Data Source Risks, General Investing Risks, and Government, Political, and Regulatory Risks. These risks are applicable to investing, generally.

### **Summary of Material Risks**

**Absolute Return Strategy.** An “absolute return” investment approach is generally benchmarked to an index of cash instruments and seeks to achieve returns that are largely independent of broad movements in stocks and bonds. Unlike client portfolios managed in an equity strategies, client portfolios managed in an absolute return strategy should not be expected to benefit from general equity market returns. Different from fixed income funds, client portfolios managed in an absolute return strategy may not generate current income and should not be expected to experience price appreciation as interest rates decline. Although the investment adviser seeks to maximize absolute return, client portfolios managed in an absolute return strategy may not generate positive returns.

**Active Management Risk.** The success of a client's account that is actively managed depends upon the investment skills and analytical abilities of the portfolio manager to develop and effectively implement strategies that achieve the client's investment objective. Subjective decisions made by the portfolio manager may cause a client portfolio to incur losses or to miss profit opportunities on which it may have otherwise capitalized.

**Additional Risks of Loans.** Loans are traded in a private, unregulated inter-dealer or inter-bank resale market and are generally subject to contractual restrictions that must be satisfied before a loan can be bought or sold. These restrictions may impede the client portfolio's ability to buy or sell loans (thus affecting their liquidity) and may negatively impact the transaction price. See also “Market Risk”. It also may take longer than seven days for transactions in loans to settle. Due to the possibility of an extended loan settlement process, an investor that holds loan may hold cash, sell investments or temporarily borrow from banks or other lenders to meet short-term liquidity needs, such as to satisfy redemption requests from fund shareholders. The types of covenants included in loan agreements generally vary depending on market conditions, the creditworthiness of the issuer, the nature of the collateral securing the loan and possibly other factors. Loans with fewer covenants that restrict activities of the borrower may provide the borrower with more

flexibility to take actions that may be detrimental to the loan holders and provide fewer investor protections in the event of such actions or if covenants are breached. The client portfolio may experience relatively greater realized or unrealized losses or delays and expense in enforcing its rights with respect to loans with fewer restrictive covenants. Loans to entities located outside of the U.S. may have substantially different lender protections and covenants as compared to loans to U.S. entities and may involve greater risks. An investor that holds loan may have difficulties and incur expense enforcing its rights with respect to non-U.S. loans and such loans could be subject to bankruptcy laws that are materially different than in the U.S. Loans may be structured such that they are not securities under securities law, and in the event of fraud or misrepresentation by a borrower, lenders may not have the protection of the anti-fraud provisions of the federal securities laws. Loans are also subject to risks associated with other types of income investments, including credit risk and risks of lower rated investments.

**Allocation and Position Limits Risk.** A client account's performance depends upon how its assets are allocated and reallocated, and an investor could lose money as a result of these allocation decisions and related constraints. As described in *Item 12 – Brokerage Practices*, WaterOak may be subject, by applicable regulation or issuer limitations, to restrictions on the percentage of an issuer which may be held. For purposes of calculating positions, WaterOak may have to aggregate its positions with those of its affiliates. In such situations, WaterOak may be limited in its ability to purchase further securities for its clients, even if the applicable position limits is not exceeded by positions WaterOak has purchased on behalf of its clients. In addition, the CFTC and the exchanges on which commodity interests (futures, options on futures and swaps) are traded may impose limitations governing the maximum number of positions on the same side of the market and involving the same underlying instrument that may be held by a single investor or group of related investors, whether acting alone or in concert with others (regardless of whether such contracts are held on the same or different exchanges or held or written in one or more accounts or through one or more brokers). A portfolio manager may trade for multiple accounts and the commodity interest positions of all such accounts will generally be required to be aggregated for purposes of determining compliance with position limits, position reporting and position "accountability" rules imposed by the CFTC or the various exchanges. Swaps positions in physical commodity swaps that are "economically equivalent" to futures and options on futures held by an account and similar accounts may also in the future be included in determining compliance with federal position rules, and the exchanges may impose their own rules covering these and other types of swaps. These trading and position limits, and any aggregation requirement, could materially limit the commodity interest positions the portfolio manager may take for an account and may cause the portfolio manager to close out an account's positions earlier than it might otherwise choose to do so.

**Business Continuity Risk.** WaterOak has developed a Business Continuity Program (the "BCP") that is designed to minimize the impact of adverse events that affect WaterOak's ability to carry

on normal business operations. Such adverse events include, but are not limited to, natural disasters, outbreaks of pandemic and epidemic diseases (such as the current COVID-19 pandemic), terrorism, acts of governments, any act of declared or undeclared war, power shortages or failures, utility or communication failure or delays, shortages, and system failures or malfunctions. While WaterOak believes the BCP should allow it to resume normal business operations in a timely manner following an adverse event, there are inherent limitations in such programs, including the possibility that the BCP does not anticipate all contingencies or procedures do not work as intended. Vendors and service providers to WaterOak and its affiliates may also be affected by adverse events and are subject to the same risks that their respective business continuity plans do not cover all contingencies. In the event the BCP at WaterOak or similar programs at vendors and service providers do not adequately address all contingencies, client portfolios may be negatively affected as there may be an inability to process transactions, calculate net asset values, value client investments, or disruptions to trading in client accounts. A client's ability to recover any losses or expenses it incurs as a result of a disruption of business operations may be limited by the liability, standard of care, and related provisions in its contractual agreements with WaterOak and other service providers.

**Call Risk.** Fixed income securities will be subject to the risk that an issuer may exercise its right to redeem a fixed income security earlier than expected (a call). Issuers may call outstanding securities prior to their maturity for a number of reasons (e.g., declining interest rates, changes in credit spreads and improvements in the issuer's credit quality). If an issuer calls a security that a client holds, the client may not recoup the full amount of its initial investment or may not realize the full anticipated earnings from the investment and may be forced to reinvest in lower-yielding securities, securities with greater credit risks or securities with other, less favorable features.

**Commodities Risk.** The value of commodities investments will generally be affected by overall market movements and factors specific to a particular industry or commodity, such as weather, embargoes, tariffs, health, political, international and regulatory developments. Economic and other events (whether real or perceived) can reduce the demand for commodities, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Exposure to commodities and commodities markets may subject a client portfolio to greater volatility than investments in traditional securities. No active trading market may exist for certain commodities investments, which may impair the ability to sell or to realize the full value of such investments in the event of the need to liquidate such investments. In addition, adverse market conditions may impair the liquidity of actively traded commodities investments. Certain types of commodities instruments (such as total return swaps and commodity-linked notes) are subject to the risk that the counterparty to the instrument will not perform or will be unable to perform in accordance with the terms of the instrument.

**Concentration Risk.** A strategy that concentrates its investments in a particular sector of the market (such as the utilities or financial services sectors) or a specific geographic area (such as a country or state) may be impacted by events that adversely affect that sector or area, and the value of a portfolio using such a strategy may fluctuate more than a less concentrated portfolio.

**Convertible and Other Hybrid Securities Risk.** Convertible and other hybrid securities (including preferred and convertible instruments) generally possess certain characteristics of both equity and debt securities. In addition to risks associated with investing in income securities, such as interest rate and credit risks, hybrid securities may be subject to issuer-specific and market risks generally applicable to equity securities. Convertible securities may also react to changes in the value of the common stock into which they convert, and are thus subject to equity investing and market risks. A convertible security may be converted at an inopportune time, which may decrease a client's return.

**Corporate Debt Risk.** Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. Company defaults can impact the level of returns generated by corporate debt securities. An unexpected default can reduce income and the capital value of a corporate debt security. Furthermore, market expectations regarding economic conditions and the likely number of corporate defaults may impact the value of corporate debt securities.

**Counterparty Risk.** A financial institution or other counterparty with whom an investor does business (such as trading or securities lending), or that underwrites, distributes or guarantees any investments or contracts that an investor owns or is otherwise exposed to, may decline in financial condition and become unable to honor its commitments. This could cause the value of an investor's portfolio to decline or could delay the return or delivery of collateral or other assets to the investor. Although there can be no assurance that an investor will be able to do so, the investor may be able to reduce or eliminate its exposure under a swap agreement either by assignment or other disposition, or by entering into an offsetting swap agreement with the same party or another creditworthy party. The investor may have limited ability to eliminate its exposure under a credit default swap if the credit of the referenced entity or underlying asset has declined.

**Credit Risk.** Debt obligations are subject to the risk of non-payment of scheduled principal and interest. Changes in economic conditions or other circumstances may reduce the capacity of the party obligated to make principal and interest payments on such instruments and may lead to defaults. Such non-payments and defaults may reduce the value of, or income distributions from,

a client portfolio. The value of a fixed income security also may decline because of concerns about the issuer's ability to make principal and interest payments. In addition, the credit ratings of debt obligations may be lowered if the financial condition of the party obligated to make payments with respect to such instruments changes. Credit ratings assigned by rating agencies are based on a number of factors and do not necessarily reflect the issuer's current financial condition or the volatility or liquidity of the security. In the event of bankruptcy of the issuer of debt obligations, a client portfolio could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing the instrument. In order to enforce its rights in the event of a default, bankruptcy or similar situation, a client may be required to retain legal or similar counsel at their own expense.

**Currency Risk.** In general, the value of investments in, or denominated in, foreign currencies increases when the U.S. dollar is weak (i.e., is losing value relative to foreign currencies) or when foreign currencies are strong (i.e., are gaining value relative to the U.S. dollar). When foreign currencies are weak or the U.S. dollar is strong, such investments generally will decrease in value. The value of foreign currencies as measured in U.S. dollars may be unpredictably affected by changes in foreign currency rates and exchange control regulations, application of foreign tax laws (including withholding tax), governmental administration of economic or monetary policies (in the U.S. or abroad), intervention (or the failure to intervene) by U.S. or foreign governments or central banks, and relations between nations. A devaluation of a currency by a country's government or banking authority will have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets and currency transactions are subject to settlement, custodial and other operational risks. Exposure to foreign currencies through derivative instruments will also be subject to the Derivatives Risks described below.

**Cyber Security Risk.** With the increased use of technologies to conduct business, such as the Internet, WaterOak is susceptible to operational, information security and related risks. WaterOak relies on communications technology, systems, and networks to engage with clients, employees, accounts, shareholders, and service providers, and a cyber incident may inhibit WaterOak's ability to use these technologies. In general, cyber incidents can result from deliberate attacks or unintentional events by insiders or third parties, including cybercriminals, competitors, nation-states and "hacktivists," among others. Cyber attacks include, but are not limited to, phishing, gaining unauthorized access to digital systems (e.g., through "hacking" or infection from or spread of malware, ransomware, computer viruses or other malicious software coding) for purposes of misappropriating assets or sensitive information, structured query language attacks, 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. A denial-of-service attack is an effort to make network services unavailable to intended users), which could cause WaterOak and clients to lose access to their electronic accounts, potentially



indefinitely. Employees and service providers of WaterOak may not be able to access electronic systems to perform critical duties, such as trading and account oversight, during a denial-of-service attack. There is also the possibility for systems failures due to malfunctions, user error and misconduct by employees and agents, natural disasters, or other foreseeable and unforeseeable events.

Because technology is consistently changing, new ways to carry out cyber attacks are always developing. Therefore, there is a chance that some risks have not been identified or prepared for, or that an attack may not be detected, which puts limitations on WaterOak's ability to plan for or respond to a cyber attack. Like other business enterprises, WaterOak and its service providers have experienced, and will continue to experience, cyber incidents consistently. In addition to deliberate cyber attacks, unintentional cyber incidents can occur, such as the inadvertent release of confidential information by WaterOak or its service providers. To date, cyber incidents have not had a material adverse effect on WaterOak's business operations or performance.

WaterOak uses third party service providers who are also heavily dependent on computers and technology for their operations. Cybersecurity failures or breaches by WaterOak's affiliates, other service providers and the issuers of securities in which a client invests, may disrupt and otherwise adversely affect their business operations. This may result in financial losses to WaterOak or clients or cause violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, litigation costs, or additional compliance costs. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While WaterOak and many of its service providers have established business continuity plans and risk management systems intended to identify and mitigate cyber attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. WaterOak cannot control the cybersecurity plans and systems put in place by service providers and issuers in which WaterOak invests on behalf of clients. WaterOak and clients could be negatively impacted as a result.

**Data Source Risk:** WaterOak subscribes to a variety of third party data sources that are used to evaluate, analyze and formulate investment decisions. If a third party provides inaccurate data, client accounts may be negatively affected. While WaterOak believes the third party data sources are reliable, there are no guarantees that data will be accurate.

**Debt Market Risk:** Economic and other events (whether real or perceived) can reduce the demand for certain income securities or for investments generally, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Certain securities and other investments can experience downturns in trading activity and, at such times, the supply of such instruments in the market may exceed the demand. At other times, the demand for such instruments may exceed the supply in the market. An imbalance in

supply and demand in the market may result in valuation uncertainties and greater volatility, less liquidity, wider trading spreads and a lack of price transparency in the market. No active trading market may exist for certain investments, which may impair the ability to sell or to realize the full value of such investments in the event of the need to liquidate such assets. Adverse market conditions may impair the liquidity of some actively traded investments.

**Derivatives Risk.** The use of derivatives can lead to losses because of adverse movements in the price or value of the asset, index, rate or instrument (“reference instrument”) underlying a derivative, due to failure of the counterparty or tax or regulatory constraints. In this context, derivatives include but are not limited to: futures, forwards, options, participatory notes, warrants, and other similar instruments that may be valued based upon another or related asset. Derivatives can create economic leverage in a client portfolio, which magnifies the portfolio’s exposure to the underlying investment. Derivatives risk may be more significant when derivatives are used to enhance return or as a substitute for a position or security, rather than solely to hedge the risk of a position or security held by a client portfolio. Derivatives for hedging purposes may not reduce risk if they are not sufficiently correlated to the position being hedged. A decision as to whether, when and how to use derivatives involves the exercise of specialized skill and judgment, and a transaction may be unsuccessful in whole or in part because of market behavior or unexpected events. Derivative instruments may be difficult to value, may be illiquid, and can be subject to wide swings in valuation caused by changes in the value of the underlying instrument. If a derivative counterparty is unable to honor its commitments, the value of a client portfolio may decline and/or the portfolio could experience delays in the return of collateral or other assets held by the counterparty. The loss on derivative transactions can substantially exceed the initial investment. Certain strategies use derivatives extensively. Derivative investments also involve the risks relating to the reference instrument.

**Dividend Strategy Risk:** Clients invested in strategies designed to invest in dividend paying securities may be subject to certain risks. These include issuers which have historically paid dividends reducing or ceasing to pay dividends in the future, which may additionally negatively impact the price of the security. In times of economic stress, large amounts of issuers may reduce or eliminate dividends, impacting the ability of WaterOak to execute its desired strategy.

