

# HARRIS ASSOCIATES

## **Form ADV Part 2A Firm Brochure**

Harris Associates L.P.  
111 S. Wacker Drive  
Suite 4600  
Chicago, IL 60606  
(312) 646-3600  
[www.harrisassoc.com](http://www.harrisassoc.com)

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This brochure provides information about the qualifications and business practices of Harris Associates L.P. If you have any questions about the contents of this brochure, please contact us at (312) 646-3600 or [compliance2@harrisassoc.com](mailto:compliance2@harrisassoc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Harris Associates L.P. is a registered investment adviser with the SEC; however, such registration does not imply a certain level of skill or training.

Additional information about Harris Associates L.P. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2 – MATERIAL CHANGES**

There have been no material changes since our last brochure dated March 2020. This brochure was updated for various non-material changes to provide clarification and additional information.

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## **ITEM 4 – ADVISORY BUSINESS**

### Firm Description

Harris Associates L.P. (“Harris”) or its predecessors have served as investment advisers to individuals and institutions since 1975.

Harris is a limited partnership with Harris Associates, Inc. as its general partner. Harris and Harris Associates, Inc. are indirect subsidiaries of Natixis Investment Managers, LLC, which is an indirect subsidiary of Natixis Investment Managers (“Natixis IM”), an international asset management group based in Paris, France. Natixis IM is in turn owned by Natixis, a French investment banking and financial services firm. Natixis is principally owned by BPCE, France’s second largest banking group. Harris’ principal owners are BPCE, Natixis, Natixis Investment Managers, Natixis Investment Managers Participations 1, Natixis Investment Managers, LLC and Natixis Investment Managers U.S. Holdings, LLC.

### **Types of Investment Advisory Services**

#### Discretionary Investment Advisory Services

Harris primarily provides discretionary investment advisory services to individuals and institutions, including registered investment companies. As of December 31, 2020, Harris managed approximately \$103,610,318,452 on a discretionary basis. When Harris has investment discretion, it is authorized to make all investment decisions and to direct the execution of all transactions for the client’s account (subject to the investment objectives, guidelines and restrictions that a client may impose on an account) without consulting the client in connection with each transaction.

Harris’ discretionary investment advisory services include a variety of investment strategies from which clients may select. These strategies include U.S. equity, U.S. concentrated equity, U.S. mid cap equity, balanced, equity and income, global all cap equity, global equity, global concentrated equity, international equity, international small cap equity, core plus fixed income and Japan equity. Harris also provides variations of certain of these strategies to accommodate, among other things, currency hedging or country exclusions. Harris also provides U.S. equity and balanced portfolios to private clients. In the future, Harris may offer new strategies as opportunities arise.

In addition, Harris provides discretionary investment advisory and administrative services to mutual funds, private investment partnerships and other pooled investment vehicles. Harris provides access to these investment vehicles to eligible clients and other advisers and financial intermediaries. For more information about an investment vehicle, including investment objectives, risks, and charges and expenses, a client should carefully review such vehicle’s prospectus or offering memorandum before investing. Harris also has arrangements with other advisory firms wherein, while Harris has discretionary authority over client assets, Harris is not the client’s primary adviser and instead acts in a sub-advisory capacity.

#### Wrap Fee Programs, Non-Discretionary Advisory Services and Model Portfolios

Harris serves as an adviser or sub-adviser to one or more third-party sponsored wrap fee programs, whereby the program clients generally receive, in exchange for an all-inclusive “wrap” fee, assistance in

determining investment objectives, choosing investment managers, trade execution, custodial services, periodic performance reports and certain other services provided by the program sponsor as well as discretionary investment management services from investment managers participating in the program.

Harris generally provides individualized portfolio advice for each wrap program client that has selected Harris to manage its program account. Harris manages such program accounts in accordance with the investment policies and any instructions from, and reasonable investment restrictions imposed by, the client. The program sponsor generally pays Harris a fee based on the assets managed by Harris in connection with the program, and that fee is generally a portion of the wrap fees paid by the wrap program client.

Harris generally does not negotiate advisory fees with any wrap fee program client. Rather, Harris' advisory fees are agreed to with the program sponsor or broker-dealer. The fees received by Harris in connection with wrap programs may vary from fees charged to Harris' other clients.

Harris also provides non-discretionary services related to certain private client assets. In these instances, private clients also retain the ultimate decision making and discretionary responsibility for the determination of which securities will be purchased and sold and the timing of such transactions. In each of these instances, Harris effects security transactions in connection with such purchase and sale determinations solely upon the direction of such clients.

As of December 31, 2020, Harris advised approximately \$23,971,040 on a non-discretionary basis for the accounts described above.

Harris also provides, on a limited basis, other investment advisory services on a non-discretionary basis. These services include, but are not limited to, providing model portfolios to certain institutional clients or sponsors of certain advisory programs. In these arrangements, the institutional clients or sponsors have the ultimate decision making and discretionary responsibility for the determination of which securities are to be purchased and sold for their account and effect all security transactions in connection with such determinations. Harris generally does not have any transparency into which securities were ultimately purchased or sold or the ending portfolio weighting of the institutional client account(s) or the accounts of such advisory programs.

There may be differences between the portfolios for which Harris provides a model and the portfolios Harris manages for other clients that follow the same investment strategy. These differences may result from various factors, including but not limited to: cash availability, investment restrictions, timing of transactions (as directed by the client in certain instances), account size, holding limits, tax considerations and trade execution. As a result, the performance of Harris' discretionary advisory client portfolios and that of a model portfolio following the same investment strategy may differ. For more information regarding transactions involving model portfolios, see the section entitled "Brokerage Practices".

When Harris is retained on a non-discretionary basis, all investment decisions are made by the client, and account transactions are executed only in accordance with the client's advisory agreement or other authorization. The timing of such transactions varies relative to transactions for clients that have given Harris discretionary authority depending, among other things, on the investment strategy, the degree of transparency of and attribution to Harris' portfolios to certain underlying clients and client agreements.

The fee arrangements for non-discretionary accounts vary from Harris' standard investment advisory fees. Fee arrangements for non-discretionary accounts are negotiated based upon the types of services Harris is expected to provide.

### Investment Guidelines and Restrictions

Harris may agree to certain investment guidelines or restrictions requested by a client, and will endeavor to abide by such guidelines or restrictions. Clients who impose investment restrictions should be aware that any restrictions placed on an account may affect the account's performance, which can result in performance that is better or worse relative to other similar client accounts.

Occasionally, a client will request guidelines that require we avoid investments based on common socially responsible investment ("SRI") themes (e.g., alcohol, tobacco or gambling). These requests are considered on an account-by-account basis. To the extent that a client has SRI restrictions but does not provide Harris with a list of prohibited securities or issuers, Harris will use a third-party service provider to identify the securities or issuers that shall be deemed restricted. Absent a client's list of prohibited securities or issuers, Harris' interpretation of which securities to restrict shall control.

### ITEM 5 – FEES AND COMPENSATION

Harris generally has established investment advisory fees for its private client and institutional client separate accounts in accordance with the fee schedule below. However, fees for certain accounts may fall outside of the stated ranges. Certain investment strategies listed below may be closed to new investors. Fees are generally payable quarterly in advance for private clients quarterly in arrears for institutional clients and monthly in arrears for mutual fund clients. Depending on the client relationship, Harris generally deducts its fees from client accounts or bills clients for its fees. Fees are generally based on a percentage of asset value. For purposes of determining fees, asset value will generally be determined quarterly based on the last sale price if the securities are listed and traded on such date, or the previous day's closing price or other standard methods if not so traded. Harris may amend its fee schedule in accordance with the terms of its advisory contracts.

| Client Type*  | Investment Strategy        | Annual Fee (USD)   |
|---------------|----------------------------|--|
| Institutional | U.S. Equity                | 0.75% on the first \$15 million<br>0.45% on asset value over \$15 million<br>Minimum account size: \$10 million    |
| Institutional | U.S. Concentrated Equity   | 1.00% on the first \$10 million<br>0.50% on asset value over \$10 million<br>Minimum account size: \$10 million    |
| Institutional | Equity & Income            | 0.60% on all asset values<br>Minimum account size: \$100 million   |
| Institutional | Global All Cap Equity      | 0.80% on the first \$100 million<br>0.65% on asset value over \$100 million<br>Minimum account size: \$100 million |
| Institutional | Global Equity              | 0.70% on first \$100 million<br>0.50% on asset value over \$100 million<br>Minimum account size: \$100 million     |
| Institutional | Global Concentrated Equity | 0.78% on the first \$100 million<br>0.55% on asset value over \$100 million<br>Minimum account size: \$100 million |

| <b>Client Type*</b> | <b>Investment Strategy</b>     | <b>Annual Fee (USD)</b>  |
|---------------------|--------------------------------|--|
| Institutional       | International Equity           | 0.70% on the first \$100 million<br>0.50% on asset value over \$100 million<br>Minimum account size: \$100 million |
| Institutional       | International Small Cap Equity | 1.00% on all asset values<br>Minimum account size: \$100 million   |
| Institutional       | Japan Equity                   | 0.75% on the first \$100 million<br>0.60% on asset value over \$100 million  |
| Private Client      | Balanced                       | 0.75% on the first \$15 million<br>0.45% on asset value over \$15 million<br>Minimum account size: \$20 million    |
| Private Client      | U.S. Mid Cap Equity            | 1.00% on the first \$10 million<br>0.50% on asset value over \$10 million<br>Minimum account size: \$5 million     |
| Private Client      | Private Client Balanced        | 1.00% on the first \$10 million<br>0.50% on asset value over \$10 million<br>Minimum account size: \$3 million     |
| Private Client      | Private Client Equity          | 1.00% on the first \$10 million<br>0.50% on asset value over \$10 million<br>Minimum account size: \$3 million     |

\*The difference between these two categories is generally determined by the size of the client's account and the expectation of services to be provided to the client.

Clients may generally terminate their investment advisory agreement with Harris within five business days of signing the agreement. Thereafter, the advisory relationship may generally be terminated upon thirty days' prior written notice by either party or earlier as may be agreed to by the parties. Clients receive a refund of a portion of any fees paid in advance, prorated based on the number of days in any quarterly period after termination.

