

# Risk Factors

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In considering an investment with White Brook Capital strategies, prospective clients should be aware of certain special considerations and risk factors, which include, but are not limited to, the following:

- General Investment Risk, i.e., the risk of deterioration in the financial markets in general;
- Strategy Risk, i.e., the risk of failure of White Brook's investment strategy;
- Institutional and Operational Risk, i.e., the risk that a client account could incur losses due to (i) operational failures by White Brook or its service providers; (ii) the failure of counterparties to perform their contractual commitments; (iii) the financial difficulty of brokerage firms, banks or other financial institutions that hold a client's assets; or (iv) cybersecurity incidents, technology failures, or business continuity events;
- Regulatory, Legal and Tax Risk, i.e., the risk that changes in laws, rules, regulations, or tax treatment, or that legal proceedings or regulatory examinations, could adversely affect a client account or White Brook's ability to manage it;
- Cybersecurity, Privacy and Business Continuity Risk, i.e., the risk that data breaches, system intrusions, ransomware, fraud, or business interruptions could disrupt operations or compromise client information;
- Conflicts of Interest, i.e., the risk that White Brook's interests, or the interests of one client, may diverge from those of another client; and
- Adviser-Specific Risk, i.e., the risk arising from White Brook's size, limited personnel, dependence on its principal, and limited operating history.

Certain special considerations and risk factors that fall under these general categories are described below. Prospective clients should therefore read this entire document. In addition, the inclusion of specific special considerations and risk factors in this document should not be construed to imply they are described in complete detail, or that there are no other special considerations or risk factors that apply to an advisory relationship with White Brook Capital. This document is intended to supplement, and not replace, the disclosures contained in White Brook's Form ADV Part 2A and the Investment Advisory Agreement, and clients should review all such documents together.

## **1. GENERAL INVESTMENT RISK**

All investments in securities and other financial instruments involve substantial risk of volatility (potentially resulting in rapid declines in market prices and significant losses) arising from any number of factors that are beyond the control of White Brook, such as: changing market sentiment; changes in industrial conditions, competition and technology; changes in inflation, exchange or interest rates; changing domestic or international economic or political conditions

or events; changes in tax laws and governmental regulation; public health emergencies, natural disasters, terrorism, war, or other force majeure events; and changes in trade, fiscal, monetary or exchange control programs or policies of governments or their agencies (including their central banks). Changes such as these, as well as innumerable other factors, are often unpredictable and unforeseeable, rendering it difficult or impossible to predict or foresee future market movements. Unexpected volatility or illiquidity in the markets in which a client account holds positions could impair its ability to achieve its objectives and cause it to incur losses.

Although White Brook believes that its investment strategy helps mitigate the risk of loss, an investment with White Brook is nevertheless subject to loss, including possible loss of the entire amount invested. No guarantee or representation is made that any client account will be successful, and a client account's investment results may vary substantially over time. Past performance is not indicative of future results, and there can be no assurance that any client account will achieve its investment objective or avoid substantial losses.

### **Equity Market Risk**

White Brook's strategies invest predominantly in publicly traded common equity securities. Equity securities are generally subject to greater price volatility than fixed-income or money-market instruments. Stock prices may decline due to issuer-specific developments, broader equity market sell-offs, sector rotations, changes in investor sentiment, deteriorating macroeconomic conditions, or technical factors such as forced selling by leveraged market participants. During periods of severe market stress, equities of all sizes and quality may decline simultaneously, limiting the effectiveness of fundamental security selection.

### **Inflation and Interest Rate Risk**

Persistent inflation, or rapid changes in interest rates, can materially affect the valuation of equity securities — particularly companies whose earnings power depends on long-duration cash flows, companies with significant floating-rate debt, and companies that lack pricing power. Rising interest rates may also increase the discount rate applied to future cash flows, compressing equity valuations across the market. Conversely, deflationary conditions or zero-rate policy regimes may distort capital allocation and create asset bubbles whose unwinding can produce sharp losses.