**Duration Risk.** Duration measures the expected life of a fixed-income security, which can determine its sensitivity to changes in the general level of interest rates. Securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. A portfolio with a longer dollar-weighted average duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter dollar-weighted average duration. Duration differs from maturity in that it considers a security’s coupon payments in addition to the amount of time until the security matures. As the value of a security changes over time, so will its duration.

**Emerging Markets Investment Risk.** Investment markets in emerging market countries are typically smaller, less liquid and more volatile than developed markets, and emerging market securities often involve greater risks than developed market securities. Such risks may be greater in frontier markets.

**Equity Securities Risk.** The value of equity securities and related instruments may decline in response to adverse changes in the economy or the economic outlook; deterioration in investor sentiment; interest rate, currency, and commodity price fluctuations; adverse geopolitical, social or environmental developments; issuer and sector-specific considerations, which are more significant in a concentrated or focused client portfolio that invests in a limited number of securities; or other factors. Market conditions may affect certain types of stocks to a greater extent than other types of stocks. If the stock market declines in value, the value of a client portfolio's equity securities will also likely decline. Although prices can rebound, there is no assurance that values will return to previous levels.

**ETF Risk.** Investing in an ETF exposes a client portfolio to all of the risks of that ETF's investments and subjects it to a pro rata portion of the ETF's fees and expenses. As a result, the cost of investing in ETF shares may exceed the cost of investing directly in its underlying investments. ETF shares trade on an exchange at a market price which may vary from the ETF's net asset value. ETFs may be purchased at prices that exceed the net asset value of their underlying investments and may be sold at prices below such net asset value. Because the market price of ETF shares depends on market demand, the market price of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track. A client account may not be able to liquidate ETF holdings at the time and price desired, which may impact performance.

**ETN Risk.** An exchange-traded note (ETN) is a debt obligation and its payments of interest or principal are linked to the performance of a referenced investment (typically an index). ETNs are subject to the performance of their issuer and may lose all or a portion of their entire value if the issuer fails or its credit rating changes. An ETN that is tied to a specific index may not be able to replicate and maintain exactly the composition and weighting of the components of that index. ETNs also incur certain expenses not incurred by the referenced investment and the cost of owning an ETN may exceed the cost of investing directly in the referenced investment. The market trading price of an ETN may be more volatile than the referenced investment it is designed to track. ETNs may be purchased at prices that exceed net asset value and may be sold at prices below such value. A client account may not be able to liquidate ETN holdings at the time and price desired, which may impact performance.

**European Economic and Market Events.** In June 2016, the United Kingdom approved a referendum to leave the European Union ("Brexit"). There is significant market uncertainty regarding Brexit's ramifications, and the range and potential implications of possible political,

regulatory, economic, and market outcomes are difficult to predict. Political events, including nationalist unrest in Europe and uncertainties surrounding the sovereign debt of a number of European Union (“EU”) countries and the viability of the EU itself, also may cause market disruptions. If one or more countries leave the EU or the EU dissolves, the world’s securities markets likely will be significantly disrupted. Moreover, the uncertainty about the ramifications of Brexit may cause significant volatility and/or declines in the value of the Euro and British pound. In December 2019, the United Kingdom passed a withdrawal agreement that, upon final approval from Parliament, calls for the United Kingdom to withdraw from the EU on January 31, 2020. Following the United Kingdom’s withdrawal at the end of January, the United Kingdom will enter into an 11-month transition period during which it will cease to be a member of the EU but continue to follow EU rules and contribute to its budget. The UK ceased to be a member of the EU after December 31, 2020. The EU and UK agreed to a bare-bones trade deal prior to the UK’s exit from the EU, although many terms of this deal have yet to be decided. The uncertainty around the terms of the trade deal may cause greater market volatility and illiquidity, currency fluctuations, deterioration in economic activity, a decrease in business confidence, and increased likelihood of a recession in the United Kingdom.

**Foreign, Emerging and Frontier Markets Risk.** The value of a client portfolio may be adversely affected by changes in currency exchange rates and political and economic developments across multiple borders. In emerging or less developed countries, these risks can be more significant than in major markets in developed countries. In many emerging markets there is significantly less publicly available information about domestic companies due to differences in applicable regulatory, accounting, auditing, and financial reporting and recordkeeping standards. In addition, in some jurisdictions, foreign investments may be made through organizational structures that are necessary to address restrictions on foreign investments. These structures may limit investor rights and recourse. More generally, there may be limited corporate governance standards and avenues of recourse as compared to U.S. companies. Additionally, shareholder claims that are common in the U.S. and are generally viewed as deterring misconduct, including class action securities law and fraud claims, frequently are difficult or impossible to pursue as a matter of law or practicality in many emerging markets. Furthermore, lack of relevant data and reliable public information about portfolio companies in emerging markets can contribute to incorrect weightings and data and computational errors when an index provider selects companies for inclusion in an index. Generally, investment markets in emerging and frontier countries are substantially smaller, less liquid and more volatile, and as a result, the value of a portfolio investing in emerging or frontier markets may be more volatile. Emerging and frontier market investments often are subject to speculative trading, which typically contributes to volatility. Emerging and frontier market countries also may have relatively unstable governments and economies. Trading in foreign, emerging and frontier markets usually involves higher expenses than trading in the U.S. A client portfolio investing in these markets may have difficulties enforcing its legal or contractual rights in a foreign country. Depositary receipts are subject to many of the risks associated with investing

directly in foreign securities, including political and economic risks. While American Depositary Receipts (ADRs) are denominated in U.S. dollars, they are still subject to currency exchange rate risks. ADRs are traded on U.S. market hours which do not match the local markets. Due to this, ADR prices are also subject to exchange rate fluctuations and market information outside of local market hours.

**General Investing Risks.** Most investment strategies are not intended to be a complete investment program. All investments carry a certain amount of risk and there is no guarantee that a client portfolio will be able to achieve its investment objective. Investors generally should have a long-term investment perspective and be able to tolerate potentially sharp declines in value and/or investment losses. Investment advisers, other market participants and many securities markets are subject to rules and regulations and the jurisdiction of one or more regulators. Changes to applicable rules and regulations could have an adverse effect on securities markets and market participants, as well as on the ability to execute a particular investment strategy.

**Government, Political, and Regulatory Risk.** U.S. and foreign legislative, regulatory, and other government actions which may include changes to regulations, the tax code, trade policy, or the overall regulatory environment may negatively affect the value of securities within a client's account, or may affect WaterOak's ability to execute its investing strategies. If compliance costs associated with such events increase, the costs of investing may increase, negatively affecting clients.

**Hedge Correlation Risk.** Certain strategies seek to maintain substantially offsetting exposures and follow a generally market-neutral approach. Hedging instruments utilized for these strategies may not maintain the intended correlation to the investment being hedged or may otherwise fail to achieve their intended purpose. Failure of the hedge instruments to track a client portfolio's investments could result in the client portfolio having substantial residual exposure to market risk.

**Income Risk.** A portfolio's ability to generate income will depend on the yield available on the securities held by the portfolio. In the case of equity securities, changes in the dividend policies of companies held by a client portfolio could make it difficult for the portfolio to generate a predictable level of income. The use of dividend-capture strategies to generate income will generally expose a client portfolio to higher portfolio turnover, increased trading costs and the potential for capital loss or gain, particularly in the event of significant short-term price movements of stocks subject to dividend capture trading.

**Inflation- Linked Security Risk.** Inflation-linked debt securities are subject to the effects of changes in market interest rates caused by factors other than inflation (real interest rates). In general, the price of an inflation-linked security tends to decrease when real interest rates increase and can increase when real interest rates decrease. Interest payments on inflation-linked securities

may vary widely and will fluctuate as the principal and interest are adjusted for inflation. Any increase in the principal amount of an inflation-linked debt security will be taxable ordinary income, even though the portfolio will not receive the principal until maturity. There can be no assurance that the inflation index used will accurately measure the real rate of inflation in the prices of goods and services. A portfolio's investments in inflation-linked securities may lose value in the event that the actual rate of inflation is different than the rate of the inflation index.

**Interest Rate Risk.** As interest rates rise, the value of a client portfolio invested primarily in fixed-income securities or similar instruments is likely to decline. Conversely, when interest rates decline, the value of such a client portfolio is likely to rise. Securities with longer maturities are more sensitive to changes in interest rates than securities with shorter maturities, making them more volatile. A rising interest rate environment may extend the average life of mortgages or other asset-backed receivables underlying mortgage-backed or asset-backed securities. This extension increases the risk of depreciation due to future increases in market interest rates. In a declining interest rate environment, prepayment of certain types of securities may increase. In such circumstances, the portfolio manager may have to reinvest the prepayment proceeds at lower yields. A strategy that is managed toward an income objective may hold securities with longer maturities and therefore be more exposed to interest rate risk than a strategy focused on total return.

**Issuer Diversification Risk.** A fund or strategy may be "non-diversified," which means it may invest a greater percentage of its assets in the securities of a single issuer than a fund or strategy that is "diversified." Non-diversified funds and strategies may focus their investments in a small number of issuers, making them more susceptible to risks affecting such issuers than a more diversified fund or strategy might be.

**Leverage Risk.** Certain types of investment transactions may give rise to a form of leverage. Such transactions may include, among others, borrowing, the use of when-issued, delayed delivery or forward commitment transactions, residual interest bonds, short sales and certain derivative transactions. A client portfolio may be required to segregate liquid assets or otherwise cover the portfolio's obligation created by a transaction that may give rise to leverage. To satisfy the portfolio's obligations or to meet segregation requirements, portfolio positions may be required to be liquidated when it is not advantageous to do so. Leverage and borrowing can cause the value of a client portfolio to be more volatile than if it had not been leveraged, as certain types of leverage may exaggerate the effect of any increase or decrease in the value of securities in a client portfolio. Leverage and borrowing may lead to additional costs to clients, including interests, fees, and other related investors. Losses on leveraged transactions can substantially exceed the initial investment.

**LIBOR Risk:** Certain financial instruments (such as debt instruments and derivatives) use the London Interbank Offered Rate (LIBOR) as a 'reference' or 'benchmark' rate. LIBOR is the average offered rate for various maturities of short-term loans between certain major international

banks. LIBOR is expected to be phased out by the end of 2021. Although the transition process away from LIBOR is expected to be well-defined in advance of the anticipated discontinuation, there remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate or rates. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that currently rely on LIBOR. The transition may also result in a change in (i) the value of certain instruments held by the Fund, (ii) the cost of borrowing for investors, or (iii) the effectiveness of related transactions such as hedges, as applicable. When LIBOR is discontinued, the LIBOR replacement rate may be lower than market expectations, which could have an adverse impact on the value of preferred and debt-securities with floating or fixed-to-floating rate coupons. Additionally, while some existing LIBOR-based instruments may contemplate a scenario where LIBOR is no longer available by providing for an alternative or “fallback” rate-setting methodology, there may be significant uncertainty regarding the effectiveness of any such alternative methodologies to replicate LIBOR. Not all existing LIBOR-based instruments have such fallback provisions, and many that do, do not contemplate the permanent cessation of LIBOR. While it is expected that market participants will amend legacy financial instruments referencing LIBOR to include fallback provisions to alternative reference rates, there remains uncertainty regarding the willingness and ability of parties to add or amend such fallback provisions in legacy instruments maturing after the end of 2021, particularly with respect to legacy cash products. Since the usefulness of LIBOR as a benchmark could deteriorate during the transition period, these effects may occur prior to the discontinuation date. Any such effects of the transition away from LIBOR and the adoption of alternative reference rates, as well as other unforeseen effects, could result in losses to an investor.

**Liquidity Risk.** A client portfolio is exposed to liquidity risk when trading volume, lack of a market maker or trading partner, large position size, market conditions, or legal restrictions impair its ability to sell particular investments or to sell them at advantageous market prices. Consequently, the client portfolio may have to accept a lower price to sell an investment or continue to hold it or keep the position open, sell other investments to raise cash or abandon an investment opportunity, any of which could have a negative effect on the portfolio’s performance. These effects may be exacerbated during times of financial or political stress.

**Lower Rated Investments Risk.** Investments rated below investment grade and comparable unrated investments (sometimes referred to as “junk”) have speculative characteristics because of the credit risk associated with their issuers. Changes in economic conditions or other circumstances typically have a greater effect on the ability of issuers of lower rated investments to make principal and interest payments than they do on issuers of higher rated investments. An economic downturn generally leads to a higher non-payment rate, and a lower rated investment may lose significant value before a default occurs. Lower rated investments typically are subject to greater price volatility and illiquidity than higher rated investments.

**Market Risk.** Economic and other events (whether real or perceived) such as pandemics, global health crises, war, terrorism, or other geopolitical events can increase volatility and reduce the demand for certain securities or for investments generally, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Certain securities can experience downturns in trading activity and, at such times, the supply of such instruments in the market may exceed the demand. At other times, the demand for such instruments may exceed the supply in the market. An imbalance in supply and demand in the market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market. No active trading market may exist for certain investments, which will impair the ability of the portfolio manager to sell or to realize the full value of such investments in the event of the need to liquidate such assets. Adverse market conditions can impair the liquidity of some actively traded investments. 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.

**Maturity Risk.** Interest rate risk will generally affect the price of a fixed income security more if the security has a longer maturity. Fixed income securities with longer maturities will therefore be more volatile than other fixed income securities with shorter maturities. Conversely, fixed income securities with shorter maturities will be less volatile but generally provide lower returns than fixed income securities with longer maturities. The average maturity of a client portfolio's investments will affect the volatility of the portfolio's rate of return.

**Model and Quantitative Risks.** Certain strategies use proprietary and third party quantitative modeling techniques in making investment decisions. Such techniques have not been independently tested or validated, and there can be no assurance that these techniques will achieve the desired results. If these techniques have errors, or are flawed or incomplete and such issues are not identified, it may have an adverse effect client investment performance.

**Mortgage- and Asset-Backed Securities Risk.** Mortgage- and asset-backed securities represent interests in "pools" of commercial or residential mortgages or other assets, including consumer loans or receivables. Movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain types of mortgage- and asset-backed securities. Although certain mortgage- and asset-backed securities are guaranteed as to timely payment of interest and principal by a government entity, the market price for such securities is not guaranteed and will fluctuate. The purchase of mortgage- and asset-backed securities issued by non-government entities may entail greater risk than such securities that are issued or guaranteed by a government entity. Mortgage- and asset-backed securities issued by non-government entities may offer higher



yields than those issued by government entities, but may also be subject to greater volatility than government issues and can also be subject to greater credit risk and the risk of default on the underlying mortgages or other assets. Investments in mortgage- and asset-backed securities are subject to both extension risk, where borrowers pay off their debt obligations more slowly in times of rising interest rates, and prepayment risk, where borrowers pay off their debt obligations sooner than expected in times of declining interest rates.