Advisory fees may vary due to, among other things, the inception date of an account, the initial or potential size of the account, the responsibilities involved and services provided, the relationship to Harris, or composition of client portfolio. In such cases, different fee arrangements are negotiated with each client separately, and such fees may be higher or lower than the standard fees set forth above, including fees that may be based on the investment performance of an account. For more information about performance fees, see the section entitled "Performance-Based Fees and Side-By-Side Management".

At its discretion, Harris may combine assets from related accounts to reduce the combined rate charged to clients. Harris reserves the right to determine whether client accounts are related for purposes of aggregation, and this determination is part of the negotiation between Harris and the client. There may be certain regulatory restrictions on the aggregation of investments for certain types of accounts.

Fee arrangements with pooled investment vehicles and other advisory firms are generally negotiated individually based on the particular investment needs, the characteristics and size of these accounts and the services provided to such accounts. For more information regarding advisory fees relating to wrap fee programs, see the section entitled "Advisory Business".

Harris is the adviser to the Oakmark Fund, Oakmark Select Fund, Oakmark Equity and Income Fund, Oakmark Global Fund, Oakmark Global Select Fund, Oakmark International Fund, Oakmark International Small Cap Fund and Oakmark Bond Fund (collectively, the "Oakmark Funds"). The fees paid to Harris by

the Oakmark Funds are described in the Oakmark Funds' prospectus. Harris also provides sub-advisory services to certain registered investment companies at rates negotiated with those clients; fees paid by these funds for investment advisory services are described in each fund's prospectus.

In addition to investment advisory fees payable to Harris, clients will also incur expenses that are generally not payable to Harris but arise in connection with Harris' investment advisory services. These expenses may include, but are not limited to, pooled investment vehicle expenses, custodian fees and expenses, brokerage commissions, mark-ups and mark-downs, taxes, wire fees and other transaction costs. These expenses and any other costs associated with the assets will be borne by the client and not Harris. For more information about brokerage commissions, see the section entitled "Brokerage Practices".

#### **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

From time to time Harris may accept an account with performance-based fees. In the event Harris manages accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an asset-based fee, conflicts of interest may arise. For example, a performance-based fee could incentivize Harris to provide favorable treatment with respect to the allocation of limited investment opportunities or the allocation of aggregated orders to such accounts. Harris has operational and compliance procedures in place that it believes are reasonably designed to mitigate these conflicts of interest. With respect to the allocation of investment opportunities, it is Harris' policy to allocate investment opportunities among its clients in a fair and equitable manner that, over time, does not unfairly favor some clients at the expense of others. With respect to the allocation of aggregated orders, each account that participates in an aggregated order will participate at the average share price of each broker-dealer used in the execution. For more information about allocation and aggregation, see the section entitled "Brokerage Practices".

#### **ITEM 7 – TYPES OF CLIENTS**

Harris provides investment advisory services to many types of U.S. and non-U.S. clients including individuals, government retirement plans, corporate pension and profit sharing plans, trusts, estates, charitable organizations, foundations, endowments, banks, trust companies, insurance companies, corporations, sovereign funds and other types of entities.

Harris also provides investment advisory services to wrap programs, mutual funds, private investment partnerships and other pooled investment vehicles. Harris also has arrangements with other advisory firms wherein, while Harris has discretionary authority over client assets, Harris is not the client's primary adviser and instead acts in a sub-advisory capacity.

In general, Harris does not accept individual or institutional separate accounts or groups of related accounts that have an initial asset value of less than the account minimums reflected on the fee schedules listed above, except in the context of a sub-advisory relationship, including wrap fee programs. However, Harris may set higher or lower standards for account minimums, depending on historic relationships with Harris or others, expectation of future additions to the account or other circumstances.



## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Each of Harris' investment strategies uses a value investment philosophy in selecting equity and equity-like securities of U.S. and non-U.S. issuers. This value investment philosophy is based upon the belief that, over time, a company's stock price converges with the company's intrinsic value. By "intrinsic value," Harris means its estimate of the price a knowledgeable buyer would pay to acquire the entire business. Harris believes that investing in securities priced below what it believes is a company's intrinsic value presents the best opportunity to achieve the client's investment objective. Harris uses this value investment philosophy to identify companies that it believes have discounted stock prices compared to the companies' intrinsic values.

Harris' value investment philosophy spans across large, mid and small cap companies. In addition, in connection with certain investment strategies that have direct or indirect foreign currency exposure, Harris may hedge a client's exposure to such currencies. This hedging activity is generally premised on the relative purchasing power between the countries invested in and the client's base currency.

In connection with its balanced and equity and income, and core plus fixed income strategies, Harris provides investment advice regarding a wide range of debt securities issued by U.S. and non-U.S. governments, government-sponsored entities, municipalities, international agencies and corporations. With regard to duration, yield curve exposure, sector allocation and credit quality, this analysis is based on Harris' assessment of the current position of the economy within the business cycle. With respect to the debt securities portion of the balanced and equity and income strategies should, in Harris' opinion, complement the strategies' equity holdings. Given the relative risk/return trade-off of the equity and debt markets, Harris generally will not take on what it believes are substantial levels of risk in the debt portion of the strategies. Thus, Harris attempts to aim for preservation of capital and generation of income in the debt portion of the strategies. In general, Harris selects what it believes are debt securities of high quality (typically U.S. Treasury and Agency securities, non-U.S. government securities, or highly-rated municipal and corporate securities) and short to intermediate maturities. Harris may also invest in medium and lower-grade debt securities. With regard to duration, yield curve exposure, sector allocation and credit quality, this analysis is based on Harris' assessment of the current position of the economy within the business cycle. With respect to the core plus fixed income strategies, Harris will focus on bottom up, individual security selection, leveraging Harris's extensive equity research capabilities. The strategy is diversified, opportunistic and seeks to maximize both total return and total income. The strategy emphasizes securities from corporate issuers with strong fundamental business profiles. The strategy typically invests at least 25% of assets in investment grade corporate bonds and up to 35% in below investment grade corporate debt, including bank loans, along with 15-25% to treasuries and securitized debt.

### **Investment Process**

In making its investment decisions, Harris uses a "bottom-up" approach focused on individual companies, rather than focusing on specific economic factors or specific industries. Harris generates its research ideas from a variety of internal and external sources. Those ideas will then lead Harris to conduct its own in-house research on such companies. Harris' research process seeks to identify companies selling at a discount to its estimate of intrinsic value. Our fixed income model quantifies and ranks the opportunity to be analyzed by the portfolio management team for final investment.

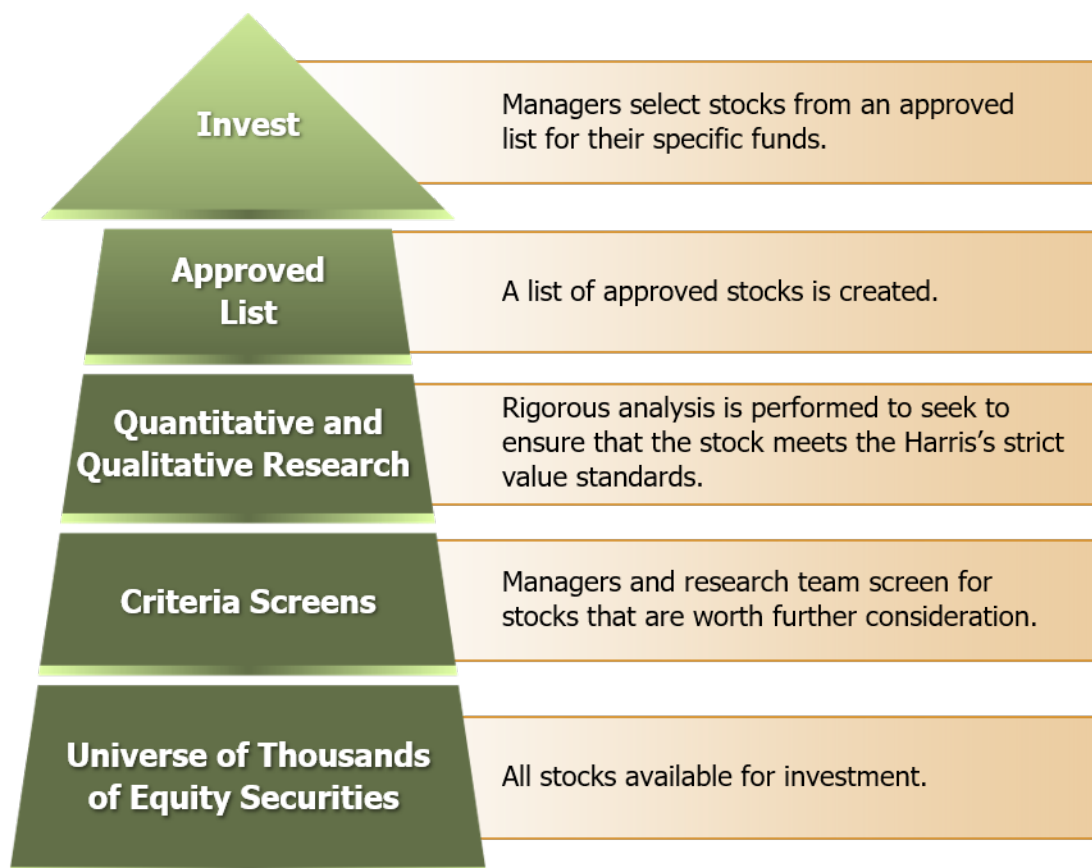
The chief consideration in the selection of stocks for a particular strategy is the size of the discount of a company's current stock price compared to Harris's estimate of the company's intrinsic value. Harris conducts intensive, proprietary, fundamental research at the company level using a variety of valuation metrics in its evaluation process. Harris utilizes both quantitative and qualitative research, which typically may also include company visits and other research on the companies and their industries. Harris generally focuses on companies with the following characteristics, although not all companies will have all of these attributes: free cash flows and intelligent investment of excess cash, earnings that are growing and are reasonably predictable, and a high level of company management ownership.

Harris' portfolio managers strive to abide by a consistent philosophy and process. This process involves a collective effort to identify what Harris believes are the best values in the marketplace. Harris utilizes Stock Selection Groups ("SSGs") as a formal mechanism to identify equity investment ideas. Each SSG consists of senior investment professionals and maintains a list of securities that may be purchased or sold for client accounts (the "Approved Lists"). Generally, research analysts present investment ideas to the SSGs and the SSGs determine whether to add or remove securities from the Approved Lists. The SSGs also provide the research teams with guidance and feedback regarding the substance of research reports.