### **Geopolitical and Macroeconomic Risk**

Wars, armed conflicts, sanctions, trade barriers, supply-chain disruptions, energy shocks, currency crises, sovereign-debt distress, and other geopolitical or macroeconomic events may adversely affect the value of securities held in client accounts. These events are often unpredictable, may cascade across asset classes, and may render hedging or risk-mitigation strategies less effective than expected.

## 2. STRATEGY RISK

The business of investing in securities is highly competitive and the identification of attractive investment opportunities is difficult and involves a high degree of uncertainty.

White Brook's concentrated strategies may offer greater opportunities for capital appreciation than more diversified strategies, but investments in such strategies may involve certain special risks. Concentrated portfolios typically hold a relatively small number of positions, and the performance of any individual position will have a disproportionate impact on overall results. Such companies may have limited product lines, markets or financial resources and may be dependent on a limited management group. While the markets in securities of smaller capitalization stocks have grown rapidly in recent years, such securities may trade less frequently and in smaller volume than more widely held securities. The values of these securities may fluctuate more sharply than those of more widely held securities. In addition, there may be less publicly available information about the issuers of these securities or less market interest in such securities than in the case of larger companies, and it may take a longer period of time for the prices of such securities to reflect the full value of their issuers' underlying earnings potential or assets.

### Long Positions

The success of the long positions established by White Brook will depend in large part on White Brook's ability to accurately assess the fundamental value of those positions. An accurate assessment of fundamental value depends on a complex analysis of a number of financial, legal, accounting, regulatory, and competitive factors. No assurance can be given that White Brook will be in a position to assess the nature and magnitude of all material factors having a bearing on the value of a client account's long positions or that White Brook will accurately assess the impact of all factors of which it is aware. Securities purchased on the basis of incorrect or incomplete information, or whose fundamentals deteriorate after acquisition, may decline substantially in value, and White Brook may be unable to exit such positions without realizing material losses.

While White Brook expects to focus on the common stock of U.S. companies, from time to time it may also invest a portion of a client account's assets in the common stock of non-U.S. companies or in other securities that are convertible into equity or that otherwise may be a proxy for equity, such as preferred stock or convertible securities. White Brook does not use leverage (e.g., margin financing) or short selling in making investments, although clients should be aware that custodians and brokers may require margin agreements to facilitate routine settlement and corporate actions.

In light of the complex and evolutionary nature of the equity investment marketplace, White Brook reserves the right to use its discretion in managing a client account's assets based on factors or criteria it deems appropriate, subject in each case to the investment guidelines and restrictions set forth in the applicable Investment Advisory Agreement.

## **Concentration and Lack of Diversification**

White Brook's strategies are intentionally concentrated, typically holding a limited number of positions. Concentration magnifies both gains and losses: a decline in one or two positions can produce a meaningful drawdown in the overall account. Concentrated portfolios are not registered investment companies and are not subject to the diversification requirements of the Investment Company Act of 1940. Clients seeking broad diversification should consider whether a concentrated strategy is appropriate for their overall financial circumstances and should not invest assets they cannot afford to expose to material loss.

## **Liquidity Risk**

Securities of smaller-capitalization issuers, foreign issuers, and issuers in stressed industries may trade in thin or episodic markets. During periods of market dislocation, even larger-capitalization securities may experience reduced liquidity and wider bid-ask spreads. White Brook may be unable to sell a security at the desired time or price, may need to sell at a discount to its assessed fundamental value, or may be required to spread liquidations over an extended period. Liquidity constraints may also limit White Brook's ability to rebalance, raise cash to meet client withdrawals, or exit positions in response to deteriorating fundamentals.

## **Sector and Industry Risk**

Because White Brook's strategies are concentrated, client accounts may at times have material exposure to a single sector, industry, or theme. Adverse developments specific to that sector or industry — including regulatory action, technological disruption, commodity price moves, or changes in consumer behavior — may produce losses that would be muted in a more diversified portfolio.