**Municipal Obligation Risk.** The amount of public information available about municipal obligations is generally less than for corporate equities or bonds, meaning that the investment performance of municipal obligations may be more dependent on the analytical abilities of the investment adviser than stock or corporate bond investments. The secondary market for municipal obligations also tends to be less well-developed and less liquid than many other securities markets, which may limit a client portfolio's ability to sell its municipal obligations at attractive prices. The differences between the price at which an obligation can be purchased and the price at which it can be sold may widen during periods of market distress. Less liquid obligations can become more difficult to value and be subject to erratic price movements. The increased presence of nontraditional participants (such as proprietary trading desks of investment banks and hedge funds) or the absence of traditional participants (such as individuals, insurance companies, banks and life insurance companies) in the municipal markets may lead to greater volatility in the markets because non-traditional participants may trade more frequently or in greater volume.

**Option Strategy Risks.** Certain client portfolios employ an option strategy that seeks to take advantage of a general excess of option price-implied volatilities for a specified stock or index over the stock or index's subsequent realized volatility. This market observation is often attributed to the unknown risk to which an option seller is exposed to in comparison to the fixed risk to which an option buyer is exposed. There can be no assurance that this imbalance will apply in the future over specific periods or generally. It is possible that the imbalance could decrease or be eliminated by actions of investors that employ strategies seeking to take advantage of the imbalance, which would have an adverse effect on the client portfolio's ability to achieve its investment objective. Further, directional movements of the underlying index or stock may overwhelm the volatility differential for any given option resulting in a loss, regardless of the volatility relationship during that specific option's term. Call spread and put spread selling strategies employed by certain strategies are based on a specified index or on exchange-traded funds that replicate the performance of certain indexes. If the index or an ETF appreciates or depreciates sufficiently over the period to offset the net premium received, the client portfolio will incur a net loss. The amount of potential loss in the event of a sharp market movement is subject to a cap defined by the difference in strike prices between written and purchased call and put options. The value of the specified exchange-traded fund is subject to change as the values of the component securities fluctuate. Also, it may not exactly match the performance of the specified index.

**Pooled Investment Vehicles Risk.** Pooled investment vehicles include open- and closed-end investment companies, ETFs, and private funds. Pooled investment vehicles are subject to the risks of investing in the underlying securities or other investments. Shares of closed-end investment companies and ETFs may trade at a premium or discount to net asset value and are subject to secondary market trading risks. In addition, except as otherwise noted in this Form ADV Part 2A, the client portfolio will bear a pro rata portion of the operating expenses of a pooled investment vehicle in which it invests.

**Portfolio Turnover Risk.** The annual portfolio turnover rate of certain strategies and funds may exceed 100%. A fund or strategy with a high turnover rate (100% or more) may generate more capital gains and may involve greater expenses (which may reduce return) than a fund or strategy with a lower rate. Capital gains distributions will be made to investors if offsetting capital loss carry forwards do not exist.

**Preferred Stock Risk.** Although preferred stocks represent an ownership interest in an issuer, preferred stocks generally do not have voting rights or have limited voting rights and have economic characteristics similar to fixed-income securities. Preferred stocks are subject to issuer-specific risks generally applicable to equity securities and credit and interest rate risks generally applicable to fixed-income securities. The value of preferred stock generally declines when interest rates rise and may react more significantly than bonds and other debt instruments to actual or perceived changes in the company's financial condition or prospects.

**Real Estate Risk.** Real estate investments are subject to risks associated with owning real estate, including declines in real estate values, increases in property taxes, fluctuations in interest rates, limited availability of mortgage financing, decreases in revenues from underlying real estate assets, declines in occupancy rates, changes in government regulations affecting zoning, land use, and rents, environmental liabilities, and risks related to the management skill and creditworthiness of the issuer. Companies in the real estate industry may also be subject to liabilities under environmental and hazardous waste laws, among others. REITs must satisfy specific requirements for favorable tax treatment and can involve unique risks in addition to the risks generally affecting the real estate industry. Funds are generally not eligible for a deduction from dividends received from REITs that is available to individuals who invest directly in REITs. Changes in underlying real estate values may have an exaggerated effect to the extent that investments are concentrated in particular geographic regions or property types.

**Restricted Securities Risk.** Unless registered for sale to the public under applicable federal securities law, restricted securities can be sold only in private transactions to qualified purchasers pursuant to an exemption from registration. The sale price realized from a private transaction could be less than the investor's purchase price for the restricted security. It may be difficult to identify

a qualified purchaser for a restricted security held by an investor and such security could be deemed illiquid. It may also be more difficult to value such securities.

**Responsible Investing and ESG Risk.** 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 WaterOak may rely on analysis and 'scores' provided by third parties in determining whether an issuer meets WaterOak's standards for inclusion or exclusion. A client's perception may differ from WaterOak's or a third party's perception on how to judge an issuers adherence to responsible investing principles.

**Risk of Residual Interest Bonds.** A client portfolio may enter into residual interest bond transactions, which expose the portfolio to leverage and greater risk than an investment in a fixed-rate municipal bond. Residual interest bonds are issued by a trust (the "trust") that holds municipal obligations and the value of residual interest bonds is derived from the value of such obligations. The trust also issues floating-rate notes to third parties that may be senior to the residual interest bonds. Residual interest bonds make interest payments to holders of the residual interest that bear an inverse relationship to both the interest rate paid on the floating-rate notes and short-term interest rates, normally decreasing when short-term rates increase. The value and market for residual interest bonds are volatile and such bonds may have limited liquidity. As required by applicable accounting standards, a registered funds that hold these bonds records interest expense as a liability with respect to floating-rate notes and also records offsetting interest income in an amount equal to this expense.

**Risks of Repurchase Agreements and Reverse Repurchase Agreements.** In the event of the insolvency of the counterparty to a repurchase agreement or reverse repurchase agreement, recovery of the repurchase price owed to a client portfolio or, in the case of a reverse repurchase agreement, the securities sold by the client portfolio, may be delayed. In a repurchase agreement, such insolvency may result in a loss to the extent that the value of the purchased securities decreases during the delay or that value has otherwise not been maintained at an amount equal to the repurchase price. In a reverse repurchase agreement, the counterparty's insolvency may result in a loss equal to the amount by which the value of the securities sold by the client portfolio exceeds the repurchase price payable by the client portfolio; if the value of the purchased securities increases during such a delay, that loss may also be increased. When the client portfolio enters into a reverse repurchase agreement, any fluctuations in the market value of either the securities sold to the counterparty or the securities which the client portfolio purchases with its proceeds from the

agreement would affect the value of the portfolio's assets. Because reverse repurchase agreements may be considered to be a form of borrowing by the client portfolio (and a loan from the counterparty), they constitute leverage. If an investor reinvests the proceeds of a reverse repurchase agreement at a rate lower than the cost of the agreement, entering into the agreement will lower the investor's yield.

**Sector and Geographic Risk.** A client portfolio may invest significantly in one or more sectors or geographic regions. As such, the value of the client portfolio may be affected by events that adversely affect such sector(s)/geographic regions, and may fluctuate more than that of a portfolio that invests more broadly.

**Securities Lending Risk.** Securities lending involves a possible delay in recovery of the loaned securities or a possible loss of rights in the collateral if the borrower fails financially. An investor could also lose money if the value of the collateral decreases.

**Short Sale Risk.** A client portfolio will incur a loss as a result of a short sale if the price of the security sold short increases in value between the date of the short sale and the date on which the portfolio purchases the security to replace the borrowed security. In addition, a lender may request, or market conditions may dictate, that securities sold short be returned to the lender on short notice, and the client portfolio may have to buy the securities sold short at an unfavorable price and/or may have to sell related long positions before it had intended to do so. The client portfolio may not be able to successfully implement its short sale strategy due to limited availability of desired securities or for other reasons. The client portfolio may also be required to pay a premium and other transaction costs, which would increase the cost of the security sold short. The amount of any gain will be decreased and the amount of any loss increased, by the amount of the premium, dividends, interest or expenses the client portfolio may be required to pay in connection with the short sale. Because losses on short sales arise from increases in the value of the security sold short, the investor's losses are potentially unlimited in a short sale transaction. Short sales could be speculative transactions and involve special risks, including greater reliance on the investment adviser's ability to accurately anticipate the future value of a security.

**Small Companies Risk.** Smaller companies are generally subject to greater price fluctuations, limited liquidity, higher transaction costs and higher investment risk than larger, more established companies. Such companies may have limited product lines, markets or financial resources, may be dependent on a limited management group, lack substantial capital reserves or an established performance record. There is generally less publicly available information about such companies than for larger, more established companies. Stocks of these companies frequently have lower trading volumes, making them more volatile and potentially more difficult to value.

**Stripped Securities Risk.** Stripped Securities (“Strips”) are usually structured with classes that receive different proportions of the interest and principal distributions from an underlying asset or pool of underlying assets. Classes may receive only interest distributions (interest-only “IO”) or only principal (principal-only “PO”). Strips are particularly sensitive to changes in interest rates because this may increase or decrease prepayments of principal. A rapid or unexpected increase in prepayments can significantly depress the value of IO Strips, while a rapid or unexpected decrease can have the same effect on PO Strips.

**Structured Management Risk.** WaterOak uses rules-based, proprietary investment techniques and analyses in making investment decisions. These strategies seek to take advantage of certain quantitative and/or behavioral market characteristics identified by WaterOak, utilizing rules-based country, sector and commodity weighting processes, structured allocation methodologies and disciplined rebalancing models. These investment strategies have not been independently tested or validated, and there can be no assurance they will achieve the desired results.

**Swap Risk.** The use of swap transactions is a highly specialized activity that involves strategies and risks different from those associated with ordinary portfolio security transactions. Incorrectly forecasting default risks, market spreads or other applicable factors or events can significantly affect investment performance. Swaps are highly illiquid and not easily traded away. The portfolio generally may only close out a swap or other two-party contract with its particular counterparty, and generally may only transfer a position with the consent of that counterparty. In addition, the price at which the portfolio may close out such a two-party contract may not correlate with the price change in the underlying reference asset. If the counterparty (whether a clearing corporation, as in the case of exchange-traded instruments, or another third party, as in the case of over-the-counter instruments) defaults, there can be no assurance that the counterparty will be able to meet or enforce the contractual obligations. It is also possible that developments in the derivatives market, including changes in government regulation, could adversely affect the manager’s ability to terminate existing swap or other agreements or to realize amounts to be received under such agreements.

**Tax-Managed 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-managed 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. A tax loss realized by a U.S. investor after selling a security will be negated if the investor purchases the security within thirty days. Although WaterOak avoids “wash sales” whenever possible and temporarily restricts securities it has sold at a loss to prevent them, a wash sale can occur inadvertently because of trading by a client in portfolios not managed by WaterOak. A wash sale may also be triggered by WaterOak when it has sold a security for loss

harvesting and shortly thereafter the firm is directed by the client to invest a substantial amount of cash resulting in a repurchase of the security.

**Tax Risk.** The tax treatment of investments held in a client portfolio may be adversely affected by future tax legislation, Treasury Regulations and/or guidance issued by the Internal Revenue Service that could affect the character, timing, and/or amount of taxable income or gains attributable to an account. Income from tax-exempt municipal obligations could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or non-compliant conduct of a bond issuer.

**Tax-Straddle Risk.** Investment strategies that utilize off-setting positions on a security or a portfolio of securities must adhere to specific rules and provisions under the Internal Revenue Code in order to avoid negative tax consequences. These provisions apply to an investor's entire investment portfolio including accounts not managed by WaterOak. While WaterOak seeks to avoid "tax straddles", an investor's ability to realize tax benefits (e.g., defer gains, deduct interest, convert short term gains into long term gains) may be negated by transactions and holdings of which WaterOak is not aware.

**Tracking Error Risk.** Tracking error risk refers to the risk that the performance of a client portfolio may not match or correlate to that of the index it attempts to track, either on a daily or aggregate basis. Factors such as fees and trading expenses, client-imposed restrictions, imperfect correlation between the portfolio's investments and the index, changes to the composition of the index, regulatory policies, high portfolio turnover and the use of leverage all contribute to tracking error. Tracking error risk may cause the performance of a client portfolio to be less or more than expected.

**U.S. Government Securities Risk.** Although certain U.S. Government-sponsored agencies (such as the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association) may be chartered or sponsored by acts of Congress, their securities are neither issued nor guaranteed by the U.S. Treasury. U.S. Treasury securities generally have a lower return than other obligations because of their higher credit quality and market liquidity.

**When-Issued and Forward Commitment Risk.** Securities purchased on a when-issued or forward commitment basis are subject to the risk that when delivered they will be worth less than the agreed upon payment price.

**Volcker Rule:** Section 619 of the Dodd-Frank Act (commonly referred to as the "Volcker Rule"), along with regulations issued by the Federal Reserve and other U.S. federal financial regulators ("Implementing Regulations") generally prohibit "banking entities" (which term includes bank holding companies and their affiliates) from investing in, sponsoring, or having certain types of relationships with, private equity funds or hedge funds (referred to in the Implementing

Regulations as “covered funds”). Banking entities (including Morgan Stanley and its affiliates) were required to bring their activities and investments into conformance with the Volcker Rule by July 21, 2015, subject to certain extensions granted by the U.S. Federal Reserve that allow Morgan Stanley and its affiliates until July 21, 2022 at the latest to bring certain of their covered fund activities and investments into compliance with certain aspects of the Volcker Rule. In addition, it is anticipated that Parametric will have a conformance period until March 1, 2023 to bring any non-conforming covered fund activities into compliance with the Volcker Rule.

The Volcker Rule and the Implementing Regulations impose a number of restrictions on Morgan Stanley and its affiliates that affects us, a covered fund offered by us, the general partner of those funds, and the limited partners of such funds. For example, to sponsor and invest in certain covered funds, Morgan Stanley must comply with the Implementing Regulations’ “asset management” exemption to the Volcker Rule’s prohibition on sponsoring and investing in covered funds. Under this exemption, the investments made by Morgan Stanley (aggregated with certain affiliate and employee investments in a covered fund must not exceed 3% of the covered fund’s outstanding ownership interests and Morgan Stanley’s aggregate investment in covered funds does not exceed 3% of Morgan Stanley’s Tier I capital. In addition, the Volcker Rule and the Implementing Regulations prohibit Morgan Stanley and its affiliates from entering in certain other transactions (including “covered transactions” as defined in Section 23A of the U.S. Federal Reserve Act, as amended) with or for the benefit of, covered funds that it sponsors or advises. For example, Morgan Stanley may not provide loans, hedging transactions with extensions of credit or other credit support to covered funds it advises. There are limitations on Morgan Stanley and its affiliates, including WaterOak’s ability to invest in certain assets such as real estate and real assets in covered funds. While we endeavor to minimize the impact on our covered funds and the assets held by them, Morgan Stanley’s interests in determining what actions to take in complying with the Volcker Rule and the Implementing Regulations may conflict with WaterOak’s interests and the interests of the private funds, the general partner and the limited partners of the private funds, all of which may be adversely affected by such actions. The foregoing is not an exhaustive discussion of the potential risks the Volcker Rule poses for WaterOak.