Once an equity security is added to an Approved List, all debt securities for that issuer are also deemed to be approved for investment. Debt securities rated investment grade are also deemed to be approved securities. Non-investment grade debt securities and debt securities of issuers other than those on the Approved List are subject to approval by designated portfolio managers. In addition, Harris has designated certain portfolio managers and traders to oversee the investment parameters in connection with short term investment instruments, including but not limited to, commercial paper and repurchase agreements.

When added to our Approved Lists, each stock has a buy and sell target. Harris also monitors each holding and adjusts these price targets as warranted to reflect changes in a company's fundamentals.

Portfolios are typically constructed with a limited number of securities from Harris' Approved Lists, built on a stock by stock basis from the bottom up. For certain strategies, senior investment professionals create model portfolios based on Approved List securities. Portfolio managers use the Approved Lists or relevant model portfolio to make investment decisions for client accounts subject to each account's respective objectives, guidelines and restrictions. The following chart illustrates this process:



### Material Risks Involved in Each Investment Strategy

**General Risks.** All investments have risks, and no one investment is suitable for all investors. Each of Harris' investment strategies is intended for long-term investors. As a result, each client should have a long-term perspective and be able to tolerate potentially wide fluctuations in the value of the securities in the client's portfolio. Each of Harris' investment strategies are subject to risks, including the possibility that the value of the client's portfolio holdings may fluctuate in response to events specific to the companies invested in, as well as economic, political or social events in the United States or abroad and Harris' evaluation of those events, and Harris' success in implementing each client's strategy. Although Harris strives to achieve a client's investment objective through one or more of Harris' investment strategies or investment vehicles, it cannot guarantee that a client will attain that investment objective or any particular result. Investing involves a risk of loss that clients should be prepared to bear.

**Market Risk.** Each of Harris' investment strategies is subject to market risk—the risk that the securities markets and individual securities will increase or decrease in value. Market risk applies to every market and every security. Security prices may fluctuate widely over short or extended periods in response to adverse issuer, political, regulatory, market, economic, global health crises or pandemics, or other developments that may cause broad changes in market value and public perceptions concerning these developments, and adverse investor sentiment. In addition, securities markets also tend to move in cycles. If there is a general decline in the securities markets, it is possible a client's portfolio may lose

value regardless of the individual results of the companies in which a strategy invests. Furthermore, when a client withdraws its funds and Harris is required to sell portfolio securities, those securities may be worth more or less than their purchase price. The magnitude of up and down price or market fluctuations over time is sometimes referred to as “volatility,” which, at times, can be significant. In addition, different asset classes and geographic markets may experience periods of significant correlation with each other. As a result of this correlation, the securities and markets in which a strategy invests may experience volatility due to market, economic, political or social events, such as global health crises or pandemics, and conditions that may not readily appear to directly relate to such securities, the securities’ issuer or the markets in which they trade. Some companies may have substantial foreign operations or holdings and may involve additional risks relating to political, economic, regulatory, or other conditions in foreign countries, as well as currency exchange rates.

Common Stock Risk. Common stocks are subject to greater fluctuations in market value than other asset classes as a result of such factors as a company’s business performance, investor perceptions, stock market trends and general economic conditions. The rights of common stockholders are subordinate to all other claims on a company’s assets including debt holders and preferred stockholders; therefore, clients could lose money if a company in which a strategy invests becomes financially distressed.

Value Style Risk. Investing in “value” stocks presents the risk that the stocks may never reach what Harris believes are their full market values, either because the market fails to recognize what Harris considers to be the companies’ intrinsic values or because Harris misjudged those values. In addition, value stocks may fall out of favor with investors and underperform growth stocks during given periods.

Focused Portfolio Risk. Each of Harris’ investment strategies tends to be invested in a relatively small number of stocks, generally ranging from approximately 30 to 75 stocks rather than hundreds. As a result, the appreciation or depreciation of any one security held by a client will have a greater impact on the value of a client’s portfolio than it would if the client invested in a larger number of securities. Although this strategy has the potential to generate attractive returns over time, it also increases the volatility of the client’s portfolio and may lead to greater losses.

Sector or Industry Risk. Harris’ investment strategies may lead client accounts to invest a higher percentage of their total assets in a particular sector or industry. Changes affecting such sector or industry, or the perception of that sector or industry, may have a significant impact on the investment performance of client accounts. Individual sectors or industries may be more volatile, and may perform differently, than the broader market.

Market Capitalization Risk. Investing primarily in issuers in one market capitalization category (large, medium or small) carries the risk that due to current market conditions, that category may be out of favor with investors. Larger, more established companies may be unable to respond quickly to new competitive challenges or opportunities or attain the high growth rate of successful smaller companies. Smaller companies may be more volatile due to, among other things, narrower product lines, more limited financial resources and fewer experienced managers. In addition, there is typically less publicly available information about such companies, and their stocks may have a more limited trading market than stocks of larger companies.

Tax Risk. Clients should consult their tax advisors regarding the tax consequences of their investments. Harris is not a tax advisor, although certain of its investment strategies may consider the potential tax implications of investment decisions.

Operational and Cybersecurity Risk. With the heightened prevalence of Internet, mobile and cloud technologies in the course of business, clients and their portfolios become potentially more susceptible to operational, financial and reputational risks through breaches in cybersecurity. In general, while Harris takes protective measures and strives to modify its digital systems as circumstances warrant, cybersecurity incidents can result from intentional or unintentional events and can include, but are not limited to, an unauthorized party gaining access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing a disruption in operational functionality.

Cybersecurity incidents experienced by Harris, third-party service providers and the issuers of securities in which our portfolios invest have the ability to, among other things, result in the loss or theft of customer data or funds, loss or theft of proprietary information or corporate data, physical damage to a computer or network system, remediation costs associated with system repairs or enhancements, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and the inability to access electronic systems (“denial of service”). Any of these results could have a substantial adverse impact on Harris and its clients.

Furthermore, Harris cannot control the cybersecurity systems and plans of the issuers of securities in which our portfolios invest, trading counterparties or any other third-party service providers whose operations may affect Harris or its clients.

Credit Risk. Credit risk is the risk the issuer or guarantor of a debt security will be unable or unwilling to make timely payments of interest or principal or to otherwise honor its obligations.

Call Risk. Upon the issuer’s desire to call a security, or under other circumstances where a security is called, including when interest rates are low and issuers opt to repay the obligation underlying a “callable security” early, the Fund may have to reinvest the proceeds in an investment offering a lower yield and may not benefit from any increase in value that might otherwise result from declining interest rates.

Interest Rate Risk. The Fund's yield and share price will fluctuate in response to changes in interest rates and there is a risk of loss due to changes in interest rates. In general, the prices of debt securities rise when interest rates fall, and the prices fall when interest rates rise. The Fund may be subject to a greater risk of rising interest rates due to the current period of historically low rates. The transition from LIBOR to other risk free rates is not expected to have a material impact to the Oakmark Funds, Harris or its other clients.

Liquidity Risk. From time to time, the trading market for a particular investment in which clients are invested, or a particular instrument in which a client is invested, may become less liquid or even illiquid. Illiquid investments frequently can be more difficult to purchase or sell at an advantageous price or time, and there is a greater risk that the investments may not be sold for the price at which the Fund is carrying them. Certain investments that were liquid when the Fund purchased them may become illiquid, sometimes abruptly. An inability to sell a portfolio position can adversely affect the portfolio’s value or prevent the client from being able to take advantage of other investment opportunities. Market

prices for such securities or other investments may be volatile. During periods of substantial market volatility, an investment or even an entire market segment may become illiquid, sometimes abruptly, which can adversely affect the portfolio's ability to limit losses.

Liquidity risk may be magnified in rising interest rate environments due to higher than normal redemption rates. Unexpected episodes of illiquidity may limit the portfolio's ability to pay redemption proceeds within the allowable time period. To meet redemption requests during periods of illiquidity, the adviser may be forced to sell clients' securities at an unfavorable time and/or under unfavorable conditions or redeem securities in-kind.

### **Material Risks Involved in Investment Strategies That Invest in Non-U.S. Securities**

Non-U.S. Securities Risks. Investments in securities issued by entities based outside the United States may involve risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and non-U.S. issuers and markets are subject. These risks may result in the strategy experiencing rapid and extreme value changes due to currency controls; different accounting, auditing, financial reporting, and legal standards and practices; political and diplomatic changes and developments; expropriation; changes in tax policy; a lack of sufficient market liquidity; differing securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in issuers located in developing and emerging countries, and in issuers in more developed countries, including the U.S., that conduct substantial business in such developing and emerging countries. Fluctuations in the exchange rates between currencies may negatively affect an investment in non-U.S. securities. Investments in securities issued by entities domiciled in the U.S. also may be subject to many of these risks.

Although Harris tries to invest in companies located in countries having stable political environments, there is the possibility of restriction of foreign investment, expropriation of assets, confiscatory taxation, seizure or nationalization of foreign bank deposits or other assets, establishment of exchange controls, the adoption of foreign government restrictions, or other political, social or diplomatic developments that could adversely affect investment in these countries. Economies in individual emerging markets may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rates of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments positions. Many emerging market countries have experienced high rates of inflation for many years, which can have very negative effects on the economies and securities markets of those countries.

The securities markets of emerging countries are substantially smaller, less developed, less liquid and more volatile than the securities markets of the U.S. and other more developed countries. Disclosure and regulatory standards in many respects are less stringent than in the U.S. and other major markets. There also may be a lower level of monitoring and regulation of emerging markets and the activities of investors in such markets, and enforcement of existing regulations may be extremely limited.

When investing in securities of non-U.S. issuers, commissions are typically higher in the Asia/Pacific Rim countries and lower in Europe when compared to the cost of investing in U.S. issuers.

**Currency Risk.** A client's account may hold securities denominated in or otherwise exposed to currencies other than the currency in which the account is denominated. The exchange rates between currencies can fluctuate daily. As a result, the portfolio values of a client's non-U.S. securities may be affected by changes in exchange rates between foreign currencies and the U.S. dollar, as well as between currencies of countries other than the United States. For example, if the value of the U.S. dollar rises compared to a foreign currency, the value of an investment traded in that currency will fall because it will be worth fewer U.S. dollars. If authorized by the client, and if certain market parameters are present, Harris may try to hedge the risk of loss resulting from currency exchange fluctuation; however, there can be no guarantee that any hedging activity will be undertaken or, if undertaken, be successful. Harris generally implements such hedges through forward currency transactions. Forward currency transactions present various risks, including illiquidity and counterparty risk, because forward contracts are not traded on an exchange and often are not standardized. Further, although hedging activity may reduce the risk of loss from currency fluctuations, it may also limit or reduce the opportunity for gain.