## **Foreign Securities Risk**

To the extent that White Brook invests client assets in non-U.S. issuers (whether through ordinary shares, ADRs, or other instruments), client accounts may be exposed to risks that do not apply to U.S. securities. These include: currency exchange-rate fluctuations; differences in accounting, auditing, and financial reporting standards; less stringent regulatory and disclosure regimes; reduced market liquidity and longer settlement cycles; the imposition of foreign taxes, withholding, or capital controls; political and economic instability; and the risk of expropriation or nationalization. Holding foreign securities through ADRs does not eliminate the underlying issuer or country risk.

## **Use of Derivatives**

To the extent White Brook elects to use derivative instruments in a client account (and only as permitted by the applicable Investment Advisory Agreement), the use of such instruments may carry significant risks.

Among other things, the prices of derivative instruments can be highly volatile. Price movements of derivative instruments are influenced by, among other things, interest rates, changing supply

and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Uncertainties remain as to how the markets for these instruments will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by a client account, thereby causing substantial losses. Many of these instruments are not traded on exchanges but rather through an informal network of banks and dealers who have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force the client account to close out its positions).

### **Cash and Cash-Equivalents**

White Brook may from time to time invest portfolio assets in high quality short-term instruments such as U.S. Treasury securities, money market mutual funds, ETFs and corporate bonds. White Brook may maintain a sizable position in cash and cash-equivalents should there not be sufficient opportunities to invest at an acceptable risk/return tradeoff. Cash and cash-equivalents themselves carry risk: money market funds may break the buck and impose redemption gates or fees during stress periods; bank deposits in excess of FDIC insurance limits are subject to bank solvency risk; short-term U.S. Treasury securities are subject to interest-rate and (in extreme scenarios) default or technical-default risk; and ETFs are subject to tracking error, premium/discount risk, and the operational risk of the sponsor. Holding sizable cash positions also creates opportunity cost and may cause client account performance to lag rising equity markets.

### **Reliance on the Adviser's Judgment**

White Brook's strategies are discretionary and depend heavily on White Brook's qualitative and quantitative judgments about individual securities, industries, and market conditions. These judgments may prove incorrect, and White Brook may purchase securities that decline in value or sell securities that subsequently appreciate. There is no guarantee that the analytical methods, models, screens, valuation frameworks, or risk-management practices employed by White Brook will produce the intended results.

### **Valuation Risk**

Although White Brook expects to invest substantially all client assets in securities for which market prices are readily available, valuations may be unreliable for thinly traded securities, securities subject to trading halts, securities of issuers in financial distress, or securities held

during extreme market dislocations. Valuations reported by custodians or pricing services may differ from the prices at which positions can actually be liquidated.

### **Trading Errors and Operational Errors**

Despite reasonable controls, errors may occur in the placement, execution, allocation, or settlement of trades. Such errors may result in losses to a client account. White Brook's policies regarding the handling and, where appropriate, reimbursement of trading errors are described in its Form ADV and compliance program; however, not every error is subject to reimbursement, and clients bear the risk of losses arising from errors that fall outside the scope of those policies.

### **No Assurance of Investment Objective**

There can be no assurance that White Brook will achieve the stated investment objective of any strategy or that any client account will not experience material or sustained losses. Investment results may vary widely across clients, even within the same strategy, due to differences in account inception date, contributions and withdrawals, custodial arrangements, and individual investment guidelines or restrictions.

## **3. INSTITUTIONAL AND OPERATIONAL RISK**

### **Suspensions of Trading**

Securities exchanges typically can suspend or limit trading in any instrument traded on the exchange. A suspension or limitation of trading could render it impossible for White Brook, on behalf of a client account, to liquidate a position or positions in a timely manner. A delay in exiting a position or positions could expose the client account to losses with respect to such position(s), which could increase as the delay continues.

### **Failure of Exchanges and Clearinghouses**

Client accounts are subject to the risk of the failure of any of the exchanges on which their positions trade or of the clearinghouses for such exchanges.