## **Item 9 - Disciplinary Information**

During the past ten years, WaterOak has not been subject to any material disciplinary or legal events.



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

WaterOak is an indirect wholly-owned subsidiary of Morgan Stanley, a corporation whose shares are publicly held and traded on the New York Stock Exchange under the symbol “MS”. Morgan Stanley is a financial holding company under the Bank Holding Company Act of 1956, as amended. As a result, WaterOak is part of a large global financial services and banking group and WaterOak clients may have relationships with WaterOak’s affiliates, in addition to client relationships directly with WaterOak. These relationships can cause conflicts of interest.

### **Broker-Dealer Affiliates**

WaterOak is affiliated with Eaton Vance Distributors, Inc. (EVD), a broker-dealer registered under the Securities Exchange Act of 1934 (the “34 Act”) and the Financial Industry Regulatory Authority (“FINRA”). EVD is the principal underwriter and distributor of certain affiliated funds. WaterOak currently does not conduct any brokerage business with EVD.

As of March 1, 2021, WaterOak became affiliated with Morgan Stanley & Co. LLC (“MS&Co.”), Morgan Stanley Smith Barney LLC (“MSSB”), and Prime Dealer Services Corp., each a registered broker-dealer under the 34 Act and with FINRA. WaterOak is also affiliated with foreign broker-dealers and financial services companies, including Morgan Stanley & Co. International PLC, Morgan Stanley MUFG Securities Co., Ltd., Morgan Stanley India Company Private Ltd., and Block Interest Discovery System (BIDS) (hereinafter, together with affiliated broker-dealers registered under the 34 Act, collectively referred to as “Affiliated Broker-Dealers”).

When permitted by applicable law and subject to the considerations set forth in *Item 12 – Brokerage Practices*, WaterOak utilizes Affiliated Broker-Dealers to effect portfolio securities, currency exchange, futures, and other transactions for WaterOak client accounts. The “*Participation or Interest in Client Transactions*” subsection in *Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*, describes in greater detail the manner in which we utilize Affiliated Broker-Dealers to effect client transactions and the conflicts of interest that can arise.

### **Material Arrangements or Relationships with Affiliates**

WaterOak is part of a group of investment advisers within the Morgan Stanley Investment Management business, including: (1) Eaton Vance Management (EVM); (2) Boston Management and Research; (3) Calvert Research and Management (CRM); (4) Atlanta Capital Management Company, LLC (ACM); (5) Eaton Vance Advisers International Ltd. (“EVAIL”); (6) Eaton Vance Global Advisors Limited (“EVGA”); (7) Parametric Portfolio Associates LLC (Parametric); (8) Mesa West Capital, LLC; (9) Morgan Stanley Investment Management Company; (10) Morgan Stanley Investment Management Limited; (11) Morgan Stanley AIP GP LP; Morgan Stanley

Infrastructure, Inc.; (12) Morgan Stanley Private Equity Asia, Inc.; (13) MS Capital Partners Adviser, Inc.; (14) Morgan Stanley Real Estate Advisor, Inc.; (15) MSREF Real Estate Advisor, Inc.; (16) MSREF V, LLC; and (17) MSRESS III Manager, LLC (collectively, “Affiliated Advisers”).

While WaterOak is currently a part of MSIM, the asset management division of Morgan Stanley, certain WaterOak employees report to employees of MSWM, the wealth management division of Morgan Stanley. Over time, it is anticipated WaterOak will integrate with MSWM and become a part of MSWM.

WaterOak has entered into an arrangement with EVM whereby EVM provides to WaterOak certain services such as accounting, finance, human resources, information technology and legal. This relationship is governed by a Service Level Agreement between the parties. In addition, as described in *Item 12 – Brokerage Practices*, and *Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss*, WaterOak utilizes EVM research and EVM trading capabilities in managing client accounts. WaterOak may invest its clients in funds sponsored by EVM. EVM is a sub-adviser to certain separately managed WaterOak clients and EVM provides WaterOak with model portfolios for implementation in WaterOak client accounts.

WaterOak additionally currently utilizes, or anticipates utilizing, services provided by Parametric, CRM, and ACM in managing client accounts. These services include sub-advisory services, the provision of models by the affiliates for implementation in WaterOak client accounts, and portfolio implementation services.

Morgan Stanley owns Eaton Vance Trust Company (“EVTC”), a limited purpose non-depository trust company organized and operating under the laws of Maine. EVTC provides custodial and/or corporate trustee services to certain WaterOak clients (“Trustee Clients”) and receives a fee for such services. State Street Bank and Trust Company generally provides qualified custodial or sub-custodial services to these custodial accounts. EVTC retains WaterOak to provide investment advisory services for Trustee Clients. EVTC officers who perform trustee duties for Trustee Clients are also employees of WaterOak. Since EVTC and WaterOak are affiliated companies, a potential conflict of interest exists, as EVTC is required to monitor and oversee WaterOak’s performance of its duties as investment advisor. EVTC and WaterOak have sought to reduce conflicts of interest by involving separate EVTC officers and WaterOak Wealth Advisors for each Trustee Account. In addition, EVTC has established a Trust Oversight Committee, which is responsible for reviewing Trustee Client accounts on a periodic basis. WaterOak clients who avail themselves of EVTC Trustee services generally do not pay an additional trustee fee, which can result in the saving of fees that would typically be charged by outside corporate trust companies.

### **Electronic Communication Networks and Alternative Trading Systems**

WaterOak affiliates have ownership interests in and/or Board seats on electronic communication networks (“ECNs”) or other alternative trading systems (“ATs”). In certain instances WaterOak affiliates may be deemed to control one or more of such ECNs or ATs based on the level of such ownership interests and whether such affiliates are represented on the Board of such ECNs or ATs. Consistent with its fiduciary obligation to seek best execution, WaterOak, from time to time, directly or indirectly, effect client trades through ECNs or other ATs in which its affiliates have or may acquire an interest or Board seat. These affiliates may receive an indirect economic benefit based upon their ownership in the ECNs or other ATs. WaterOak will, directly or indirectly, execute through an ECN or other ATs in which an affiliate has an interest only in situations where we or the broker dealer through whom WaterOak is accessing the ECN or ATs reasonably believes such transaction will be in the best interest of WaterOak clients and the requirements of applicable law have been satisfied. WaterOak affiliates may own over 5% of the outstanding voting securities and/or have a member on the Board of certain trading systems (or their parent companies), including (i) Euroclear Holding SA/NV(ii) Turquoise Global Holdings Ltd., (iii) MEMX Holdings LLC, (iv) OTC Deriv55 Limited, (v) Creditderiv Limited, (vi) Equilend, (vii) Chi-X Global Holdings LLC (CXG), (viii) FXGLOBALCLEAR, and (ix) EOS Precious Metals Limited.

WaterOak affiliates may acquire interests in and/or take Board seats on other ECNs or other ATs (or increase ownership in the ATs listed above) in the future.

WaterOak affiliates receive cash credits from certain ECNs and ATs for certain orders that provide liquidity to their books. In certain circumstances, such ECNs and ATs also charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that WaterOak affiliates receive from one or more ECN or ATs exceed the amount that is charged. Under these limited circumstances, such payments would constitute payment for order flow.

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

WaterOak has adopted various policies, including a Code of Ethics (the “Code”) to address the potential for self-dealing and conflicts of interest, which may arise with respect to personal securities trading by employees (including temporary employees), officers and other affiliated persons (“referred to as Employees”). The Code applies not only to Employees, but also to their “Immediate Family Members” (as defined in the Code), which includes persons sharing the same household with the Employee, excluding temporary houseguests. Affiliates of WaterOak, including EVM have adopted the same Code and many of the same policies.

The Code and other policies cover, among other things, portfolio management and trading practices, personal investment transactions and insider trading. These policies set out standards of conduct to help Employees avoid potential and actual conflicts of interest and to ensure that client interests are put first. For example, the Code restricts the timing and other circumstances under which certain Employees may purchase or sell a security, which is being purchased or sold or (to their knowledge) is being considered for purchase or sale by a client. The Code further restricts or discourages certain investment activities, such as participation in initial public offerings or limited offerings, frequent securities trading and the use of short sales. In addition, the Code prohibits personal securities transactions in derivatives, including options and futures.

Additionally, the Code prohibits Employees from purchasing or selling any security for their own account or for that of a client while in possession of material non-public information concerning the security or its issuer. Employees are required to obtain pre-clearance approval before trading in securities for their own account and to report their securities holdings, including any interests held in registered investment companies advised by WaterOak or its affiliates. To facilitate this reporting, Employees are generally required to maintain personal brokerage accounts only at certain approved broker-dealers and to disclose these accounts to the Eaton Vance Compliance Department.

WaterOak may impose remedial actions for violations of the Code. Such remedial actions may include, but are not limited to full or partial disgorgement of profits earned on an investment transaction, restricting personal trading, consideration of such violation during year-end performance and discretionary compensation review, censure, demotion, suspension or dismissal, or any other sanction or remedial action required or permitted by law, rule or regulation. As part of any remedial action, an Employee may be required to reverse an investment transaction and forfeit any profit or absorb any loss from the transaction.

In addition, each registered investment company advised or sub advised by WaterOak and certain affiliates have adopted their own code of ethics, which governs personal securities transactions of Fund directors, trustees, officers and employees.

A copy of the Code may be obtained by writing to: Eaton Vance Management, Attn: Legal Dept. – Code of Ethics, Two International Place, Boston, MA 02110.

### **Additional Conflicts of Interest**

When consistent with the client's investment objectives, WaterOak may invest a portion of the assets of a client's discretionary account in shares of the Fund or in other funds sponsored and/or advised by WaterOak's affiliates (collectively an "Affiliated Fund") or may recommend such an investment to a client having a non-discretionary account. Since WaterOak or its affiliates receive management and/or administrative fees for serving as investment adviser to Affiliated Fund, with respect to that portion of a client's account invested in an Affiliated Fund, the client is not charged an advisory fee by WaterOak (*i.e.*, when calculating the advisory fee payable to WaterOak, the value of client's account is reduced by the value of the shares of any Affiliated Funds owned by the client). The management and administrative fee rate payable by the Affiliated Fund may be more or less than that otherwise payable by the client in connection with its investment advisory account.

WaterOak provides investment management services to clients who may also receive services from affiliates. Certain WaterOak clients come through MSWM's Investment Management Services program and have advisory agreements with both WaterOak and MSWM. MSWM does not recommend WaterOak in this program and clients are responsible for independently selecting WaterOak. In addition, MSWM has entered into arrangements with sponsors and distributors of third party registered funds ("Third Party Funds"). MSWM receives compensation under these arrangements for its clients which hold such funds in MSWM brokerage accounts ("MSWM Accounts"). To the extent WaterOak invests in Third Party Funds for its clients holding their assets in MSWM Accounts, MSWM would receive compensation from the sponsors and distributors of Third Party Funds. This creates a conflict of interest for WaterOak to invest client assets in Third Party Funds.

WaterOak may combine transaction orders placed on behalf of clients, including accounts in which affiliated persons of WaterOak have an investment interest. Available investment opportunities will be allocated among clients in a manner deemed equitable by WaterOak. See *Item 12 - Brokerage Practices* below for more information.

Some WaterOak employees receive compensation in connection with the establishment of new client accounts or significant additions to existing client accounts. This compensation is typically

calculated as a percentage of the advisory fees received by WaterOak from the client during a fixed period of time. WaterOak may also recommend that a client invest some of its assets in a private fund managed by an affiliate of WaterOak. WaterOak does not charge any fees relating to such an investment, but the affiliate receives fees from the private fund for providing advisory and administrative services. Some WaterOak employees receive compensation from Eaton Vance Corp. (or its affiliates) for making such a recommendation. This compensation is typically calculated as a percentage of the fees received by Eaton Vance Corp. (or its affiliates) from the private fund during a fixed period of time that are attributable to the WaterOak client's investment in the private fund. WaterOak manages the conflicts of interest inherent to these employee incentive compensation arrangements by ensuring the client is aware of the potential benefits and risks of hiring WaterOak as an investment adviser or making an investment in a private fund.

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

The following section addresses WaterOak trading activities, the various conflicts of interest that can arise, and how such conflicts have been addressed.

### **Broker-Dealer Affiliations**

WaterOak does not act as principal or broker in connection with client transactions. WaterOak does, however, in the exercise of its discretion under an investment management agreement with a client, in certain instances, effect transactions in securities or other instruments for clients through Affiliated Broker-Dealers which perform the activities set forth below.

In connection with transactions in which Affiliated Broker-Dealers will act as principal, WaterOak will disclose to clients that the trade will be conducted on a principal basis and obtain any the consent of participating clients in accordance with the provisions of and rules under the Advisers Act. WaterOak will recommend a client engage in such a transaction when it believe that the net price for the security is at least as favorable as could have been obtained from another established dealer in such security.

WaterOak's recommendations to clients may involve securities in which its Affiliated Broker-Dealers, or their officers, employees or other affiliates, have a financial interest. Affiliated Broker-Dealers and their officers, employees and other affiliates, can purchase or sell for their own accounts securities that WaterOak recommends to its clients.

If permitted by a client's investment objectives and guidelines, applicable law, and WaterOak policies and procedures, WaterOak may recommend that clients purchase, or use its discretion to effect a purchase of, securities during the existence of an underwriting or other public or private offering of such securities involving an Affiliated Broker-Dealer as a manager, underwriter, initial purchaser, or placement agent. Among other things, WaterOak must disclose to clients that the transaction involves an affiliate and obtain client consent to execute transactions with an affiliate on behalf of a client's account. Purchases can be from underwriters or placement agents other than

an Affiliated Broker-Dealer in distributions in which an Affiliated Broker-Dealer is a manager and/or member of a syndicate or selling group, as a result of which an Affiliated Broker-Dealer will likely benefit from the purchase through receipt of a fee or otherwise. In situations in which a client has not given permission, or where it is prohibited by law, rule or regulation, WaterOak may be unable to purchase securities for client accounts in an initial or other public or private offering of securities involving an Affiliated Broker-Dealer.

With client consent, and subject to the restrictions imposed on such transactions by applicable law, WaterOak will effect portfolio transactions through an Affiliated Broker-Dealer on an agency basis, including transactions in over-the-counter (“OTC”) securities, where the Affiliated Broker-Dealer will act as agent in connection with the purchase and sale of OTC securities from market participants and will charge WaterOak clients a commission on the transactions. Since these are agency transactions, there is no mark up or mark down on the price of the security.

WaterOak will effect client transactions through an Affiliated Broker-Dealer when, in its judgment, clients may thereby obtain the best execution of the transaction. Subject to its duty to seek best execution, WaterOak may effect such transactions through an Affiliated Broker-Dealer even though the total brokerage commission for the transaction is be higher than that which might have been charged by another broker for the same transaction.