### **Material Risks Involved in Investment Strategies That Invest in Small and Mid Cap Securities**

During some periods, the securities of small and mid cap companies, as a class, have performed better than the securities of large companies, and in some periods they have performed worse. Investments in small and mid cap companies may be riskier than investments in larger, more established companies. The securities of smaller companies may trade less frequently and in smaller volumes, and as a result, may be less liquid and more volatile than securities of larger companies. Moreover, small and mid cap security price changes may be more sudden or erratic than prices of larger company securities, especially over the short term. Small and mid cap companies, as compared to larger companies, may have a shorter history of operations, may rely on only a few key people, may not have as great an ability to raise additional capital, may have a less diversified product line making them susceptible to market pressure, and may have a smaller public market for their shares. In addition, Harris generally constructs its portfolios with a limited number of companies. As a result, Harris' clients may hold a significant portion of the total outstanding shares of a small to mid cap company, which may, in turn, increase the transactional costs to purchase or sell such shares due the length of time that may be needed to complete those transactions. Additionally, if a client account is forced to sell securities to meet a liquidation request, the account may be forced to dispose of those shares under disadvantageous circumstances, and at a loss.

### **Material Risks Involved in Investment Strategies That Invest in Debt Securities**

Debt securities are subject to credit risk, call risk, interest rate risk and liquidity risk. Credit risk is the risk the issuer or guarantor of a debt security will be unable or unwilling to make timely payments of interest or principal or to otherwise honor its obligations. Call risk is the risk that upon the issuer's desire to call a security, or under other circumstances where a security is called, including when interest rates are low and issuers opt to repay the obligation underlying a "callable security" early, the Fund may have to reinvest the proceeds in an investment offering a lower yield and may not benefit from any increase in value that might otherwise result from declining interest rates. Interest rate risk is the risk of losses due to changes in interest rates. In general, the prices of debt securities rise when interest rates fall, and the prices fall when interest rates rise. Liquidity risk is the risk a particular security may be difficult to purchase or sell and that a client may be unable to sell illiquid securities at an advantageous time or price. A client's investments in government-sponsored entity securities also exhibit these risks, although the degree of such risks may vary significantly among the different government-sponsored

entity securities. Some securities issued or guaranteed by U.S. government agencies or instrumentalities are not backed by the full faith and credit of the U.S. and may only be supported by the right of the agency or instrumentality to borrow from the U.S. Treasury. There can be no assurance that the U.S. government will always provide financial support to those agencies or instrumentalities. Additionally, debt securities issued by municipalities, non-U.S. governments and international agencies also carry credit, interest rate, default and liquidity risks, and the severity of such risks varies greatly between and among those entities, and as compared to securities issued by the U.S. government, its agencies or instrumentalities. U.S. and foreign sovereign debt instruments are subject to the risk that a governmental entity may delay or refuse to pay interest or repay principal on its debt. There is no legal process for collecting debt that a government does not pay, nor are there bankruptcy proceedings through which all or part of the debt that a government entity has not repaid may be collected.

Although Harris generally recommends and buys high-quality debt securities, it may also recommend and buy medium- and lower-grade debt securities. An investment in medium- and lower-grade debt securities involves greater risk, including the possibility of issuer default or bankruptcy. Lower-grade debt securities (commonly called “junk bonds”) are obligations of companies rated by credit rating agencies as speculative and may be in poor financial standing or actually in default. Medium-grade debt securities are those that are considered to have speculative characteristics. An economic downturn could severely disrupt the market in medium and lower grade debt securities and adversely affect the value of outstanding debt securities and the ability of the issuers to repay principal and interest. In addition, lower-quality debt securities are less sensitive to interest rate changes than higher-quality instruments and generally are more sensitive to adverse economic changes or individual corporate developments. During a period of adverse economic changes, including a period of rising interest rates, issuers of such debt securities may experience difficulty in servicing their principal and interest payment obligations.

The market for medium- and lower-grade debt securities tends to be less broad than the market for higher-quality debt securities. The market for unrated debt securities is even narrower. During periods of low liquidity in these markets, the spread between bid and ask prices is likely to increase significantly, and a client may have greater difficulty selling its portfolio of these debt securities. The market value of these securities and their liquidity may be affected by adverse publicity and investor perceptions.

Inflation-indexed debt securities issued by governments, their agencies or instrumentalities or corporations also carry risks. The principal amount of such a security is periodically adjusted according to changes in the rate of inflation as measured by the consumer price index (“CPI”). At the time of issuance of the debt security, the interest rate is fixed as a percentage of the principal amount, which is adjusted from time to time. If the CPI declines, the principal amount of the security will be reduced and, consequently, the amount of interest payable on the security will also be reduced. Conversely, the principal amount and the amount of interest will increase if the CPI adjustment is positive. Any increase in the principal amount of an inflation-indexed debt security is taxable currently as ordinary income, even though the investor does not receive the principal until maturity. In certain interest rate environments, such as when real interest rates are rising faster than nominal interest rates, inflation-indexed debt securities may experience greater losses than other debt securities with similar durations.

In addition to being subject to the risks associated with investments in fixed-income securities generally (e.g., credit, liquidity and valuation risks), the values of mortgage-backed securities are influenced by the factors affecting the assets underlying the securities. The value of these securities may be significantly



affected by changes in interest rates. These securities are also subject to the risk of default on the underlying mortgages, which may increase particularly during periods of market downturn. An unexpectedly high rate of defaults on the underlying assets will decrease the security's value. If borrowers pay back principal on mortgage-backed securities, before (prepayment) or after (extension) the market anticipates such payments, shortening or lengthening their duration, the Fund's performance could be impacted. In general, a mortgage-backed security might be called or otherwise converted, prepaid or redeemed before maturity due to an excess in cash flow to the issuer or due to a decline in interest rates. In the event there is a prepayment, the Fund would need to reinvest the proceeds, possibly in an investment offering a lower yield or interest rate. On the other hand, in general, slower payoffs or extension may occur if market interest rates rise, which has the effect of increasing the duration or interest rate risk of the impacted securities.

Strategies that invest in loan interests (including bank loans) may be subject to restrictions on transfer and therefore Harris may be unable to sell its loan interests at a time when it may otherwise be desirable to do so. Therefore, at times loan interests may be illiquid. Loan interests may have extended settlement periods and also may be difficult to value. Interests in secured loans have the benefit of collateral securing the loan, however, the value of the collateral may decline and may become insufficient to cover the amount owed on the loan. In the case of borrower default, bankruptcy or other insolvency laws may limit or delay access to the collateral. Further, in the event of a default, lower tier secured loans and unsecured loans will generally be paid only if the value of the collateral exceeds the amount of the borrower's obligations to the senior secured lenders, and the remaining collateral may not sufficiently cover the full amount owed on the loan in which Harris has an interest. Interests in loans can expose our investors to the lender's credit risk and also may expose them to the credit risk of the underlying borrower.

In addition to being subject to the risks associated with investments in fixed-income securities generally (e.g., prepayment and extension, credit, liquidity and valuation risks), the values of mortgage- and asset-backed securities are influenced by the factors affecting the assets underlying the securities. The value of these securities may be significantly affected by changes in interest rates. These securities are also subject to the risk of default on the underlying mortgages or assets, which may increase particularly during periods of market downturn. An unexpectedly high rate of defaults on the underlying assets will decrease the security's value.

To the extent Harris invest client assets in derivatives this can involve investment techniques and risks different from those associated with investing in more traditional investments and sometimes the risks of these investments may be magnified in comparison. Derivative transactions may be volatile and can create leverage, which may cause our clients to lose more than the amount of assets initially invested. At times, derivatives may be highly illiquid, and Harris may not be able to close out or sell a derivative at the desired time or price. Moreover, should a derivative counterparty becomes unwilling or unable to honor its obligations, then our clients may experience losses. This risk is greater for forward currency contracts, swaps and other over-the-counter traded derivatives.

Leverage in our strategies may cause greater volatility and can amplify changes in net asset value. The use of derivatives, when-issued and forward-settling securities, and borrowing creates leverage and can result in losses in our strategies that may accelerate the rate of losses and exceed the amount originally invested.

### **Material Risks Involved in Concentrated Investment Strategies**

Harris' concentrated investment strategies tend to be invested in a relatively small number of stocks, generally between 12 and 25 stocks. As a result, the appreciation or depreciation of any one security held by a client will have a greater impact on the value of a client's portfolio than it would if the client invested in a larger number of securities. Thus, a concentrated investment strategy tends to be more susceptible to economic, political or regulatory events than a more diversified investment strategy. Although that strategy has the potential to generate attractive returns over time, it also increases the volatility of the client's portfolio. As a result, when a client withdraws its funds and Harris is required to sell portfolio securities, those securities may be worth more or less than their purchase price. In addition, Harris' concentrated investment strategies may lead client accounts to invest a higher percentage of their total assets in a particular region, sector or industry. Changes affecting such region, sector, or industry, or the perception of that region, sector or industry, may have a significant impact on the investment performance of client accounts.

### **ITEM 9 – DISCIPLINARY INFORMATION**

Nothing to report.

### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Harris is under common control with Harris Associates Securities L.P. ("HASLP"), both having Harris Associates, Inc. as a general partner. HASLP is a registered, limited-purpose, broker-dealer that acts as the principal underwriter of Harris Associates Investment Trust. Certain employees of Harris are also registered representatives of HASLP.

As described above, Harris is the adviser to the Oakmark Funds. One officer/director of Harris is a trustee of the Oakmark Funds, one is a former officer/director/partner of Harris is a trustee of the Oakmark Funds and a number of Harris' officers, directors and employees are also officers of the Oakmark Funds. However, the Oakmark Funds are not controlled by such persons or Harris. For more information about the Oakmark Funds, including investment objectives, risks, and charges and expenses, a client should carefully review the Oakmark Funds' prospectus before investing.