### **Counterparty Risk**

Some of the markets in which client account assets may be invested or traded are over-the-counter or interdealer markets. The participants in these markets typically are not subject to the type of strict credit evaluation and regulatory oversight applicable to members of exchange-based markets, and transactions in these markets typically are not settled through exchanges or clearinghouses that guarantee the trades of their participants. Rather, the responsibility for performing a particular transaction rests with the counterparties to the transaction. This results in the risk that a counterparty may not settle a transaction with a client account in accordance with its terms, either because it is unwilling or unable to do so (for example, because of a credit or liquidity problem of the counterparty), thereby exposing the client account to loss. In response to such risk, many counterparties now require the posting of collateral. However, this collateral may be difficult to liquidate in a market crisis. In addition, in

the case of a default by a counterparty, the client account could become subject to adverse market movements while White Brook attempts to execute a substitute transaction.

Counterparty risk is accentuated in the case of contracts having longer maturities, where events may intervene to prevent settlement, or where an investor has concentrated its transactions with a single or small number of counterparties. White Brook's strategies are primarily long-only equity strategies executed through a qualified custodian and registered broker-dealers, which materially reduces but does not eliminate counterparty exposure.

### **Custodial and Brokerage Risk**

Financial institutions such as broker-dealers and banks ("qualified custodians" within the meaning of applicable adviser custody rules) hold custody of client assets. Clients enter into account agreements directly with such custodians and are responsible for reviewing custodian statements. Financial difficulty, fraud or misrepresentation at one of these institutions could impair client accounts. While client securities are generally segregated from custodian proprietary assets, and certain custodians provide insurance through SIPC and excess-SIPC coverage, such protections are limited in scope and amount and do not protect against market losses. Cash held at custodians may exceed FDIC or comparable insurance limits and is subject to the credit risk of the custodian.

### **Best Execution and Brokerage Practices**

White Brook seeks to obtain best execution for client transactions but does not guarantee that any particular trade will be executed at the most favorable possible price. Execution quality may be affected by market conditions, order size, the choice of broker, the use of trading algorithms, and routing decisions made by the executing broker. Where White Brook participates in directed brokerage, step-out trades, or trade aggregation across multiple client accounts, certain clients may receive different execution prices than others.

### **Reliance on Third-Party Service Providers**

White Brook depends on third-party service providers — including custodians, executing brokers, portfolio accounting and order-management systems, market-data vendors, compliance technology providers, cloud and email hosts, accountants, attorneys, and consultants — for critical operational functions. The failure, error, insolvency, or compromise of any such provider may disrupt operations, delay trade settlement, impair recordkeeping, or cause losses to client accounts. White Brook performs reasonable diligence on its providers but cannot eliminate this risk.

### **Allocation of Investment Opportunities Across Client Accounts**

White Brook manages multiple client accounts following the same or similar strategies. When investment opportunities are limited — for example, when a desired security has limited float or when timing constraints prevent simultaneous execution across all accounts — White Brook will allocate opportunities in accordance with its allocation policies. Although those policies are designed to be fair and equitable over time, individual clients may, in any given allocation,

receive a different fill price, position size, or no allocation at all relative to other clients pursuing the same strategy.

### **Limited Insurance and Bonding**

White Brook maintains insurance coverage that it believes is reasonable for an investment adviser of its size, but such coverage is limited in scope and amount and may be inadequate to fully indemnify White Brook or its clients in the event of a significant loss. Clients should not view White Brook's insurance as a substitute for the risks described in this document.

## **4. CYBERSECURITY AND BUSINESS CONTINUITY RISK**

### **Cybersecurity Risk**

White Brook, its service providers, custodians, brokers, and the issuers of securities held in client accounts are all subject to cybersecurity risks, including unauthorized access to systems, data theft, ransomware, denial-of-service attacks, social engineering and impersonation fraud, and account takeover. A successful cybersecurity incident could compromise the confidentiality, integrity, or availability of client information or White Brook's operations; result in unauthorized trades or fund transfers; cause delays in settlement or reporting; trigger regulatory action; and result in financial loss to clients. White Brook maintains a written cybersecurity program but cannot guarantee that the program will prevent or detect every incident.