### **Cross and Agency Cross Transactions**

From time to time, and where permitted by applicable law and the relevant client agreements, WaterOak will effect “agency cross transactions” in which an Affiliated Broker-Dealer acts as agent for both the buyer and seller in the transaction. WaterOak will only trade with an Affiliated Broker-Dealer on behalf of a client on an agency cross basis when the client has consented to WaterOak effecting such transactions. Any agency cross transaction will be effected in compliance with applicable law, as well as policies and procedures WaterOak has designed to prevent and disclose potential conflicts of interest. The Affiliated Broker-Dealer can receive a commission from the seller and the buyer when it executes transactions on an agency cross basis under certain conditions. In effecting an agency cross transaction, WaterOak has potentially conflicting divisions of loyalties and responsibilities regarding the parties to the transaction.

WaterOak, along with its related persons will effect portfolio transactions through an Affiliated Broker-Dealer on behalf of clients in respect of which WaterOak are a “fiduciary” as defined in the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) only on an agency basis and with prior written approval from an independent fiduciary in accordance with the terms of exemptions available from the Department of Labor, as well as in accordance with the restrictions imposed on such transactions by applicable law.

Fixed income instruments typically trade at a bid/ask spread and without an explicit brokerage charge. While there is not a formal trading expense or commission, clients (including Wrap Program clients) will bear the implicit trading costs reflected in these spreads.

WaterOak is generally permitted to purchase securities on behalf of its ERISA clients from an underwriting or selling syndicate where an Affiliated Broker-Dealer participates as manager, or syndicate members with prior written approval from an independent fiduciary in accordance with the terms of exemptions available from the Department of Labor.

WaterOak and its Affiliated Advisers, from time to time, execute client transactions with broker-dealers that do not have their own clearing facilities and who clear such transactions through an Affiliated Broker-Dealer. In such instances, the Affiliated Broker-Dealer will receive a clearing fee for these transactions.

### **Services to Issuers Activities**

Along with its affiliates, WaterOak provides a variety of services for, and render advice to, various clients, including issuers of securities that WaterOak also recommends for purchase or sale by clients. In the course of providing these services, WaterOak and its affiliates may come into possession of material, nonpublic information which might affect its ability to buy, sell, or hold a security for a client account. Investment research materials disclose that WaterOak related persons may own, and may effect transactions in, securities of companies mentioned in such materials and also may perform or seek to perform investment banking services for those companies. In addition, directors, officers and employees of WaterOak affiliates may have board seats and/or have board observer rights with private and/or publicly traded companies in which WaterOak invests on behalf of its client accounts. Along with its affiliates, WaterOak has adopted policies and procedures and created information barriers that are reasonably designed to prevent the flow of any material, nonpublic information regarding these companies between WaterOak and its affiliates. Directors, officers and employees of WaterOak could, in the future also take board seats or have board observer rights with companies in which WaterOak invests on behalf of its clients. Generally WaterOak will only do so with respect to private (not publicly traded) companies. To the extent a director, officer or employee were to take a board seat or have board observer rights in a public company, WaterOak (or certain of its investment teams) would be limited and/or restricted in its ability to trade in the securities of the company to the extent WaterOak (or certain of its investment teams) possessed or were deemed to possess material, nonpublic information regarding the company.

### **Investment Banking Activities**

Morgan Stanley advises its clients on a variety of mergers, acquisitions and financing transactions. Morgan Stanley may act as an advisor to clients that may compete with WaterOak's clients and



with respect to its clients' investments. In certain instance, Morgan Stanley gives advice and takes action with respect to its clients or proprietary accounts that may differ from the advice WaterOak provides, or involves an action of a different timing or nature than the action taken advised by WaterOak. At times, Morgan Stanley will give advice and provide recommendations to persons competing with WaterOak clients and/or any of its clients' investments, contrary to the client's best interests and/or the best interests of any of its investments.

Morgan Stanley could be engaged in financial advising, whether on the buy-side or sell-side, or in financing or lending assignments that could result in Morgan Stanley's determining in its discretion or being required to act exclusively on behalf of one or more third parties, which could limit WaterOak clients' ability to transact with respect to one or more existing or potential investments. Morgan Stanley may have relationships with third-party funds, companies or investors who may have invested in or may look to invest in portfolio companies, and there could be conflicts between WaterOak clients' best interests, on the one hand, and the interests of a Morgan Stanley client or counterparty, on the other hand. To the extent that Morgan Stanley advises creditor or debtor companies in the financial restructuring of companies either prior to or after filing for protection under Chapter 11 of the Bankruptcy Code or similar laws in other jurisdictions, WaterOak's flexibility in making investments in such restructurings on a client's behalf may be limited.

From time to time, different areas of Morgan Stanley will come into possession of MNPI as a result of providing investment banking services to issuers of securities. In an effort to prevent the mishandling of MNPI, Morgan Stanley will, at times, restrict trading of these issuers' securities by WaterOak and its clients during the period such MNPI is held by Morgan Stanley, which period may be substantial. In instances where trading of an investment is restricted, WaterOak clients may not be able to purchase or sell such investment, in whole or in part, resulting in WaterOak clients' inability to participate in certain desirable transactions and/or a lack of liquidity concerning WaterOak clients' existing portfolio investments. This inability to buy or sell an investment could have an adverse effect on WaterOak client's portfolio due to, among other things, changes in an investment's value during the period its trading is restricted.

Morgan Stanley could provide investment banking services to competitors of WaterOak clients' portfolio companies, as well as to private equity and/or private credit funds, and such activities could present Morgan Stanley with a conflict of interest vis-a-vis a client's investment and also result in a conflict in respect of the allocation of investment banking resources to portfolio companies. To the extent permitted by applicable law, Morgan Stanley can provide a broad range of financial services to companies in which a client invests, including strategic and financial advisory services, interim acquisition financing and other lending and underwriting or placement of securities, and Morgan Stanley generally will be paid fees (that may include warrants or other securities) for such services. Morgan Stanley will not share any of the foregoing interest, fees and

other compensation received by it (including, for the avoidance of doubt, amounts received by WaterOak) with WaterOak clients, and any advisory fees payable will not be reduced thereby.

Morgan Stanley could be engaged to act as a financial advisor to a company in connection with the sale of such company, or subsidiaries or divisions thereof, may represent potential buyers of businesses through its mergers and acquisition activities and could provide lending and other related financing services in connection with such transactions. Morgan Stanley's compensation for such activities is usually based upon realized consideration and is usually contingent, in substantial part, upon the closing of the transaction. WaterOak clients may be precluded from participating in a transaction with or relating to the company being sold under these circumstances.

WaterOak believes that the nature and range of clients to whom its Affiliated Broker-Dealers render investment banking and other services is such that it would be inadvisable to exclude these companies from a client's portfolio. Accordingly, unless advised by a client to the contrary, it is likely that WaterOak client holdings will include the securities of corporations for whom Affiliated Broker Dealers perform investment banking and other services. Moreover, client portfolios may include the securities of companies in which Affiliated Broker-Dealers make a market or in which WaterOak, its officers and employees and Affiliated Broker-Dealers or other related persons and their officers or employees have positions.

To meet applicable regulatory requirements, there are periods when WaterOak will not initiate or recommend certain types of transaction in the securities of companies for which an Affiliated Broker-Dealer is performing investment banking service. WaterOak clients will not be advised of that fact. In particular, when an Affiliated Broker-Dealer is engaged in an underwriting or other distribution of securities of a company, WaterOak may be prohibited from purchasing or recommending the purchase of certain securities of that company for its clients. Notwithstanding the circumstances described above, clients, of their own initiative, may direct WaterOak to place orders for specific securities transactions in their accounts. In addition, WaterOak generally will not initiate or recommend transaction in the securities of companies with respect to which WaterOak affiliates may have controlling interests or are affiliated.

### **Investment Limits**

Various federal, state or foreign laws, rules and regulations, as well as certain corporate charters adopted by issuers in which WaterOak may invest, limit the percentage of an issuer's securities that may be owned by WaterOak and its affiliates. WaterOak is more likely to run into these limitations than investment advisers with fewer assets under management and/or that are not affiliated with a large financial institution or financial holding company. In certain instances, for purposes of these ownership limitations, WaterOak holdings on behalf of our client accounts will be aggregated with the holdings of its affiliates. These ownership limitations may be in the form

of, among others: (i) a strict prohibition against owning more than a certain percentage of an issuer's securities (the "threshold"); (ii) a "poison pill" that would have a material dilutive impact on holdings in that issuer should WaterOak and its affiliates exceed the threshold; (iii) provisions that would cause WaterOak and its affiliates to be considered "interested stockholders" of an issuer if thresholds are exceeded; and (iv) provisions that may cause WaterOak and its affiliates to be considered an "affiliate" or "control person" of the issuer. WaterOak will generally avoid exceeding the threshold in these situations. With respect to situations in which WaterOak and its affiliates may be considered "interested stockholders" (or a similar term), WaterOak will generally avoid exceeding the threshold because if it were considered an interested stockholder, WaterOak, along with our affiliates would be prohibited (in some cases absent board and/or shareholder approval) from entering into certain transactions or performing certain services (including investment banking, financial advisory and securities lending) with or for the issuer. WaterOak will also generally avoid exceeding a threshold in situations in which it may be considered an affiliate of the issuer for the reasons set forth above, as well as the fact that should WaterOak be considered an affiliate of an issuer, its ability to trade in the issuer's securities would become limited. For additional information on certain regulatory risks, including the Volcker Rule, please see the "Legal and Regulatory Risks" sub-section in Item 8, "Methods of Analysis, Investment Strategies and Risk of Loss".

### **Investments in Affiliated Investment Funds**

When permitted by applicable law and the investment guidelines applicable to individual client accounts, and considered by WaterOak to be in the best interests of a client, WaterOak may recommend to clients, and invest the assets of client accounts in various closed-end and open-end investment companies and other pooled investment vehicles for which WaterOak or its affiliates receive compensation for advisory, administrative, or other services.

In certain circumstances, when required by applicable law or by agreement with clients, WaterOak will waive WaterOak investment management fee with respect to assets investment in pooled investment vehicles to the extent some or all of the compensation received by WaterOak and its affiliates for services rendered with respect to such pooled investment vehicles. WaterOak does not, in all instances, waive such investment management fees.

### **Investment Management Activities**

It is possible that WaterOak officers or employees buy or sell securities or other instruments that have been purchased on behalf of or recommended to clients. Moreover, WaterOak from time to time will purchase and sell on behalf of or recommend to clients the purchase or sale of securities in which WaterOak or its officers, employees or related persons have a financial interest. These transactions are subject to policies and procedures regarding personal securities trading, as well as to the requirements of the Advisers Act, the 1940 Act and other applicable laws. WaterOak policies

and procedures, the Advisers Act and the 1940 Act require that we put client interests before its own.

From time to time, various potential and actual conflicts of interest arise from the overall advisory, investment and other activities of WaterOak, and its affiliates, and personnel (each, an “Advisory Affiliate” and, collectively, the “Advisory Affiliates”).

The Advisory Affiliates manage long and short portfolios. The simultaneous management of long and short portfolios creates conflicts of interest in portfolio management and trading in that opposite directional positions may be taken in client accounts managed by the same investment team, and creates risks such as: (i) the risk that short sale activity could adversely affect the market value of long positions in one or more portfolios (and vice versa) and (ii) the risks associated with the trading desk receiving opposing orders in the same security simultaneously. In certain circumstances, Advisory Affiliates invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of the mutual funds and/or managed accounts managed by them (collectively, the “Advisory Clients”). At times, the Advisory Affiliates will give advice or take action for their own accounts that differs from, conflicts with, or is adverse to advice given or action taken for any of the Advisory Clients.

From time to time, conflicts also arise due to the fact that certain securities or instruments may be held in some Advisory Clients but not in others, or the Advisory Clients may have different levels of holdings in certain securities or instruments, and because the Advisory Clients pay different levels of fees. In addition, at times an Advisory Affiliate will give advice or take action with respect to the investments of one or more Advisory Clients that is not given or taken with respect to other Advisory Clients with similar investment programs, objectives, and strategies. Accordingly, Advisory Clients with similar strategies will not always hold the same securities or instruments or achieve the same performance. Advisory Affiliates also advise Advisory Clients with conflicting programs, objectives or strategies.

Any of the foregoing activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Advisory Clients. Finally, the Advisory Affiliates may have conflicts in allocating their time and services among their Advisory Clients. WaterOak will devote as much time to each of its Advisory Clients as it deems appropriate to perform its duties in accordance with its respective management agreements.

Different clients of WaterOak, including funds advised by us or an affiliate, may invest in different classes of securities of the same issuer, depending on their respective client’s investment objectives and policies. As a result, WaterOak, at times, will seek to satisfy our fiduciary obligations to certain clients owning one class of securities of a particular issuer by pursuing or enforcing rights on behalf of those clients with respect to such class of securities, and those activities may have an

adverse effect on another client, which owns a different class of securities of such issuer. For example, if one client holds debt securities of an issuer and another client holds equity securities of the same issuer, if the issuer experiences financial or operational challenges, WaterOak may seek a liquidation of the issuer on behalf of the client that holds the debt securities, whereas the client holding the equity securities may benefit from a reorganization of the issuer. Thus, in such situations, the actions taken on behalf of one client can negatively impact securities held by another client. WaterOak have adopted procedures pursuant to which conflicts of interest, including those resulting from the receipt of material, nonpublic information about an issuer, are managed by employees through information barriers and other practices.

WaterOak, or its affiliates, from time to time will pursue acquisitions of assets and businesses and identify an investment opportunity in connection with its existing businesses or a new line of business without first offering the opportunity to funds or clients. Such an opportunity could include a business that competes with a fund or an investment fund or a co-investment in which a fund or client has invested or proposes to invest.

From time to time, WaterOak may be retained to manage assets on behalf of a client that is a public or private company in which it invested or may invest on behalf of our mutual funds and other client accounts.

### **General Process with Potential Conflicts**

All of the transactions described above involve the potential for conflicts of interest between WaterOak or its related persons and clients. The Advisers Act, the 1940 Act and ERISA impose certain requirements designed to decrease the possibility of conflicts of interest between an investment adviser and its clients. In some cases, transactions may be permitted subject to fulfillment of certain conditions. Certain other transactions may be prohibited. In addition, WaterOak has instituted policies and procedures designed to prevent conflicts of interest from arising and, when they do arise, to ensure that it effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law. WaterOak seeks to ensure that potential or actual conflicts of interest are appropriately resolved taking into consideration the overriding best interest of the client.

WaterOak have adopted policies and procedures and established controls designed to require review of transactions in which conflicts of interest may exist, including those described above, to ensure that applicable policies and legal and regulatory requirements are followed.