Harris is also the general partner for Oakmark International Equity L.P. (formerly Harris Associates International Value L.P.) and Oakmark Global Equity L.P. (formerly Harris Associates Global L.P.), each a Delaware limited partnership. The purpose of each limited partnership is to provide investors with long term capital appreciation using international and global large cap value strategies respectively. These partnerships are unregistered and offered only to accredited investors and/or qualified purchasers. For more information about these partnerships, including investment objectives, risks, fees, charges and expenses, a client should carefully review such partnership's offering memorandum before investing. Harris may also sponsor and advise new pooled investment vehicles in the future as opportunities arise.

### **Other Affiliations**

As noted in the section entitled "Advisory Business", Harris is an indirect subsidiary of Natixis IM. In addition to Harris, Natixis IM owns or is affiliated with a number of other asset management, distribution and service entities ("Natixis IM Entities"). Natixis IM is owned by Natixis, which is

principally owned by BPCE, France's second largest banking group. BPCE is owned by banks comprising two autonomous and complementary retail banking networks consisting of the Caisse d'Epargne regional savings banks and the Banques Populaire regional cooperative banks. There are several intermediate holding companies and general partnership entities in the ownership chain between BPCE and Harris. In addition, Natixis IM's parent companies Natixis and BPCE each own, directly or indirectly, other investment advisers and securities and financial services firms which also engage in securities transactions. A client of Harris may independently engage Natixis IM or a Natixis IM Entity to provide financial services or may invest in an investment product or pooled investment vehicle offered by Natixis IM or a Natixis IM Entity. Clients should carefully read any applicable disclosure materials relating to such services, products or vehicles before engaging Natixis IM or a Natixis IM Entity or investing in such products or vehicles.

As part of a larger financial organization, Harris may from time to time engage in business activities with some of these Natixis IM Entities, subject to Harris' policies and procedures governing conflicts of interest. These activities are generally limited to sub-advisory services, marketing or referral arrangements. For example, Harris is the sub-adviser to Natixis Advisors in regards to the portfolio management of Natixis Oakmark International Fund, and for a portion of Natixis U.S. Equity Opportunities Fund, each a series of the Natixis Funds Trust I, a registered investment company. Harris also serves as a sub-adviser to the Natixis U.S. Equity Opportunities ETF, a series of the Natixis ETF Trust II. Harris also serves as a sub-adviser to the Natixis Oakmark Fund, a series of the Natixis Funds Trust II, a registered investment company. Harris also serves as a sub-adviser to ten target date Natixis Sustainable Future Funds, each a series of the Natixis Funds Trust IV, a registered investment company. Each of these funds is a mutual fund with certain classes that charge a sales load. Natixis Advisors is a subsidiary of Harris' parent company, Natixis IM, and thus is under common control with Harris. Harris is also the sub-adviser to five of Natixis' off-shore funds with certain classes that a charge sales load, Natixis Harris Associates Global Equity Fund, Natixis Harris Associates U.S. Equity Fund, Harris Associates Concentrated U.S. Equity Fund, Natixis Global Associates Harris Associates Kokusai Fund and Harris Associates Global Concentrated Equity Fund.

Harris has also been engaged as an investment sub-adviser by Natixis Advisors to provide and implement investment recommendations to assist Natixis Advisors in managing certain separate account "wrap fee" programs sponsored by various financial institutions. For more information about Natixis Advisors and wrap fee programs, see the section entitled "Advisory Business".

Harris' treatment of portfolio information and its investment process with respect to client accounts are conducted independently of the investment advisory businesses of Natixis IM and any Natixis IM Entity. Harris has procedures in place to reasonably ensure the operational separation of its investment process. From time to time, however, Harris may enter into advisory and sub-advisory arrangements with Natixis IM or Natixis IM Entities for separate accounts and pooled investment vehicles, and certain personnel of Natixis IM may serve as directors of Harris, its subsidiaries or entities sponsored by Harris. In addition, Natixis IM or a Natixis IM Entity may invest in pooled investment vehicles sponsored or offered by Harris. When acting as an investor or in other commercial capacities, Natixis IM or a Natixis IM Entity may act to advance its own interests, which may be adverse to the interests of Harris' clients.

Since the investment and trading activities of Harris, Natixis IM and Natixis IM Entities are independent of each other, Natixis IM and Natixis IM Entities may purchase, sell or short the same securities that Harris may recommend, purchase or sell on behalf of its clients. Natixis IM and Natixis IM Entities may

give advice to and take action for their own accounts or for their clients' accounts that may compete or conflict with the advice or actions Harris may take on behalf of its clients. As a result, Natixis IM or a Natixis IM Entity may be in the market at or near the same time as Harris, which may in turn have an adverse impact on the price Harris is able to obtain for its clients in connection with the purchase or sale of a particular security.

In addition, Natixis IM or Natixis IM Entities, for their own accounts or for their clients' accounts, may invest in parts of an issuer's capital structure that are different than what Harris recommends for or invests in on behalf of its clients, and may take positions on corporate issues or actions relating to such issuer that are adverse to Harris and its clients. From time to time Harris may also participate in initial or secondary public offerings on behalf of its clients in which a Natixis IM Entity may be a member of the underwriting syndicate. Such participation will be in accordance with applicable law and Harris' policy, and Harris will not purchase directly from such Natixis IM Entity.

Natixis Investment Managers, S.A. and Harris have also entered into an Intercompany Referral Agreement, whereby Natixis IM and Natixis IM Entities refer certain non-U.S. clients to Harris in exchange for referral fees. This arrangement is subject to Rule 206(4)-3 under the Investment Advisers Act of 1940. For information about referral arrangements, see the section entitled "Client Referrals and other Compensation".

Each of the relationships described above may create potential conflicts of interest. These potential conflicts include, among other things, treating affiliated clients more favorably than non-affiliated clients in connection with the allocation of limited investment opportunities or the allocation of aggregated trade orders. However, Harris believes it has implemented policies and procedures that are reasonably designed to avoid or mitigate these potential conflicts. For information about these policies and procedures, see the section entitled "Brokerage Practices".

Given the relationship between Harris and Natixis IM and the changing nature of Natixis IM's related businesses and affiliations, there may be other or different potential conflicts of interest that arise in the future or that are not covered by this disclosure.

#### **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Harris has adopted and enforces a Code of Ethics (the "Code") in accordance with Rule 17j-1 under the Investment Company Act of 1940 and Rule 204A-1 under the Investment Advisers Act of 1940. All employees and interns of Harris and certain third-party contractors are subject to the Code. The Code provides that any activity that creates the misuse of material non-public information by Harris or any employee or intern of Harris and third-party contractors, that gives rise to or appears to give rise to any breach of fiduciary duty owed to any client, or that creates any actual or potential conflict of interest between any client and Harris or any employee and interns of Harris or third-party contractors is prohibited. The Code sets forth specific requirements and restrictions relating to personal securities trading, outside employment, personal investments with other money managers and confidentiality. The Code also sets forth reporting and certification requirements, including quarterly reporting of personal securities transactions, annual reporting of all holdings, and an annual certification establishing that a signer has read and understands the Code and has reported all personal covered securities

transactions and holdings. Harris will provide a copy of its Code of Ethics upon a client's or prospective client's request.

In general, employees and interns and certain third-party contractors of Harris may buy or sell for their own account the same securities that Harris recommends to clients, and buys or sells for client accounts. However, because such personal securities trading has the potential to disadvantage or appear to disadvantage Harris' clients, such transactions are subject to a number of restrictions that are designed to reasonably ensure that Harris' clients are not disadvantaged. Harris' Code requires employees, interns and certain third-party contractors to pre-clear most securities transactions for their personal accounts (including any account in which an employee, intern or third-party contractor has beneficial ownership in the investments and sometimes where they may have just trading authority) and specifically restricts certain transactions for those accounts. For example, employees, interns and certain third-party contractors are restricted from trading a security that was traded by a client within the prior two business days or added to Harris' Approved Lists of securities within the prior 10 business days. If the employee is a mutual fund portfolio manager, he or she is restricted from trading a security within 15 calendar days before or after a trade for the same security in the mutual fund that the portfolio manager manages.

Harris' Procedures for Personal Trading by Employees impose additional restrictions on personal trading. Certain employees (including all of Harris' investment professionals) are subject to a "last out" rule, which prohibits them from selling a security owned in their personal account until the later of two days after the security is no longer owned by any mutual fund advised or sub-advised by Harris, or two days after the security is no longer on any of Harris' Approved Lists. Exceptions to this rule will be granted infrequently and only in cases involving financial hardship, sales of de minimis holdings, sales of securities for newly hired investment professionals and certain other covered employees, or sales of securities held prior to the effective date of the rule. Employees are also restricted from owning more than ½% of the outstanding shares of any client-owned equity security or more than 4% of the outstanding shares of any equity security not owned by a client. These ownership limits are designed to ensure that none of Harris' employees, interns or certain third-party contractors have a material financial interest in securities that are recommended, bought or sold for client accounts. Mutual fund portfolio managers are also generally restricted from purchasing a security owned in a fund he or she manages, or purchasing a security that is eligible for purchase by the fund based on certain market cap criteria. Options and futures trading are also generally limited to certain types of transactions, such as flexible exchange and index options and futures, which Harris believes do not present a conflict of interest with Harris' clients.

Harris requires that personal brokerage accounts are maintained at a limited number of unaffiliated broker-dealers. Any exceptions to this requirement must be pre-approved by the employee's supervisor and Harris' Chief Compliance Officer ("CCO"). Harris uses an automated third-party application to assist in managing personal trading restrictions. If a personal trade violates the restrictions set forth in the Code or Harris' procedures, generally, the trade will not be permitted to remain in the account.

Harris also recommends to clients the purchase or sale of securities in which Harris or one or more of its employees or affiliates has a financial interest, including mutual funds, limited partnerships and other pooled investment vehicles advised or sub-advised by Harris or its affiliates. When Harris purchases shares of a mutual fund or other investment vehicle advised or sub-advised by Harris or an affiliate for a client's account, Harris' policy is not to charge its client a separate advisory fee for any assets invested in

such vehicle. However, Harris or its affiliates will receive advisory fees directly from the investment vehicle that it or its affiliates advises or sub-advises, and as a result, the client will indirectly pay a pro rata portion of those fees.

In certain limited circumstances, certain pooled investment vehicles for which Harris acts as adviser or sub-adviser and where Harris or a related person might be deemed to control may buy securities from or sell securities to accounts of other Harris clients, if permitted by applicable law and other applicable requirements. For more information about cross trades, see the sub-section entitled "Cross Trades" under the "Brokerage Practices" section.