### **Privacy and Data Protection Risk**

White Brook collects and processes nonpublic personal information about its clients in connection with the delivery of investment advisory services. Despite reasonable safeguards, data may be inadvertently disclosed or improperly accessed, and applicable privacy laws (including the Gramm-Leach-Bliley Act, the Illinois Personal Information Protection Act, and other state and federal data protection regimes) impose obligations the breach of which could result in regulatory action, litigation, or remediation expense.

### **Business Continuity and Disaster Recovery**

Natural disasters, public health emergencies (including pandemics), terrorism, war, civil unrest, prolonged power or telecommunications outages, software failures, and similar events may disrupt White Brook's ability to manage client accounts, communicate with clients, place trades, or maintain accurate records. Although White Brook maintains a written business continuity plan, no such plan can fully anticipate or mitigate every disruption, and material delays in operations may result in losses to client accounts.

### **Reliance on Information Systems and Artificial Intelligence Tools**

White Brook relies on a range of information systems, including portfolio management systems, market-data feeds, trading platforms, communication systems, and may from time to time use artificial intelligence or machine-learning tools to assist in research, monitoring, or operational tasks. System errors, data feed errors, model errors, hallucinations or other failure modes of AI

tools, or inappropriate reliance on automated outputs may cause White Brook to make decisions that adversely affect client accounts.

## **5. REGULATORY, LEGAL AND TAX RISK**

### **Regulatory Risk**

White Brook is registered as an investment adviser with the Illinois Securities Department (lead state) and the Texas State Securities Board, and is subject to the Illinois Securities Law of 1953 and the rules thereunder at 14 Ill. Admin. Code Part 130, the Texas Securities Act and the rules thereunder at 7 Tex. Admin. Code Chapter 116, and applicable rules of any other state in which White Brook conducts advisory business or qualifies for an exemption. Changes in the laws, rules, regulations, or interpretive guidance applicable to investment advisers — whether at the state or federal level — may impose additional compliance burdens, restrict investment activities, increase operating costs, or otherwise adversely affect White Brook's ability to manage client accounts. Regulatory examinations, inquiries, or enforcement actions, even if ultimately resolved without findings, can be costly and time-consuming, and adverse findings could result in fines, restrictions, or reputational harm.

### **Tax Risk**

Tax laws and the interpretation of those laws are complex and subject to change. Changes in federal or state tax laws, rates, or treatment of investment income — including changes affecting the taxation of dividends, capital gains, qualified dividend income, wash sales, constructive sales, or pass-through entities — may adversely affect after-tax returns. White Brook does not provide tax advice, and clients should consult their own tax advisors regarding the tax consequences of investing through White Brook. White Brook's portfolio decisions are generally made on the basis of investment merit rather than tax efficiency, and clients may incur taxable gains as a result of portfolio activity even in years in which their account declines in value.

### **Litigation Risk**

White Brook may from time to time be subject to litigation, arbitration, or regulatory proceedings — whether arising from its advisory activities, employment matters, vendor disputes, or other sources. Defending such proceedings is costly and time-consuming, and adverse outcomes could result in monetary judgments, settlements, or restrictions on White Brook's business. Issuers of securities held in client accounts may also be subject to litigation that adversely affects the value of those securities.

### **Force Majeure Risk**

Pandemics, epidemics, war (including ongoing or future conflicts), acts of terrorism, civil unrest, climate-related events such as wildfires, hurricanes, or floods, and similar events outside White Brook's control may adversely affect financial markets, the operations of White Brook and its

service providers, and the issuers in which client accounts invest. The duration and severity of such events, and the policy responses to them, are difficult to predict.

## **6. CONFLICTS OF INTEREST**

White Brook is subject to various conflicts of interest in connection with the management of client accounts, including but not limited to: (i) the allocation of investment opportunities, time, and resources among multiple client accounts pursuing the same or similar strategies; (ii) personal trading by White Brook's principal and other access persons in securities that are also held in client accounts; (iii) the receipt of services from custodians and brokers, including research, technology, or other benefits that may create incentives independent of best execution; (iv) referral, solicitor, or compensation arrangements; and (v) the structure of advisory fees, which may incentivize the retention of assets even where a client's interests would be better served elsewhere. White Brook has adopted a code of ethics, allocation policies, and other compliance policies designed to mitigate these conflicts. A more detailed discussion of conflicts of interest is contained in White Brook's Form ADV Part 2A, which clients are encouraged to review.