## **Item 12 - Brokerage Practices**

For certain asset classes, WaterOak Boston executes trades on behalf of clients. Such trades are generally executed through zero or low cost brokerage providers such as Fidelity Investments, Charles Schwab, or TD Ameritrade or through certain other brokers required by specific written requirements by some clients. For others, WaterOak Boston uses the trading desks of its affiliate, EVM, to effect client portfolio transactions, but does execute certain trades directly. This section describes the brokerage practices employed by EVM on behalf of WaterOak Boston. WaterOak Florida does not utilize EVM for trading in clients managed out of its office. References to Eaton Vance within this Item refer to both EVM and WaterOak Boston.

WaterOak Florida requires clients custody their assets at either Fidelity Investments, Charles Schwab, or TDAmeritrade. WaterOakFlorida will only execute trades for client accounts managed by WaterOak Florida through the custodian which holds a client's assets.

### **Selection of Broker-Dealers**

Many brokerage firms have implemented zero commission trading. For accounts held at such firms, WaterOak Boston generally trades more liquid security types (e.g. large cap exchange traded equities or treasuries) through such custodian, as trade-away fees charged by such firms generally exceed the benefits of any incremental price improvement which could be obtained by trading with other counterparties. WaterOak reserves the right to trade away in cases where it deems best execution can be obtained elsewhere despite trade away fees. For less liquid security types, large block trades, or security types which trade with wider spreads WaterOak Boston will most commonly utilize the trading desks of EVM. WaterOak Boston has adopted procedures for trading away from clients' custodians.

Eaton Vance seeks to achieve best overall execution when selecting broker-dealers for client portfolio transactions. In seeking best overall execution, Eaton Vance will use its best judgment in evaluating the terms of a transaction, and will give consideration to various relevant factors, including without limitation the full range and quality of the services provided by the broker-dealer, the responsiveness of the broker-dealer to Eaton Vance, the size and type of the transaction, the nature and character of the market for the security, the confidentiality, speed and certainty of effective execution required for the transaction, the general execution and operational capabilities of the broker-dealer, the reputation, reliability, experience and financial condition of the broker-dealer, the value of services rendered by the broker-dealer in other transactions, and the amount of the spread or commission, if any. While Eaton Vance generally does not seek competitive bidding on commissions rates on individual trades, Eaton Vance does seek to be aware of general rates broker-dealers charge. Eaton Vance may also consider the receipt of brokerage and research services, provided it does not compromise Eaton Vance's obligation to seek best overall execution.

See *Research Services Practices* below for additional information about the brokerage and research services Eaton Vance receives from broker-dealers.

## **Trading Venues and Brokerage Commissions**

In general, for all discretionary accounts and for non-discretionary accounts where the client has so authorized, Eaton Vance will place portfolio transaction orders on behalf of such accounts with one or more broker-dealer firms which Eaton Vance selects to execute the transactions. Frequently, transactions on stock exchanges and other agency transactions involve the payment by the client of negotiated brokerage commissions (except for trades executed with such brokers who offer zero commission trading). Eaton Vance uses its best efforts to obtain execution at prices that are advantageous to the client and at reasonably competitive spread (as defined below). Such commissions vary among different broker-dealer firms, and a particular broker-dealer may charge different commissions according to such factors as the difficulty and size of the transaction and the volume of business done with such broker-dealer. Transactions in non-U.S. equity securities often involve the payment of brokerage commissions that are higher than those in the United States. There generally is no stated commission in the case of equity securities traded in the over-the-counter markets. In such cases, the price paid or received by the client usually includes an undisclosed dealer markup or markdown (the “spread”). In an underwritten offering of equity securities, the price paid by the client includes a disclosed fixed commission or discount retained by the underwriter or dealer.

Fixed income securities purchased and sold for clients have historically been primarily traded in the over-the-counter market through broker-dealers. Such firms attempt to profit from such transactions by buying at the bid and selling at the higher asked price of the market for such obligations, and the difference between the bid and asked price is the spread. Fixed income securities may also be purchased from underwriters and dealers in fixed-price offerings, the cost of which may include undisclosed fees and concessions received by the underwriters. Fixed-income transactions may also be transacted directly with the issuer of the obligations. In recent years, an increased volume of fixed income trading has moved to alternative trading systems (ATS) and other electronic trading platforms. When Eaton Vance trades on such platforms, its bids or offers are matched against unknown counterparties which may be broker-dealers or other buy-side firms. The ATS or electronic platform is most commonly compensated based on a specified percentage of the trade amount.

For certain corporate bond and U.S. Treasury trades, particularly those that trade on spread or yield, Eaton Vance employs the auto-execution feature on certain electronic trading platforms with the goal of achieving faster execution. Auto-execution allows Eaton Vance traders to create rules, parameters and conditions (e.g., trade size, tenors, number of liquidity providers to put in

competition) which are then used by the platform's software to systematically send, receive, execute and process trades.

## **Research Service Practices**

While Eaton Vance has an obligation to seek best overall execution with respect to client portfolio transactions, this does not necessarily require Eaton Vance to pay the lowest available brokerage commission for a particular transaction. Investment advisers commonly receive brokerage and research services from broker-dealers that effect client portfolio transactions. Except as otherwise described in Item 14 – *Client Referrals and other Compensation*, WaterOak generally will not receive research services for trades done directly with the brokerage account sponsors above. Research services are generally generated through trade away transactions executed by EVM. These brokerage and research services may benefit clients directly or indirectly and are paid for with the commissions charged by the broker-dealers for effecting portfolio transactions. The practice of paying for brokerage and research services with commissions generated by client portfolio transaction is known as using soft dollars. Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a safe harbor for the use of soft dollars by investment advisers. Under the safe harbor, Eaton Vance may pay a broker or dealer who executes a portfolio transaction on behalf of an Eaton Vance client a commission that is greater than the amount of commission another broker or dealer would have charged for effecting the same transaction provided that Eaton Vance determines in good faith that such commission was reasonable in relation to the value of the brokerage and research services provided. This determination may be made on the basis of either that particular transaction or the overall responsibility that Eaton Vance and its affiliates have for accounts over which they exercise investment discretion. Brokerage and research services may include advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts; effecting securities transactions and performing functions incidental thereto (such as clearance and settlement); and the “Research Services” discussed below. Eaton Vance may also receive brokerage and research services from underwriters and dealers in fixed-price offerings. WaterOak does not have any arrangements to receive Research Services for trades executed by WaterOak, but as disclosed in *Item 14 – Client Referrals and Other Compensation* below, certain custodians of WaterOak clients do provide WaterOak and clients with access to services similar to Research Services when WaterOak clients’ assets are held at such custodians.

*Research Services.* Research Services include any and all brokerage and research services to the extent permitted by Section 28(e) of the Securities Exchange Act of 1934, as amended. Generally, Research Services may include, but are not limited to, such matters as research, analytical and quotation services, data, information and other services products and materials which assist Eaton



Vance in the performance of its investment responsibilities. More specifically, Research Services may include general economic, political, business and market information, industry and company reviews, evaluations of securities and portfolio strategies and transactions, recommendations as to the purchase and sale of securities and other portfolio transactions, technical analysis of various aspects of the securities markets, non mass-marketed financial, industry and trade publications, certain news and information services, and certain research oriented software, data bases and services that provide Eaton Vance with lawful and appropriate assistance in the performance of its investment decision making responsibilities. Any particular Research Service obtained through a broker-dealer may be used by Eaton Vance in combination with client accounts other than those accounts which pay commissions to such broker-dealer. Any such Research Service may be broadly useful and of value to Eaton Vance in rendering investment advisory services to all or a significant portion of its clients, or may be relevant and useful for the management of only one client's account or of a few clients' accounts, or may be useful for the management of merely a segment of certain clients' accounts, regardless of whether any such account or accounts paid commissions to the broker-dealer through which such Research Service was obtained. Eaton Vance evaluates the nature and quality of the various Research Services obtained through broker-dealer firms and may attempt to allocate sufficient portfolio transactions to such firms to ensure the continued receipt of Research Services which Eaton Vance believes are useful or of value to it in rendering investment advisory services to its clients. Eaton Vance may use certain Research Services both in the investment decision-making process and for other business functions such as client service. In these "mixed use" cases, Eaton Vance either allocates the cost of the Research Services between client commissions and its own resources, or pays for the entire cost of the Research Services from its own resources, such that the portion of the Research Service allocated to client commissions is no greater than the degree to which Eaton Vance uses the Research Service in the investment decision-making process.

*Proprietary Research.* Research Services provided by (and produced by) broker-dealers that execute portfolio transactions or from affiliates of executing broker-dealers are referred to as "Proprietary Research". Eaton Vance may and does consider the receipt of Proprietary Research Services as a factor in selecting broker dealers to execute client portfolio transactions, provided it does not compromise Eaton Vance's obligation to seek best overall execution.

*Third Party Research.* Investment advisers also commonly receive Research Services from research providers that are not affiliated with an executing broker-dealer, but which have entered into payment arrangements involving an executing broker-dealer ("Third Party Research Services"). Eaton Vance may consider the receipt of Third Party Research Services as a factor in selecting broker dealers to execute client portfolio transactions, provided it does not compromise Eaton Vance's obligation to seek best overall execution. Under a typical Third Party Research Services arrangement, the research provider agrees to provide research services to an investment adviser in exchange for a payment to the research provider by a broker-dealer that executes

portfolio transactions for clients of the investment adviser. The investment adviser and the executing broker-dealer enter into a related agreement specifying the terms under which the executing broker-dealer will pay for Third Party Research Services received by the investment adviser. Third Party Research Services arrangements typically involve execution of portfolio transactions in equity securities, but may arise in other contexts as well. For example, with respect to municipal obligations, an executing broker-dealer enters into an arrangement with an investment adviser to provide “research credits” typically generated as a result of acquisition of new issuances of municipal obligations in fixed price offerings. The amount of the research credit generated as a result of a particular transaction is a percentage of the offering price of the municipal obligations.

*Client Commission Arrangements.* Eaton Vance may consider the receipt of Research Services under so called “client commission arrangements” or “commission sharing arrangements” (both referred to as “CCAs”) as a factor in selecting broker dealers to execute transactions, provided it does not compromise Eaton Vance’s obligation to seek best overall execution. Under a CCA, Eaton Vance may cause client accounts to effect transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions paid on those transactions to a pool of commission credits that are paid to other firms that provide Research Services to Eaton Vance. Under a CCA, the broker-dealer that provides the Research Services need not execute the trade.

Participating in CCAs may enable Eaton Vance to consolidate payments for research using accumulated client commission credits from transactions executed through a particular broker-dealer to periodically pay for Research Services obtained from and provided by other firms, including other broker-dealers that supply Research Services. Eaton Vance believes that CCAs offer the potential to optimize the execution of trades and the acquisition of a variety of high quality Research Services that Eaton Vance might not be provided access to absent CCAs.

Eaton Vance will only enter into and utilize CCAs to the extent permitted by Section 28(e) of the Securities Exchange Act of 1934, as amended. As required by interpretive guidance issued by the SEC, any CCAs entered into by Eaton Vance will provide that: (1) the broker-dealer pays the research preparer directly; and (2) the broker-dealer takes steps to assure itself that the client commissions that Eaton Vance directs it to use to pay for Research Services are only for eligible research under Section 28(e).

## **Client Referrals**

In selecting broker-dealers for client portfolio transactions, Eaton Vance does not consider whether it or an affiliate receives client referrals from potential broker-dealers. Nevertheless, Eaton Vance may engage in portfolio brokerage transactions with a broker-dealer firm that sells shares of the Fund or Affiliated Funds, provided that such transactions are not directed to that firm as compensation for the promotion or sale of such shares. Client portfolio transactions may also be

effected through broker-dealer firms that have introduced prospective clients to Eaton Vance or its affiliates. Such brokerage transactions are subject to Eaton Vance's obligation to seek best execution and may not be directed to broker-dealers as compensation for the introduction of prospective clients.

## **Trade Execution**

For trades executed by EVM on behalf of WaterOak clients, Eaton Vance maintains separate trading desks based on asset class. These trading desks operate independently of one another. For example, high yield bonds are generally traded through Eaton Vance's High Yield Bond Department trading desk, while interests in bank loans are generally traded through Eaton Vance's Bank Loan Department trading desk. In addition, Eaton Vance maintains separate trading desks for equity securities. One generally executes transactions for that do not use custodians with zero or low commission trading services (referred to as the "Equity Trading Desk") and the other generally executes transactions for clients whose assets are held at custodians that offer zero or low commission trading services or for clients who have instructed WaterOak in writing to direct trades to a specific broker (referred to as the "WaterOak Trading Desk"). The two equity trading desks do not share information. The separate equity trading desks may result in one desk competing against the other desk when implementing buy and sell transactions, possibly causing certain accounts to pay more or receive less for a security than other accounts. When appropriate, an Eaton Vance trading desk may rotate trades among client accounts in accordance with Eaton Vance's policy to treat all accounts fairly and equitably over time. In addition to any trade rotation employed by a trading desk, the portfolio management team responsible for making investment decisions on behalf of equity clients may also, where it seems appropriate, rotate trades based on client type and/or the relevant trading desks involved in executing such trades. Any such trade rotation employed by the portfolio management team will be determined in accordance with Eaton Vance's policy to treat all clients fairly and equitably over time. Accounts in a rotation may experience sequencing delays and market impact costs with respect to certain transactions relative to other accounts in the rotation. The WaterOak Trading Desk may also execute trades in fixed income assets and may assist portfolio managers with the allocation of trades for certain clients.

Investment decisions to buy or sell securities for any account are the product of many factors, including, but not limited to, the particular client's investment objectives, available cash resources, the relative size of the client's portfolio holdings of the same or similar securities, the size of investment commitments generally held by the client and the opinions of the persons responsible for making investments for such account. Thus, a particular security may be bought or sold for certain clients even though it could have been bought or sold for other clients at the same time. In some cases, a particular security may be bought for certain clients when other clients are selling that security. Eaton Vance may also buy (or sell) a particular security for some clients at the same time one of its affiliates is selling (or buying) that security for other clients. In certain instances, in

accordance with any applicable legal requirements, a client may sell a particular security to another client.

## **Trade Aggregation and Allocation**

Eaton Vance seeks to ensure that, consistent with its fiduciary duties, every client is treated in a fair and equitable manner over time. Eaton Vance has adopted firm wide policies and procedures governing trade allocation and aggregation. Additionally as described in *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* above, Eaton Vance invests in a wide variety of security types and markets. As such, each investment department trading desk has adopted policies and procedures tailored to securities types they trade and markets they trade in.