Occasionally, Harris employees receive gifts or entertainment from a client as appreciation for the investment services Harris provides. Harris' Conflicts of Interest Policies and Procedures provide that such items must be de minimis in nature. Employees may not accept gifts from clients with a total value greater than \$100 per client, per year, if the gift is in connection with his or her employment at Harris. Harris employees may accept entertainment in the ordinary course of business interactions, so long as such entertainment is not so frequent or excessive in amount as to potentially impair the employee's judgment to act in the best interests of Harris and its clients, or create an appearance of impropriety.

For more information regarding the potential conflicts of interest that could arise in connection with the investment and trading activities of Natixis IM and Natixis IM Entities, see the section entitled "Other Financial Industry Activities and Affiliations".

## **ITEM 12 – BROKERAGE PRACTICES**

Generally, Harris' clients give Harris full discretion to choose brokers or dealers through whom transactions can be executed. Some clients, however, direct Harris to use only a specified broker-dealer, while other clients direct Harris to use a group of specified broker-dealers. When Harris is directed to use specific broker-dealers, it may not be able to obtain best execution while executing transactions with such specified broker-dealer(s).

### **When Harris Selects Broker-Dealers**

When Harris has full discretion to choose a broker-dealer to effect a transaction for a client, the broker-dealer is chosen with regard to Harris' ability to seek to obtain the best execution for a client's account after considering all relevant factors. The cost is only one factor in assessing best execution. Harris also looks at the nature of the security being traded, the size of the transaction, the desired timing of the trade, the activity existing and expected in the market for the particular security, and the price, along with the execution capability, confidentiality, past promptness and accuracy in executing orders, clearing and settlement capability, and the financial stability of the broker-dealer selected. Harris uses numerous traditional broker-dealers and alternative trading venues to access liquidity in the marketplace. Harris has also established relationships with one or more prime brokers to facilitate trading. Those broker-dealers that consistently demonstrate the ability to provide the liquidity necessary to facilitate the execution of large orders generally will be favored over other broker-dealers, subject to their ability to provide best execution. Harris may also take into account which broker-dealers provide research and brokerage products and services that are deemed to qualify as eligible research or brokerage products or services under the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended (hereinafter referred to as "eligible products or services"). None of

the above factors by itself is determinative of best execution. Instead, best execution is determined in light of all circumstances surrounding the transaction or series of transactions.

Harris has a Trading Practices Committee that meets quarterly to review the quality of trade execution, the reasonableness of the commissions charged and other matters related to Harris' trading practices. The Committee members are Harris' President, U.S. and International Chief Investment Officers, Head of Trading, Manager of Fixed Income, and CCO, or their designees. Harris has also engaged a third-party service provider to assist it in analyzing foreign exchange trades, and U.S. and non-U.S. equity trade execution performance.

### **Soft Dollars**

In determining to effect brokerage transactions through broker-dealers that provide Harris with eligible products or services, Harris will determine (i) whether the product or service is an eligible product or service under Section 28(e)(3); (ii) whether the product or service provides lawful and appropriate assistance to Harris; and (iii) whether, in good faith, the commission or mark up/mark down is reasonable in light of the value of the product or service. During the last fiscal year, eligible research products and services included, among other things, research reports, discussions with research analysts and corporate executives, seminars or conferences, financial and economic publications that are not targeted to a wide audience, software that provides analysis of securities portfolios, market research (including pre- and post-trade analytics) and market data. During the last fiscal year, eligible brokerage products and services included those that (i) were used to effect securities transactions; (ii) performed services incidental to securities transactions; or (iii) were required by an applicable Self Regulatory Organization or SEC rule(s). The eligible products or services provided to Harris may include both (a) products and services created by such broker-dealer (e.g., proprietary research) and (b) products and services created or provided by a third party (e.g., third-party research or brokerage).

Eligible products and services could relate to a particular transaction, but, for the most part, they consist of a wide variety of information and tools useful to Harris and its clients, and generally benefit a wide variety of Harris' clients. Such products and services might not directly benefit those accounts that generated the commissions to pay for them and could be available to Harris on a cash basis. In determining the amount of brokerage required to obtain eligible products or services, Harris considers, among other things, the availability of the eligible products or services from other brokers or dealers.

If Harris receives an eligible product or service that it also utilizes for non-eligible research or brokerage purposes, it will make a good faith determination as to the cost of such "mixed-use item" to be allocated between the eligible and non-eligible purposes, and use soft dollars to pay only for that portion of the cost related to its eligible purpose. Generally, ineligible purposes are all or a portion of a product or service that does not aid in investment decision-making or trade execution. These are generally products or services that Harris utilizes for administrative needs connected to its trade order management system, performance reporting and other administrative functions.

Harris may also participate in client commission arrangements, commission sharing arrangements and "step-out" transactions to receive eligible products and services. In "client commission arrangements" or "commission sharing arrangements" (collectively, "CCAs"), Harris effects transactions, subject to best execution, through a broker-dealer and requests that the broker-dealer allocate a portion of the commission or commission credits to a segregated "research pool" maintained by the broker-dealer.

Harris may then direct such broker-dealer to pay for eligible third-party products and services. CCAs can be used to pay for proprietary products or services of such broker-dealer. Participating in CCAs may enable Harris to (1) strengthen its key brokerage relationships, (2) consolidate payments for eligible products and services, and (3) continue to receive a variety of high quality eligible products and services while facilitating best execution in the trading process. In a step-out transaction, Harris places a trade with an executing broker-dealer and instructs that broker-dealer to “step-out” all or a portion of the trade and its related commission in favor of another broker-dealer that provides eligible products or services. The second broker-dealer will clear and/or settle the transaction and receive commissions for the stepped-in portion of the trade. Harris only enters into step-out transactions if it believes such transactions will not hinder best execution.

In connection with Harris' use of soft dollars, a client may pay a broker-dealer an amount of commission for effecting a transaction for the client's account in excess of the amount of commission another broker-dealer would have charged for the same transaction if Harris determines in good faith that the amount of commission is reasonable in relation to the value of the eligible products or services received, viewed in terms of either the client's particular transaction or Harris' overall responsibilities to its clients. When commissions are used to obtain eligible products and services that are produced by broker-dealers or third parties, Harris' resources are generally not used to pay for such products and services, and, as a result, it benefits from such arrangements. Moreover, although Harris seeks best execution and may obtain eligible products and services in accordance with applicable law, it could have an incentive to select a broker-dealer that provides such eligible products and services for the benefit of Harris and its clients, over a particular client's interest in seeking the lowest possible commission rate charged.

Certain clients will also benefit from eligible products or services even though such clients do not participate in soft dollar arrangements. Some clients, either by instruction to Harris or driven by foreign regulation, do not participate in generating funds in CCAs and/or proprietary research allocations. The orders for these clients tend to be part of an aggregated order and receive the same pricing that others in the block receive. However, their commissions do not contribute to the research costs borne by the other clients of Harris because they are automatically flagged to be excluded in the calculations for soft dollars. In addition, the orders for these clients may go after an aggregated order and these clients may receive pricing that is less favorable than those clients whose orders are in the block. Furthermore, the orders for these clients may be part of an aggregated order and receive the same security price that others in the block receive, but could receive a lower commission rate (i.e., known as an execution-only commission rate) than the others in the block receive.

Each year, Harris determines: (i) whether a product or service is an eligible product or service under Section 28(e)(3); (ii) whether a product or service provides lawful and appropriate assistance to Harris; and (iii) whether, in good faith, a commission or mark up/mark down is reasonable in light of the value of the product or service. To help it make these determinations, Harris generally follows these procedures: (1) the research departments estimate their research needs and the value of such research at the beginning of each calendar year; (2) the Directors of Research finalize the brokerage allocations for proprietary research, and the Trading Practices Committee reviews and approves them; (3) new products and services that are to be paid from the CCA research pools are presented to Harris' President and CCO for review and approval prior to directing the CCA broker-dealers to make payments; (4) progress reports on fulfilling the brokerage allocations and CCA balances are reported at least semi-annually to the Trading Practices Committee; and (5) the methodology for determining the payments for



any mixed use products or services is reviewed annually by the CCO, General Counsel, Chief Financial Officer and the Controller, or their designees.

In general, brokerage commission rates for U.S. equity securities can range from zero for electronic execution management systems to 3 cents per share for full service broker-dealer executions. Non-U.S. equity commission rates vary by country and region and are typically quoted in “basis points” (a basis point is equal to 1/100<sup>th</sup> of 1%). Broker-dealers in Europe, the Middle-East, and Africa (EMEA) generally charge lower rates than Asia-Pacific (APAC) broker-dealers. In the calendar year ending 2020, weighted average commission rates in Europe ranged between 2.56 and 4.98 basis points by country, and rates in APAC countries ranged between 4.27 and 8.02 basis points. In the aggregate, Harris estimates that approximately 81% of the commissions paid are attributable to execution services with the remaining 19% attributable to soft dollars. Harris estimates that approximately 71% (53) of the broker-dealers it utilized for client execution services provided eligible products and services or soft dollars.

### **Where Clients Direct Brokerage**

Harris believes that its clients are more likely to receive the best results possible on transactions executed for their accounts when Harris is not limited in selecting the executing broker-dealers. However, in limited circumstances, Harris may accept written instructions from its clients to direct brokerage to a broker-dealer (“Directed Broker”) pursuant to arrangements between the client and the Directed Broker. On occasion, Harris may also accept written instructions from clients to direct brokerage to a sub-set of Harris’ approved broker-dealers. Harris does not actively participate in commission recapture programs entered into by its clients. Harris’ ability to achieve best execution for its clients will be limited by the nature of such directed brokerage arrangements. The following describes the manner in which transactions involving Directed Brokers will be handled, and it provides important information that clients should be aware of generally about directed brokerage arrangements:

- Clients who have directed brokerage arrangements, including wrap program and other similarly situated clients, may, in some instances, not participate in aggregated orders, and in such cases, the client's order will generally trade after the aggregated order or other similar orders, and could trade last. For more information about aggregated orders, see the sub-section entitled “Aggregation of Orders; Trade Allocations”.
- Depending on the Directed Broker a client has instructed Harris to use, the number of broker-dealers a client has instructed Harris to use, the commission rate and/or fees a client has agreed to pay its Directed Broker, and the securities Harris is purchasing and selling for the client’s account, Harris may or may not achieve best execution when it uses a client’s Directed Broker to execute transactions for its account.
- Harris will not negotiate commission rates with clients’ Directed Brokers.
- Harris may not be able to purchase new issues (e.g., initial public offerings) for clients with directed brokerage arrangements unless a client’s Directed Broker is a member of the underwriting syndicate for the particular new issue.