## **7. ADVISER-SPECIFIC RISK**

### **Dependence on the Adviser and its Principal**

White Brook will make all investment and trading decisions for each client account. The success of any client account will depend to a great extent on the investment skills and continued availability of White Brook's principal, Mr. Alsikafi. Client accounts could be adversely affected if, because of illness, incapacity, death, resignation or other factors, such person's services were not available for any significant period of time. White Brook has limited succession-planning resources relative to larger advisers, and an unexpected loss of key personnel could materially impair its ability to continue managing client accounts.

### **Limited Personnel and Resources**

White Brook is a small investment adviser with limited personnel and operational resources. Compared to larger advisers, White Brook may have fewer redundancies in research, trading, compliance, and operational functions, and the absence or distraction of key personnel may have an outsized effect on the adviser's ability to operate.

### **Limited Operating History**

White Brook and its principal have a limited operating history relative to many established advisory firms. The past performance of strategies managed by White Brook or its principal does not necessarily indicate that a client account will be successful in the future. Past performance figures may reflect different market conditions, different portfolio sizes, different cash flows, and different investment guidelines than those that will apply to any prospective client account.

## **8. ADVISORY AGREEMENT TERMS**

### **Exculpation and Indemnification**

The Investment Advisory Agreement provides that White Brook shall not be liable for monetary or other damages to the client for: (i) losses sustained or liabilities incurred, except to the extent that it is Judicially Determined that an act or omission of White Brook was material to the matter giving rise to such losses or liabilities and that such act or omission constituted criminal wrongdoing, willful misfeasance, bad faith or gross negligence on the part of White Brook Capital; (ii) losses sustained or liabilities incurred arising from or otherwise relating to any act or omission of any person selected by White Brook to perform services for or otherwise transact business with White Brook Capital, except to the extent that it is Judicially Determined that White Brook's selection of such person involved criminal wrongdoing, willful misfeasance, bad faith or gross negligence on the part of White Brook and was material to the matter giving rise to such losses or liabilities; or (iii) circumstances beyond White Brook's control, including changes in tax or other laws, rules or regulations or the bankruptcy, insolvency or suspension of normal business activities of any broker-dealer, bank or other financial institution that holds client assets. Notwithstanding the foregoing, nothing in the Investment Advisory Agreement shall constitute a waiver of any non-waivable rights a client may have under the Illinois Securities Law of 1953, the federal securities laws, or other applicable law.

The Investment Advisory Agreement also provides that no member, partner, shareholder, other beneficial owner, manager, director, officer, employee or agent of White Brook or of any affiliate of White Brook shall be liable for monetary or other damages to the client, except to the extent that it is Judicially Determined that an act or omission of such person was material to the matter giving rise to such losses or liabilities and that such act or omission constituted criminal wrongdoing, willful misfeasance or bad faith on the part of such person.

### **Confidentiality**

Clients generally will be required to keep confidential all matters relating to their account, White Brook's investment process, and the holdings, transactions, and other proprietary information of White Brook (including communications from White Brook). The exceptions to this general rule of confidentiality are described in the Investment Advisory Agreement and applicable law.

## **9. ACKNOWLEDGMENT**

The risk factors set forth above are not, and are not intended to be, an exhaustive list of all risks that may be associated with an advisory relationship with White Brook Capital. Other risks not currently foreseeable or considered material may emerge in the future. Prospective and existing clients are encouraged to consider these risks in light of their own financial circumstances, investment objectives, risk tolerance, time horizon, and the totality of their investment portfolio, and to consult with their own legal, tax, and financial advisors before retaining or continuing to retain White Brook Capital. Clients should also review White Brook's most recent Form ADV Part

2A and Form CRS, the Investment Advisory Agreement, and any account-specific investment guidelines, all of which contain additional information about White Brook, its services, fees, and the risks of investing through it.