Eaton Vance frequently aggregates client orders when two or more clients are purchasing or selling the same security. Eaton Vance believes that aggregated transactions can, in many instances, produce better executions for clients, but, in certain instances, trade aggregation could have a negative effect on the size of the position obtained for or disposed of or the price paid or received by a particular client. Eaton Vance will only aggregate an order if it believes such aggregation is consistent with its duty to obtain best execution. Eaton Vance will include WaterOak client trades in an order aggregated with clients of Eaton Vance or other affiliates when deemed appropriate. When a trade is aggregated, each client will participate at the average price for all transactions in respect to such aggregated order. Certain markets which are more liquid, such as large-cap domestic equity may allow for trades to be aggregated more frequently. Other markets, such as bank loans, are more illiquid and as such, Eaton Vance may not be able to aggregate trades as frequently. Depending on such factors as the size of the order and the type and availability of a security, orders may be executed throughout the day rather than being aggregated. When these orders are placed they can experience sequencing delays and market impact costs, which Eaton Vance will attempt to minimize. Eaton Vance's trading desk may depart from the above procedures if, in the exercise of its reasonable judgment, it determines that such a departure is advisable and in compliance with applicable policies and procedures.

When allocating investment opportunities, Eaton Vance seeks to treat all clients in a fair and equitable manner over time. While Eaton Vance generally seeks to allocate trades on a pro rata basis, it may not always be feasible to do so. Reasons for this include limited sellers or buyers of a particular security, illiquidity in certain markets, or oversubscription of new issues. In such cases, Eaton Vance may deviate from pro rata allocations. When making such a determination, Eaton Vance considers factors such as: (i) whether the allocation would be so *de minimis* that it would provide no material benefit to the client and / or present difficulty in effecting an advantageous disposition; (ii) a client with specialized investment policies or instructions that coincide with the particulars of a specific offering; (iii) the relative size of a client's portfolio holdings in the same or similar investments; (iv) the percentage of uninvested cash per account; (v) for certain income

securities, the size of offering or minimum purchase amounts; (vi) for income accounts, the variation of account duration from target duration; (vii) whether the portfolio manager has specified an alternative allocation on the order ticket; and (viii) portfolio managers who have been instrumental in developing or negotiating a particular investment. As a result of such allocations, there may be instances when a client's account does not participate in a transaction (including an IPO) that is allocated among other clients. When Eaton Vance or a Trading Affiliate (as defined below) execute a trade, client trades may be aggregated with the trades of clients of affiliated entities, provided such aggregation is compliant with this section and all respective fiduciary duties. In such cases, Eaton Vance may receive Research Services on the whole trade which factor in the WaterOak client trades. See also *Item 6 – Performance-Based Fees and Side-By-Side Management* above for a description of certain conflicts of interest associated with trade aggregation and allocation. Eaton Vance believes the policies and procedures described within this *Item 12* mitigate such conflicts of interest.

### **Directed Brokerage**

A client may instruct WaterOak to execute orders for its account through a specific broker-dealer firm or firms (referred to as “directed brokerage”), to restrict or prohibit trading through a specific broker-dealer firm or firms, to include or exclude a specific broker-dealer firm or firms in a competitive bidding process, or to institute a similar limitation with respect to orders executed for its account (which restrictions are collectively referred to in this section as “restricted brokerage”). Restricted brokerage may affect (1) Eaton Vance's ability to negotiate favorable commission rates or volume discounts, (2) the availability of certain spreads, and (3) the timeliness of execution, and as a consequence, may result in a less advantageous price being realized by the account. Eaton Vance normally will not include orders for restricted brokerage accounts in larger simultaneous aggregated transactions but rather it normally will place orders for restricted brokerage accounts after the completion of non-restricted brokerage orders so as to avoid conflicts in the trading marketplace. For directed brokerage accounts, the client will be responsible for negotiating the commission rates with such firms or firms, and that negotiation may result in higher commissions than would have been paid if Eaton Vance had full discretion in the selection of broker-dealer firms. In addition, client directed brokerage on behalf of employee benefit plan clients may be subject to special requirements under the Employee Retirement Income Security Act of 1974 (“ERISA”).

*Wrap/Separate Accounts.* Eaton Vance participates as an investment manager to separate accounts in certain wrap account programs. While Eaton Vance may have discretion to select broker-dealers other than the wrap program sponsor to execute trades for Wrap Program accounts in a particular program, equity trades are frequently executed through the financial institution sponsoring the wrap program to avoid trade away fees. However, fixed income trades are frequently executed away from the financial institution sponsoring the Wrap Program. As described in Trade

Aggregation and Allocation above, Eaton Vance may receive Research Services on WaterOak trades aggregated with orders for non-WaterOak clients. As such, Eaton Vance may be incentivized to trade away to brokers and dealers it receives Research Services from. Eaton Vance and WaterOak believe their best execution policies and procedures, and trading reviews mitigate this conflict of interest. A Wrap Program sponsor may instruct Eaton Vance not to execute transactions on behalf of the accounts in that program with certain broker-dealers. When a sponsor so restricts Eaton Vance, it may affect (1) Eaton Vance's ability to negotiate favorable commission rates or volume discounts, (2) the availability of certain spreads, and (3) the timeliness of execution, and as a consequence, may result in a less advantageous price being realized by the account. Eaton Vance endeavors to treat all accounts fairly and equitably over time in the execution of client orders. Depending on such factors as the size of the order, and the type and availability of a security, orders for accounts may be executed throughout the day. When orders are placed with broker-dealers, such trades may experience sequencing delays and market impact costs, which the firm will attempt to minimize. When the WaterOak Trading Desk deems it appropriate, trades for accounts may be rotated in accordance with Eaton Vance's policy to treat all clients fairly and equitably over time. As discussed above, Eaton Vance maintains two separate trading desks for equity securities, the Equity Trading Desk for its non-Wrap Program client accounts and the WaterOak Trading Desk for Wrap Program and certain other client accounts. The two desks operate independently of one another. The WaterOak Trading Desk may place orders without regard to the timing of the placement of any aggregated order made on behalf of other Eaton Vance clients through the Equity Trading Desk. The separate trading desks may result in one desk competing against the other desk when implementing buy and sell transactions, possibly causing certain accounts to pay more or receive less for a security than other accounts.

## **Cross Trades**

In certain circumstances, and separate from agency cross transactions described above, Eaton Vance may deem it advisable and appropriate to sell securities held in one client account managed by Eaton Vance or its affiliates to another client account managed by Eaton Vance or its affiliates (a "Cross Trade"). These circumstances may include Cross Trades among separately managed accounts to facilitate tax loss harvesting. WaterOak clients have historically not participated in Cross Trades, but may in the future, provided such Cross Trade complies with this section and any applicable policies and regulation.

Cross Trades present an inherent conflict of interest because Eaton Vance acts on behalf of both the selling account and the buying account in the same transaction. As a result, the use of Cross Trades could result in more favorable treatment of one client over the other. Additionally, there is a risk that the price at which a cross trade is executed may not be as favorable as the price available in the open market. To address these risks, Eaton Vance's policy is to engage in a Cross Trade only if it believes that the Cross Trade is appropriate based on each client's investment objectives

and guidelines, is in the best interest of each client, and is consistent with its fiduciary duty to each client (including the duty to seek best execution). Eaton Vance has established policies and procedures designed to ensure that the price used in a Cross Trade is fair and appropriate, relying on independent dealer bids or quotes, or information obtained from recognized pricing services, depending on the type of security and other circumstances of the Cross Trade, Eaton Vance has any required client permission before executing the Cross Trade, and such Cross trade is permissible under applicable law or regulation, among other factors. Where a Cross Trade involves the Fund or third party registered investment company, Eaton Vance will follow the relevant fund's procedures adopted pursuant to Rule 17a-7 under the Investment Company Act. For regulatory, legal or other reasons, Eaton Vance may not execute Cross Trades for certain clients, such as ERISA clients, which could disadvantage those clients as compared to clients for whom Eaton Vance is eligible to execute Cross Trades.

### **Trade Errors**

On occasion, Eaton Vance may make an error in executing securities transactions for a client account. For example, a security may be erroneously purchased for the account instead of sold, or a trade may be entered for an incorrect number of shares. In these situations, Eaton Vance generally seeks to rectify the error by placing the Fund or account in a similar position as it would have been if there had been no error. Depending on the circumstances, and subject to applicable legal and contractual requirements, various corrective steps may be taken, including canceling the trade, correcting an allocation, or taking the trade into Eaton Vance's trade error account and reimbursing the client account.

If an erroneous trade settles in a client account and results in a gain, it will be retained by the client unless the client elects to decline it; any gains declined by a client will be donated to charity. Eaton Vance has established error accounts with certain brokers for the sole purpose of correcting trade errors. Each such account is maintained subject to the terms and conditions set by the broker. Any securities acquired by an account during the trade correction process are promptly disposed of. Brokerage commissions from client transactions will not be used to correct trade errors or compensate broker-dealers for erroneous trades.

Certain trade errors create a conflict of interest when Eaton Vance is responsible for calculating the gain or loss to a client account. When Eaton Vance will have to reimburse a client for a loss, Eaton Vance is incentivized to calculate the loss in a manner which would minimize such loss. To mitigate this risk, Eaton Vance will notify the client or their adviser of the error and offer to provide the analysis conducted to determine the reported loss. Clients can be reimbursed directly via check, wire transfer, or by deducting the loss from future management fees.

## **Trading Affiliates**

EVM uses the trading desks of its affiliates, Eaton Vance Advisers International Ltd. (EVAIL), and Eaton Vance Management International (Asia) Pte. Ltd. (EVMIA), (altogether, the “Trading Affiliates”), to effect some client portfolio transactions. While it is unlikely a trade for a WaterOak client would be executed by EVAIL or EVMIA, it may occur from time to time. The trading desks of Eaton Vance and the Trading Affiliates generally follow similar practices with respect to broker-dealer selection, brokerage commissions, trade execution, trade allocation and trade errors. With respect to research services practices, as a firm subject to rules in both the United States and the United Kingdom, EVAIL is required to ensure that any research services received from broker-dealers fall within a safe harbor from restrictions on such services imposed by Section 28(e) of the Securities Exchange Act of 1934, as amended, as well the similar (though not identical) safe harbors contained in the Financial Conduct Authority (“FCA”) rules on inducements and the use of dealing commissions (in particular, those contained in chapter 11.6 of the Conduct of Business Sourcebook (“COBS”) and in the Markets in Financial Instruments Directive (“MiFID II”).



## Item 13 - Review of Accounts

The frequency of the review of accounts, the nature of the review and the factors which may trigger reviews can vary widely among particular accounts, depending on factors such as the client's investment objectives and circumstances and the complexity, portfolio structure and size of an account. The wealth advisor assigned to each account is responsible for reviewing all accounts for which he or she is the principal account manager. There are currently twenty six wealth advisors and all are officers of WaterOak.

Each wealth advisor continually monitors the accounts for which he or she is responsible. In addition, the responsible wealth advisor conducts an in-depth account review twice a year at or prior to the time periodic appraisal reports are sent to clients. All client accounts are also reviewed at least twice a year by two other wealth advisors to ensure that accounts are within applicable policies and guidelines. Interim reviews of varying degrees may be triggered by numerous factors, such as: significant equity price or interest rate changes; new economic forecasts; investment policy changes of WaterOak; asset additions or withdrawals to the account by the client; and/or changes in a client's objectives, instructions, or circumstances.

WaterOak has implemented procedures to monitor pre- and post-trade compliance with applicable investment guidelines and restrictions for client accounts. This oversight includes on-going monitoring of accounts.

WaterOak generally sends written appraisals of accounts to its clients at least quarterly and such appraisals are available more frequently upon request. For those clients who prefer to rely on monthly or quarterly custodial appraisals, WaterOak will agree to send the written WaterOak appraisal annually upon request from the client. The reports consist of a full listing of the assets in the account showing current market values, cost of securities, dividends and/or interest rates, estimated annual income and current yield. The reports also include a summary of assets in the account categorized by cash equivalents, bonds, common stocks (showing industry representation) and miscellaneous assets. WaterOak clients also have the option to receive confirmation of portfolio securities transactions as they occur.

## Item 14 - Client Referrals and Other Compensation

WaterOak may enter into written agreements with certain lawyers, broker-dealer firms and other individuals or financial intermediaries to compensate such individuals or firms for having referred certain investment advisory clients to WaterOak. Each individual or firm with whom an agreement exists is compensated in cash based upon a percentage of the investment advisory fee actually received by WaterOak from each referred client. Such compensation typically continues as long as such client continues to employ WaterOak as the client's investment adviser and, in some cases, as long as the representative of the firm who introduced the client to WaterOak remains an employee of the firm. Generally, the clients referred pay an advisory fee that is no higher as a result of this arrangement than WaterOak's regular advisory fee as set forth in *Fees and Compensation* above. Notwithstanding the foregoing, however, WaterOak may at times enter into a referral agreement whereby the annual advisory fee paid by the client is higher than the customary advisory fee charged by WaterOak by reason of the compensation paid to the individual or firm referring such client. In such cases, WaterOak notifies the client and obtains a written disclosure statement executed by the client which acknowledges the higher fee payment.

WaterOak and its affiliates have entered into various agreements regarding client referrals and may enter into additional agreements in the future. Such arrangements include registered representatives of EVD referring clients to WaterOak. WaterOak may enter into arrangements with Morgan Stanley affiliates regarding client referrals in the future. See *Item 10 – Other Financial Industry Activities and Affiliations* above for additional details.

### **Schwab Advisor Network Service**

WaterOak has previously received client referrals from Charles Schwab & Co., Inc. ("Schwab") through WaterOak's participation in Schwab Advisor Network ("the Service"). Schwab is a broker-dealer independent of and unaffiliated with WaterOak. Schwab does not supervise WaterOak and has no responsibility for WaterOak's management of clients' portfolios or WaterOak's other advice or services. WaterOak pays Schwab fees to receive client referrals through the Service.

WaterOak pays Schwab a fee on all referred clients' accounts that are maintained in custody at Schwab. The fee paid by WaterOak is a percentage of the fees the client owes to WaterOak or a percentage of the value of the assets in the client's account, subject to a minimum amount. WaterOak pays Schwab the fee for so long as the referred client's account remains in custody at Schwab.

WaterOak has agreed to pay Schwab a fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from, Schwab. This fee does not apply if the client was

solely responsible for the decision not to maintain custody at Schwab. This fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab.

For accounts of WaterOak's referred clients maintained in custody at Schwab, Schwab will not charge the client separately for custody using an asset-based fee schedule or a transaction based fee schedule. For those clients that choose a transaction based fee schedule, Schwab will not charge a separate custody fee, but will receive compensation from each client in the form of commissions or fees on securities trades executed through Schwab or through miscellaneous activity fees, such as account termination fees. Schwab will also receive a fee (generally greater than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. As described in *Item 12 - Brokerage Practices* above, WaterOak has an obligation to seek best execution of trades for client accounts. In many cases, WaterOak will be able to obtain lower overall trading costs for referred clients by executing trades through Schwab. Thus, trades for accounts held in custody at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

### **Fidelity Wealth Advisor Solutions® Program**

WaterOak has previously participated in the Fidelity Wealth Advisor Solutions® Program (the "WAS Program"), through which WaterOak receives referrals from Fidelity Personal and Workplace Advisors LLC ("FPWA"), a registered investment adviser and Fidelity Investments company. WaterOak is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not supervise or control WaterOak, and FPWA has no responsibility or oversight for WaterOak's provision of investment management or other advisory services.