- Limiting the number of broker-dealers Harris is authorized to use may have similar consequences as presented above.
- As a result of the considerations detailed above, directed brokerage accounts may cost such clients more money, and such accounts might not generate returns equal to those accounts without directed brokerage instructions.

In agreeing to satisfy a client's directions to execute transactions for its account through a Directed Broker, Harris understands that it is the client's responsibility to ensure that (i) all services provided by the Directed Broker will inure solely to the benefit of the client's account and any beneficiaries of the account, and that all expenses paid are permissible expenses of the account and may properly be provided in consideration for brokerage commissions or other remuneration paid to the Directed Broker; (ii) using the Directed Broker in the manner directed is in the best interests of the client's account and any beneficiaries of the account, taking into consideration the services provided by the Directed Broker; (iii) its directions will not conflict with any obligations that persons acting for the client's account may have to the account, its beneficiaries or any third parties, including any fiduciary obligations that persons acting for the account may have to obtain the most favorable price and execution; and (iv) persons acting for the client's account have the requisite power and authority to provide the directions on behalf of the account and have obtained all consents, approvals or authorizations from any beneficiaries and third parties that may be required under applicable law or instruments governing the account.

#### **For Wrap Programs, Model Portfolio and Other Arrangements**

Wrap fee program clients should understand that their trades will often be placed with the broker-dealer specified by the wrap program sponsor (the "Program Broker"). Where Harris is responsible for effecting such trades, it generally does not negotiate brokerage commissions with the Program Broker with respect to transactions effected for the account since those brokerage commissions are normally included in the wrap fee. A Program Broker may provide less advantageous execution of transactions than if Harris selected the broker-dealers to execute the transactions. The arrangements for some wrap program clients may, however, allow for the execution of transactions through a broker-dealer other than the Program Broker in order to seek to obtain best execution for the account. In instances where Harris places a trade for a wrap program client account with a broker-dealer other than the Program Broker (and where a "step out" transaction has not been used), the account will generally incur additional execution costs that may not have been incurred if the transaction had been effected with the Program Broker. Additionally, there may be instances where Harris places an order for a wrap program client account with a broker-dealer that is not the Program Broker, where a "step out" transaction can be used to step out a portion of the trade to the Program Broker. In that case, the wrap program client may benefit over other types of directed brokerage arrangements by obtaining best execution while satisfying the directed brokerage arrangement. For more information about the aggregation of orders for wrap programs, see the sub-section entitled "Aggregation of Orders; Trade Allocations".

In model portfolio arrangements with institutional clients, Harris is ultimately not responsible for determining which securities to buy or sell and is not responsible for executing such trades. However, these institutional clients may be buying or selling the same securities that Harris is buying or selling on behalf of its other clients. As a result, these institutional clients may be in the market at or near the

same time as Harris, which may have an adverse impact on the price Harris is able to obtain for its other clients and may likewise have an adverse impact on the price such institutional client is able to obtain.

Harris does not request or require that a client direct Harris to execute transactions through a specified broker-dealer. Harris has entered into a brokerage relationship with Pershing, whereby clients may choose to utilize the services of Pershing for their custodial and brokerage needs. If a client engages Harris to manage its assets, and that client does not have a custodian, Harris will recommend the brokerage services of Pershing. For a client utilizing Pershing whose account balance is below a certain minimum, as specified by Pershing, Harris will generally direct trades for such clients to Pershing. Because Harris might be directing trades to Pershing, the client might not be able to participate in Harris' efforts to obtain best execution for its other clients, and directed trades may result in increased costs to those clients' accounts. Pershing is not affiliated with Harris and makes no direct or indirect payments to Harris in connection with Harris' broker-dealer recommendation or any directed trades.

### **Trade Errors**

If it appears that a trade or operational error or breach of investment guidelines or restrictions (collectively, "errors") has occurred in a client's account, Harris will review the relevant facts and circumstances to determine an appropriate course of action. Harris' policy is to ensure that its clients are treated fairly when correcting such errors. In some circumstances, corrective action may not be necessary or appropriate; in other circumstances, Harris may take action to return the client's account to the position it would have been in had it not been for the error. If Harris causes an error in a client account and is in a position to correct the error prior to settlement date by moving the erroneous trade to Harris' error account, or a broker-dealer's error account, it will do so, irrespective of the gain or loss realized in Harris' error account. In such cases, the client will generally not benefit from any gains realized in the correction of the error, nor will the client sustain any loss. If securities purchased or sold in error can be reallocated prior to settlement across other participating accounts that have not yet received their full allocation, Harris will attempt to do so, provided that recipient clients have no prohibitions on such reallocations. Errors detected after settlement that result in gains to client accounts are generally kept by the client account. Errors that occur in a client account that are distinctly unrelated to one another (i.e., occurring on separate days) will generally not be netted; related errors, depending upon the facts and circumstances, could potentially be netted.

### **Allocation of Investment Opportunities**

Harris makes decisions to recommend, purchase, sell or hold securities for all of its client accounts, including affiliated client accounts, based on the specific investment objectives, guidelines, restrictions and circumstances of each account. It is Harris' policy to allocate, to the extent operationally and otherwise practical, investment opportunities to each client over a period of time on a fair and equitable basis relative to its other clients. There may be instances when allocating investment opportunities where some clients may participate in certain opportunities made available to Harris while other clients may not. Where client accounts, including mutual fund clients, have competing interests in limited investment opportunities, including participation in new issues, Harris will allocate these investment opportunities based on numerous considerations including cash availability and/or liquidity requirements, the time competing accounts have had funds available for investment or have had investments available for sale, investment objectives and restrictions, an account's participation in other opportunities, tax considerations and relative size of portfolio holdings of the same or comparable

securities. In general, Harris favors clients holding meaningful positions in the portfolio securities purchased for their accounts. Consistent with that strategy, Harris has determined that it is generally more desirable for a smaller group of clients to hold a meaningful position in a particular security, rather than for a larger group to hold an insignificant position.

These are the same considerations that pertain to allocations of new issues that Harris anticipates will initially trade in the open market at a premium. Harris has procedures in place to ensure compliance with FINRA's rules and restrictions relating to the distribution of new issues. These procedures and rules may restrict participation by certain accounts, including those for which Harris does not have sufficient information from the client.

Harris may make recommendations and take actions with respect to a particular client's account that may be the same as or may differ from the recommendations made, or the timing or nature of actions taken with respect to other client accounts.

In connection with model portfolio clients, Harris can communicate model changes to such clients in a variety of ways depending on the investment strategy, the degree of transparency of and attribution to Harris' model portfolio to the underlying clients, advisory program parameters and the advisory agreements. For certain investment strategies, Harris provides notification of model portfolio changes on a delayed basis as compared to placing trade orders to its trading desk for Harris' clients who have given it discretionary authority. The length of the notification delay is generally based on the factors listed above. As a result, certain model portfolio clients can receive notifications once a week while others can receive notification after Harris' discretionary clients have initiated a position in a new holding or after Harris has executed at least a certain portion of a trade order to increase or decrease an existing position for Harris' discretionary clients. Other model portfolio clients can also receive notifications on a delayed basis after Harris has completed an Aggregated Order for its discretionary clients. Additionally, some model portfolio clients can receive notifications of changes to the model portfolio concurrently with Harris placing trade orders to its trading desks for Harris' discretionary clients. It should be noted that certain portfolio securities will overlap among investment strategies, including those used by model portfolio clients, and orders for such securities may be placed concurrently or at a different time with Harris' trading desk or with brokers utilized by Harris' model portfolio clients.

### **Aggregation of Orders; Trade Allocations**

When Harris believes it is desirable, appropriate and feasible to purchase or sell the same security for a number of client accounts at the same time, Harris may aggregate its clients' orders ("Aggregated Orders"), including orders on behalf of affiliated clients, in a way that seeks to obtain more favorable executions, in terms of the price at which the security is purchased or sold, the costs of execution, and the efficiency of processing the transactions. Each account that participates in an Aggregated Order will participate at the average share price derived from participating broker-dealers each day. Occasionally, depending upon a portfolio manager's process for reviewing and making investment decisions for accounts and the complexity and number of investment restrictions and guidelines associated with such accounts, a portfolio manager may place an order to purchase or sell a security for an account or group of accounts before or after an order for the same security for another account or group of accounts. If this occurs, the first order could have been fully executed before a subsequent order is received by the

trading desk, in which case the subsequent order would not be aggregated and may not receive the same price(s) as the first order.

The trade allocation process takes place on as timely a basis as possible, i.e., as a client order is completed in full or, in the case of a partially executed Aggregated Order, at the market's close when the average price can be calculated. The trader will aggregate orders of different portfolio managers if the trader believes the Aggregated Order would provide each client with an opportunity to achieve a more favorable execution.

For all Aggregated Orders, Harris uses an automated allocation program that determines an average execution price derived from each participating broker-dealer and then allocates the executed shares among the accounts participating in the Aggregated Order. Harris utilizes an automated dual allocation methodology – i.e., rotational and pro-rata – as necessary, based on the types of accounts that comprise the Aggregated Order. Rotational accounts are generally Investment Advisory private client accounts that only invest in strategies for U.S. securities. Pro-rata accounts are those accounts not deemed rotational. In the case of both an Aggregated Order that has been completely filled and one that has been partially filled, Harris generally seeks to allocate executed shares in proportion to the size of the order placed for pro-rata and rotational accounts, if applicable.

Pro-rata accounts are filled subject to certain minimum lot sizes that are dependent upon the size of the account or country of executing broker-dealer. For participating rotational accounts (including those that are grouped as a result of a common relationship – e.g., family), they are first sorted alphabetically by account name or relationship group name, then an account is randomly selected from the pool of all rotational accounts and is filled in full. This process continues alphabetically from the last account filled until all allocable shares have been depleted. If the random selection of an account is part of a relationship group, the automation will ensure all the accounts within the relationship group receive a full fill before proceeding with additional fills with the next account or relationship group. Additionally, and to the extent feasible, Harris attempts to minimize transaction fees paid by rotational accounts where more than one broker-dealer has executions to allocate. This is accomplished by allocating all of the shares executed by each broker-dealer in full before sequentially moving to the next broker-dealer. All participating broker-dealers for the rotational accounts are sorted alphabetically and the first broker-dealer is chosen randomly followed by the next in alphabetical order. Harris believes its allocation methodology, along with the process by which orders are placed, is reasonably designed to be fair and equitable to all accounts over time.

Harris may deviate from this described allocation methodology in certain situations, including, but not limited to, the following: (i) when making initial investments for newly established accounts for the purpose of seeking to fully invest such accounts as promptly as possible; (ii) when a complex order involving purchases and sales of one or more securities is entered for a group of accounts that would normally receive pro rata allocations, a rotational allocation methodology based on available cash in the accounts might be used to ensure that the trades can be settled; (iii) where a mutual fund account is selling securities in order to raise cash quickly to meet redemptions; (iv) when actions are taken to correct an order entry, trader or operational error, or to correct a broker-dealer error or adjustment; or (v) increase or decrease the amount of shares allocated to one or more accounts if necessary to avoid holding odd-lots or small numbers of shares in a client account. Harris' CCO, or authorized designee(s) must approve any deviations from the allocation methodology.

Although Harris believes that the ability to aggregate orders for client accounts will generally benefit its clients as a whole over time, in any particular instance, such aggregation may result in a less favorable price or execution for a client than might have been obtained if the particular transaction had been effected on an unaggregated basis.

Generally, as noted above, Harris' clients give it full discretion to choose broker-dealers through whom transactions may be executed. Clients that direct Harris to use a specified broker-dealer, including a wrap program broker-dealer, should understand that compliance with such directions may, in some instances, result in such accounts not participating in an Aggregated Order.

When feasible and when Harris believes it is appropriate, Harris will aggregate orders for directed brokerage, wrap program or other similarly situated clients with orders for the same securities for other Harris clients, and execute such Aggregated Order with the broker-dealer that Harris believes will provide the best execution of the Aggregated Order. In such cases, Harris might use a "step out" transaction if the executing broker-dealer is not the client's directed broker-dealer or wrap program broker-dealer. A "step out" transaction is one in which Harris instructs the executing broker-dealer to "step out" the directed brokerage or wrap program client's portion of the Aggregated Order to the client's directed or program broker-dealer who will clear, settle and confirm the transaction and charge the client the commission rate that it has negotiated with the client or the wrap program sponsor. The executing broker-dealer does not receive a commission for that portion of the trade that is stepped out.

Where directed brokerage or wrap program transactions cannot be aggregated with transactions for Harris' other clients because a client does not permit Harris to use "step outs" or because Harris reasonably determines that a "step out" is not possible for the particular transaction, such client's order will generally trade after the Aggregated Order in a random rotation with other similar orders, and could trade last.

Aggregation of orders for fixed income securities is infrequent due to the nature of how such orders are placed and processed. Fixed income security orders are generally executed in the order they are received from the portfolio managers. However, for certain accounts, if orders can be aggregated, partial executions will be allocated on a pro rata basis.

### **Cross Trades**

On occasion Harris may effect "cross trades" only between certain client accounts (i.e., between U.S. registered investment companies and between any account that follows the international small cap strategy). A "cross trade" involves the purchase and sale of the same security between accounts managed by Harris in order to minimize or eliminate transaction and market impact costs. Harris will effect such transactions only when it deems the transaction to be in the best interests of both client accounts, in accordance with applicable laws (including Section 206 of the Investment Advisers Act of 1940 and Rule 17a-7 under the Investment Company Act of 1940), and with respect to any client subject to ERISA, as permitted by ERISA Section 408(b)(19) or another applicable prohibited transaction exemption, and consistent with policies and procedures adopted by Harris or its clients, including mutual funds advised or sub-advised by Harris.

### **ITEM 13 – REVIEW OF ACCOUNTS**

Portfolio managers are responsible for making investment decisions for their respective client accounts, and as such, accounts are reviewed in a variety of ways. Some accounts are continuously monitored by portfolio managers to identify those accounts that warrant a more detailed investment review, while other accounts that follow a model are reviewed by portfolio managers who rely on operational personnel to assist them in the review process. Flagship/model portfolios are also reviewed by portfolio managers whenever market conditions offer attractive buy/sell opportunities. Additionally, accounts are reviewed in conjunction with client-driven changes in cash flows or objectives.

Depending upon the type of client and/or strategy, accounts are reviewed using various exception-based reports. These reports are generated with varying degrees of frequency - ranging from daily to annually. For accounts that follow a particular strategy, the portfolio managers and other operations and compliance personnel routinely monitor the portfolios' holdings, weightings and performance dispersion against the relevant model portfolio to ensure the accounts are relatively consistent. When exceptions are noted, they are escalated to various senior investment professionals for review.

Clients generally receive portfolio reports at least quarterly, which could include time-weighted rates of return, portfolio holdings and market values. ERISA clients may also receive at least annually a report of the proxy voting record for their account. Clients may receive additional information as may be reasonably requested.

### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

From time to time, Harris enters into arrangements with affiliated parties (including Natixis IM or its related entities) or unaffiliated third parties for their assistance in referring business to Harris or providing client service to Harris' clients. Harris pays cash compensation to these affiliated or unaffiliated parties that is equal to a fixed annual fee and/or a specified percentage of the advisory fees received by Harris from accounts obtained through the affiliated or unaffiliated party. Such arrangements will not affect the level of the advisory fee paid by the client. Any such arrangements will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940.

### **ITEM 15 – CUSTODY**

Harris is not a qualified custodian because it does not maintain or hold custodial accounts for clients' securities or funds. Each client is responsible for retaining their own qualified custodian (e.g., a broker-dealer, bank or other qualified custodian) that sends the client account statements at least quarterly. Clients should review those statements carefully.

Although Harris is neither a qualified custodian nor does it maintain or hold custodial accounts, under the SEC's "Custody Rule", Harris is deemed to have custody of certain clients' securities or funds when: (1) such clients have granted Harris the authority to access or withdraw such securities or funds maintained by the clients' qualified custodians, or (2) Harris serves as a general partner to limited partnerships.

### **ITEM 16 – INVESTMENT DISCRETION**

Harris renders investment advice and counseling on both a discretionary and limited, non-discretionary basis. Generally, Harris' clients give it investment discretion over assets placed under Harris' management. When Harris has investment discretion, it is authorized to make all investment decisions and to direct the execution of all transactions for the client's account without consulting with the client in connection with each transaction.

When Harris is retained on a non-discretionary basis, all investment decisions are made by the client and account transactions are executed only in accordance with the client's advisory agreement or other authorization. Such transactions may be delayed relative to transactions for clients that have given Harris discretionary authority.

Regardless of whether an account is discretionary or non-discretionary, Harris generally requires a written agreement between it and the client that sets forth Harris' authority to act on behalf of the client and any limitations thereto. This agreement may be supplemented with various letters of authority or powers of attorney.

For more information, see the section entitled "Advisory Business".

### **ITEM 17 – VOTING CLIENT SECURITIES**

Harris generally accepts proxy voting authority from its clients when such authority is offered. In some instances, clients retain proxy voting authority and will receive proxies and other solicitation materials directly from their custodians or transfer agent. Under limited circumstances, Harris may delegate proxy voting for a particular issuer to a third party in order to comply with the Bank Holding Company Act of 1956, as amended, to which Harris is subject.

Harris believes that proxy voting rights are valuable portfolio assets and an important part of Harris' investment process. Harris exercises voting responsibilities solely with the goal of serving the best interests of clients as shareholders of a company. Harris believes that the proxy voting process is a significant means of addressing crucial corporate governance issues and encouraging corporate actions that enhance shareholder value. In determining how to vote on any proposal, Harris will consider the proposal's expected impact on shareholder value and will not consider any benefit to Harris or its employees or affiliates.

Harris considers the experience, competence, and reputation of a company's management when we evaluate the merits of investing in a particular company, and we invest in companies in which we believe management goals and shareholder goals are aligned. When this happens, by definition, voting with management is generally the same as voting to maximize the expected value of our investment. As a result of this process, we find that in the majority of cases we will agree with management's recommendations on proxy proposals, and vote in accordance with these. This does not mean that Harris does not care about corporate governance. Rather, it is a confirmation that Harris' process of investing with shareholder aligned management is working. When we believe management's position on a particular issue is not in the best interests of our clients, Harris will vote contrary to management's recommendation.



Harris generally votes consistently on the same matter when securities of an issuer are held by multiple client portfolios. One reason Harris might vote differently is if Harris has received explicit voting instructions from a client to vote differently on behalf of its portfolio. If a client who has given Harris proxy voting authority wishes to direct Harris to vote for or against or abstain from voting in connection with a particular proxy proposal the client must contact Harris prior to Harris casting its vote on that proxy proposal. Clients may contact Harris to request a record of all votes cast for its portfolio.

Harris has adopted proxy voting policies and procedures with respect to securities owned by the clients for which it serves as investment adviser and has the power to vote proxies. Further information on our proxy voting policies can be found at [www.harrisassoc.com](http://www.harrisassoc.com). Furthermore, Harris will furnish a copy of its proxy voting policies and procedures to any client upon such client's request.

Harris' proxy voting policies are intended to address any potential material conflicts of interest. Harris' Proxy Voting Committee will monitor and resolve any potential conflicts of interest with respect to proxy voting. A conflict of interest might exist, for example, when an issuer who is soliciting proxy votes also has a client relationship with Harris; when a client of Harris is on the board of that issuer or is involved in a proxy contest; or when an employee of Harris has a personal interest in a proxy matter. In an effort to resolve such conflicts in our clients' collective best interest, Harris will vote in accordance with either the written guidelines or the recommendation of ISS. If Harris believes that voting in accordance with the guidelines or the recommendation of ISS would not be in the collective best interests of shareholders, the Proxy Voting Committee will refer the matter to (1) the Executive Committee of the Board of Trustees of Harris Associates Investment Trust for a determination of how shares held in the Oakmark Funds will be voted, and (2) our Proxy Voting Conflicts Committee for a determination of how shares held in all other client accounts will be voted.

#### **ITEM 18 – FINANCIAL INFORMATION**

Under this disclosure item, the SEC requires advisers to disclose certain financial information if, among other things, the adviser requires pre-payment of advisory fees of more than \$1,200 per client, six months or more in advance, or the adviser's financial condition is reasonably likely to impair its ability to meet its contractual commitments to clients. Because Harris does not require such pre-payments and its financial condition is not impaired, this disclosure item is not applicable.