Under the WAS Program, FPWA acts as a solicitor for WaterOak, and WaterOak pays referral fees to FPWA for each referral received based on WaterOak's assets under management attributable to each client referred by FPWA or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to WaterOak does not constitute a recommendation or endorsement by FPWA of WaterOak's particular investment management services or strategies. In addition, WaterOak has agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by WaterOak and not the client.

To receive referrals from the WAS Program, WaterOak must meet certain minimum participation criteria, but WaterOak may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, WaterOak could have a potential conflict of interest with respect to its decision to use certain affiliates of FPWA,

including FBS, for execution, custody and clearing for certain client accounts, and WaterOak may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to WaterOak as part of the WAS Program. Under an agreement with FPWA, WOA has agreed that it will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, WaterOak has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when WaterOak's fiduciary duties would so require, and WaterOak has agreed to pay FPWA a one-time fee based on the assets in a client account that is transferred from FPWA's affiliates to another custodian; therefore, WaterOak has an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit WaterOak's duty to select brokers on the basis of best execution.

### **TD Ameritrade AdvisorDirect**

WaterOak previously received client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect ("AdvisorDirect"). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, WaterOak could have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with WaterOak and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise WaterOak and has no responsibility for WaterOak's management of client portfolios or WaterOak's other advice or services. WaterOak pays TD Ameritrade an on-going fee for each successful client referral. WaterOak will also pay TD Ameritrade the solicitation fee on any assets received by WaterOak from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired WaterOak on the recommendation of such referred client. WaterOak will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass solicitation fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

WaterOak's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, WaterOak has

an incentive to recommend to clients that the assets under management by WaterOak be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, WaterOak has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. WaterOak's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

WaterOak additionally participates in TD Ameritrade's institutional customer program ("TD Program") under which WaterOak may recommend TD Ameritrade to clients for custody and brokerage services. Through the TD Program, WaterOak and its clients receive enhanced services which are not generally available to retail clients. Such services include enhanced client reporting, ability to aggregate trades, trading desk access, and consulting services. In addition, WaterOak receives benefits through its participation in the TD Program that WaterOak would likely have to pay for out of its own resources if WaterOak did not participate in the TD Program. Such benefits include access to research, administrative services, and other third party products.

While the benefits WaterOak receive through the TD Program are not directly based on the amount of business WaterOak directs to TD Ameritrade, there are conflicts of interest associated with the relationship. Because TD Ameritrade may terminate WaterOak's participation in the TD Program at its sole discretion if certain conditions are met, WaterOak is incentivized to recommend clients custody their accounts at TD Ameritrade in order to continue to participate in the TD Program.

## Item 15 – Custody

WaterOak is deemed to have custody of client assets under Rule 206(4)-2 (the “Custody Rule”) under the Advisers Act because WaterOak or its employees/advisors act as trustee for certain clients, or WaterOak has the ability to deduct fees from client accounts.

In the event a client of WaterOak custodies their assets at MSSB, WaterOak will generally be deemed to have “custody” of the funds and securities held in such accounts as well, and will comply with the custody requirements under the Advisers Act.

WaterOak has a reasonable belief that client’s for which WaterOak has custody receive account statements to clients at least quarterly from their respective custodian. If a client does not receive its custodian statements, the client should contact its wealth advisor who will work with the client and the client’s custodian to ensure that the client receives this information. Clients should carefully review their custodian statements to ensure that they reflect appropriate activity in their account. Clients should also compare the account statements they receive from WaterOak to the account statements they receive from their custodian. Should a client have any questions about how to reconcile these two statements, they should contact their wealth advisor who can assist them.

Certain separate account clients’ custody agreements with third party custodians, of which WaterOak is not a party to, may grant WaterOak powers which may be interpreted as granting WaterOak custody over the clients assets. WaterOak expressly disclaims and rejects such authority in order to avoid being deemed to have custody over such assets.

## **Item 16 - Investment Discretion**

WaterOak ordinarily manages client accounts on a discretionary basis. Clients and WaterOak may agree in writing to impose certain reasonable limitations or restrictions regarding the management of their accounts. For example, a client may instruct Eaton Vance not to invest in companies engaged in particular industries, such as weapons manufacturing or tobacco products, or companies whose securities are issued outside the U.S. WaterOak may not always be able to accommodate certain investment limitations or restrictions sought by a client. Wrap Program participants may not be able to provide such customized requests under the terms of their Wrap Program.

Certain relationships are classified as non-discretionary. Examples of this include accounts for which Eaton Vance must obtain client consent before executing a transaction, situations where a client requests Eaton Vance cease trading for a period of time, or situations where a client instructs Eaton Vance on what transactions to enter into.

## Item 17 - Voting Client Securities

*General Policy.* WaterOak has adopted proxy voting policies and procedures (the “Policies”) with respect to the voting of proxies on behalf of all clients, including the Funds, for which WaterOak has voting responsibility. With the exception of the Fund (for which WaterOak Florida utilizes mirror voting), WaterOak Florida does not vote proxies for any clients and all clients are responsible for voting proxies in such client’s account. For many clients, WaterOak does not have authority to vote proxies and such clients will be responsible for voting proxies on securities held in their account. WaterOak manages its clients’ assets with the overriding goal of seeking to provide the greatest possible return to clients consistent with governing laws and the investment policies of each client. Each client is generally permitted to instruct WaterOak on how to vote proxy solicitations received in connection with securities held in the client’s account. Unless WaterOak receives instructions from a client on how to vote a particular solicitation, WaterOak will vote in accordance with the Policies for such accounts WaterOak has proxy voting authority. When charged with the responsibility to vote proxies on behalf of its clients, WaterOak seeks to exercise its clients’ rights as shareholders of voting securities to support sound corporate governance of the companies issuing those securities with the principal aim of maintaining or enhancing the companies’ economic value.

*Voting and Use of Proxy Voting Service.* The Policies are designed to promote accountability of a company’s management to its shareholders and to align the interests of management with those shareholders. When charged with the responsibility to vote proxies on behalf of its clients, WaterOak will generally vote such proxies through an independent, unaffiliated third-party voting service (“Proxy Voting Service”) in accordance with customized guidelines (“Guidelines”), and with respect to proxies referred back to WaterOak by the Proxy Voting Service pursuant to the Policies, in a manner that is reasonably designed to eliminate any potential conflicts of interest. The Proxy Voting Service currently is Institutional Shareholder Services. The Proxy Voting Service is responsible for coordinating with the clients’ custodians to ensure that all proxy materials received by the custodians relating to the clients’ portfolio securities are processed in a timely fashion. In addition, the Proxy Voting Service is responsible for maintaining copies of all proxy statements received by issuers and to promptly provide such materials to WaterOak upon request.

The Proxy Voting Service is required to establish and maintain adequate internal controls and policies in connection with the provision of proxy voting services to WaterOak, including methods to reasonably ensure that its analysis and recommendations are not influenced by a conflict of interest. The Guidelines include voting guidelines for matters relating to, among other things, the election of directors, approval of independent auditors, executive compensation, corporate structure, anti-takeover defenses and other proposals affecting shareholder rights. WaterOak may abstain from voting from time to time (i) if the economic effect on shareholders’ interests or the



value of the portfolio holding is indeterminable or insignificant (*e.g.*, proxies in connection with securities no longer held in the portfolio of a client or proxies being considered on behalf of a client that is no longer in existence); (ii) if the cost of voting a proxy outweighs the benefits (*e.g.*, certain international proxies, particularly in cases in which share blocking practices may impose trading restrictions on the relevant portfolio security); (iii) in markets in which shareholders' rights are limited, or (iv) WaterOak is unable to access or access timely ballots or other proxy information. The Proxy Voting Service will refer proxies to WaterOak for instructions under circumstances where, among others: (1) the application of the Guidelines is unclear; (2) a particular proxy question is not covered by the Guidelines; or (3) the Guidelines require input from WaterOak. When a proxy voting issue has been referred to WaterOak, the analyst (or portfolio manager if applicable) covering the company subject to the proxy proposal determines the final vote (or decision not to vote) and a proxy administrator (the "Proxy Administrator") instructs the Proxy Voting Service to vote accordingly for securities held in client accounts. Where more than one analyst covers a particular company and the recommendations of such analysts voting a proposal conflict, a proxy group (the "Global Proxy Group") will review such recommendations and any other available information related to the proposal and determine the manner in which it should be voted, which may result in different recommendations for different clients.

*Proxy Voting Administrator and Global Proxy Group.* WaterOak has appointed a Proxy Administrator to assist in the coordination of the voting of each client's proxy in accordance with the Guidelines and the Policies. WaterOak and its affiliates have also established a Global Proxy Group. The Global Proxy Group develops WaterOak's positions on all major corporate issues, creates the Guidelines and oversees the proxy voting process.

The Proxy Administrator maintains a record of all proxy questions that have been referred by the Proxy Voting Service, all applicable recommendations, analysis and research received and any resolution of the matter. Before instructing the Proxy Voting Service to vote contrary to the Guidelines or the recommendation of the Proxy Voting Service, the Proxy Administrator will provide the Global Proxy Group with the Proxy Voting Service's recommendation for the proposal along with any other relevant materials, including the basis for the analyst's recommendation. The Proxy Administrator will then instruct the Proxy Voting Service to vote the proxy in the manner determined by the Global Proxy Group. A similar process will be followed if the Proxy Voting Service has a conflict of interest with respect to a proxy.

*Conflicts of Interest.* The Global Proxy Group is responsible for monitoring and resolving possible material conflicts with respect to proxy voting. Because the Guidelines are predetermined and designed to be in the best interests of shareholders, application of the Guidelines to vote client proxies should, in most cases, adequately address any possible conflict of interest. WaterOak will monitor situations that may result in a conflict of interest between any of its clients and WaterOak or any of its affiliates by maintaining a list of significant existing and prospective corporate clients.

The Proxy Administrator will compare such list with the names of companies of which he or she has been referred a proxy statement (the “Proxy Companies”). If a company on the list is also a Proxy Company, the Proxy Administrator will report that fact to the Global Proxy Group. If the Proxy Administrator intends to instruct the Proxy Voting Service to vote in a manner inconsistent with the Guidelines, the Global Proxy Group will first determine, in consultation with legal counsel if necessary, whether a material conflict exists. If it is determined that a material conflict exists, WaterOak will seek instruction on how the proxy should be voted from (1) the client, in the case of an individual, corporate, institutional or benefit plan client; (2) in the case of a mutual fund, its board of directors, or any committee or subcommittee identified by the board; or (3) the adviser, in situations where WaterOak acts as sub-adviser to such adviser. If a matter is referred to the Global Proxy Group, the decision made and basis for the decision will be documented by the Proxy Administrator and/or Global Proxy Group.

Clients may obtain a complete copy of the Policies and/or Guidelines and/or information on how WaterOak voted on proxies related to securities held in the accounts by contacting WaterOak at (800) 225-6265.

## **Item 18 - Financial Information**

WaterOak does not require or solicit prepayments of more than \$1,200 from clients six months or more in advance. WaterOak currently does not know of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients and has not been the subject of any bankruptcy proceeding.

**FACTS****WHAT DOES WATEROAK DO WITH YOUR PERSONAL INFORMATION?**

<b>Why?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
<b>What?</b>	The types of personal information we collect and share depend on the product or service you have with us. This information can include: <ul style="list-style-type: none"> <li>▪ Social Security number and income</li> <li>▪ investment experience and risk tolerance</li> <li>▪ checking account number and wire transfer instructions</li> </ul>
<b>How?</b>	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons WaterOak chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does WaterOak share?	Can you limit this sharing?
<b>For our everyday business purposes—</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes—</b> to offer our products and services to you	Yes	No
<b>For joint marketing with other financial companies</b>	No	We don't share
<b>For our investment management affiliates' everyday business purposes—</b> information about your transactions, experiences, and creditworthiness	Yes	Yes
<b>For our affiliates' everyday business purposes—</b> information about your transactions and experiences	Yes	No
<b>For our affiliates' everyday business purposes—</b> information about your creditworthiness	No	We don't share
<b>For our investment management affiliates to market to you</b>	No	We don't share
<b>For our affiliates to market to you</b>	No	We don't share
<b>For nonaffiliates to market to you</b>	No	We don't share

<b>To limit our sharing</b>	<p>Call toll-free 1-866-331-6472 or email: <a href="mailto:WOAPrivacy@eatonvance.com">WOAPrivacy@eatonvance.com</a></p> <p><b>Please note:</b></p> <p>If you are a <i>new</i> customer, we can begin sharing your information 30 days from the date we sent this notice. When you are <i>no longer</i> our customer, we continue to share your information as described in this notice. However, you can contact us at any time to limit our sharing.</p>
<b>Questions?</b>	Call toll-free 1-866-331-6472 or email: <a href="mailto:WOAPrivacy@eatonvance.com">WOAPrivacy@eatonvance.com</a>

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**Who we are****Who is providing this notice?**

Eaton Vance WaterOak Advisors (“WaterOak”) and its investment management affiliates (see Investment Management Affiliates definition below)

**What we do****How does WaterOak protect my personal information?**

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. We have policies governing the proper handling of customer information by personnel and requiring third parties that provide support to adhere to appropriate security standards with respect to such information.

**How does WaterOak collect my personal information?**

We collect your personal information, for example, when you

- open an account or make deposits or withdrawals from your account
- buy securities from us or make a wire transfer
- give us your contact information

We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.

**Why can't I limit all sharing?**

Federal law gives you the right to limit only

- sharing for affiliates' everyday business purposes—information about your creditworthiness
- affiliates from using your information to market to you
- sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing. See below for more on your rights under state law.

**Definitions****Investment Management Affiliates**

WaterOak Investment Management Affiliates include registered investment advisers, registered broker-dealers, and registered and unregistered funds. Investment Management Affiliates does not include entities associated with Morgan Stanley Wealth Management, such as Morgan Stanley Smith Barney LLC and Morgan Stanley & Co.

**Affiliates**

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- *Our affiliates include companies with a Morgan Stanley name and financial companies such as Morgan Stanley Smith Barney LLC and Morgan Stanley & Co.*

**Nonaffiliates**

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

- *WaterOak does not share with nonaffiliates so they can market to you.*

**Joint marketing**

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- *WaterOak doesn't jointly market*

**Other important information**

**Vermont:** Except as permitted by law, we will not share personal information we collect about Vermont residents with Nonaffiliates unless you provide us with your written consent to share such information.

**California:** Except as permitted by law, we will not share personal information we collect about California residents with Nonaffiliates and we will limit sharing such personal information with our Affiliates to comply with California privacy laws that apply to us.