

# **The Nalls Sherbakoff Group, LLC**

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**March 29, 2024**

## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of The Nalls Sherbakoff Group, LLC. If you have any questions about the contents of this brochure, please contact us at 865-691-0898. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about The Nalls Sherbakoff Group, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The Nalls Sherbakoff Group, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Annually, we will ensure that you receive either an amended brochure or a summary of any material changes to this and any subsequent Brochure within 120 days of the end of our fiscal year and promptly at any time if any of the information herein becomes materially inaccurate. We will deliver a complete copy of our Brochure upon your request at any time during the year.

This version of our Brochure dated March 29, 2024, is an annual updating amendment. The following material changes have been made since the last annual updating amendment dated March 27, 2023:

- We changed our address to: 9724 Kingston Pike, Suite 505, Knoxville, TN 37922.
- We revised our block trading policy to include that the Firm may engage in block trading when mutual funds liquidate their holdings. Please see Item 12 for more information.

If you have any questions about this change, please contact our firm's Chief Compliance Officer, Donald Nalls, at the phone number listed on the cover page of this Disclosure Brochure.

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## Item 4 Advisory Business

### Description of Services and Fees

The Nalls Sherbakoff Group, LLC is a registered investment adviser based in Knoxville, TN. We are organized as a limited liability company under the laws of the State of Tennessee. We have been providing investment advisory services since 2013. Donald Nalls is our firm's principal owner.

Currently, we offer the following investment advisory services, which are personalized to each individual client:

- Portfolio Management Services
- Financial Planning Services
- Pension Consulting Services
- Educational seminars and workshops

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to The Nalls Sherbakoff Group, LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. The use of these terms is not intended to imply that there is more than one individual associated with this firm.

### Portfolio Management Services

We offer discretionary management services. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information at the beginning of our advisory relationship. We will use the information we gather to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. Once we construct an investment portfolio for you, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account, which includes authority to hire and fire third-party investment advisers on your behalf. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and the appropriate trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. If you enter into nondiscretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

### Financial Planning Services

We offer financial planning services which typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. These services can range from broad, comprehensive, financial planning to consultative or single subject planning. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. Once we review and analyze the information you provide to our firm, we will deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to us. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

## **Consulting Services**

### **Pension Consulting**

We offer pension consulting services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services may include an existing plan review and analysis, plan-level advice regarding fund selection and investment options, education services to plan participants, investment performance monitoring, and/or ongoing consulting. These pension consulting services will generally be non-discretionary and advisory in nature. The ultimate decision to act on behalf of the plan shall remain with the plan sponsor or other named fiduciary.

### **Educational Seminars and Workshops (about Pension Consulting Services)**

We may also assist with participant enrollment meetings and provide investment-related educational seminars to plan participants on such topics as: Diversification; Asset allocation; Risk tolerance; and Time horizon. Our educational seminars may include other investment-related topics specific to the particular plan. We may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services) shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents.

### **Status**

In providing services to the Plan, our status is that of an investment adviser registered under the State of Tennessee and other jurisdictions, and we are not subject to any disqualifications under Section 411 of ERISA. To the extent we are performing fiduciary services, we are acting as a fiduciary of the plan as defined in Section 3(21) under ERISA.

## **Retirement Plan Rollovers**

When we provide investment advice to clients regarding their retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with our client's interests, so we operate under a special rule that requires us to act in our client's best interest and not put our interest ahead of our clients.

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If we are asked by a client or prospective client to make a recommendation from among these choices, we have a conflict of interest in that we have an incentive to recommend that a client roll over their

retirement plan assets into an account to be managed by Aspire in order to earn a new (or increase our current) advisory fee as a result of the rollover. We address this conflict of interest by reviewing any such recommendation to ensure it is in the best interest of the client. No client is under any obligation to roll over retirement plan assets to an account managed by us.

### **Types of Investments**

We primarily offer advice on equity securities, corporate debt securities, mutual funds, and exchange traded funds (ETFs). Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship. You may request in writing that we refrain from investing in particular securities or certain types of securities.

### **Assets Under Management**

As of December 31, 2023, we provide continuous management services for \$254,479,707 in client assets on a discretionary basis, and no client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **Portfolio Management Services**

Our fee for portfolio management services is based on a percentage of your assets we manage and is set forth in the following blended tiered fee schedule\*:

| <u>Assets Under Management</u> | <u>Annual Fee**</u> |
|--------------------------------|---------------------|
| First \$500,000                | 1.00%               |
| Next \$500,000                 | 0.75%               |
| Next \$2,000,000               | 0.50%               |
| Over \$3,000,000               | Negotiable          |

\*Some legacy clients of our firm may be subject to a different fee schedule than what is noted above depending upon the prevailing fee schedule that was in effect when they became an advisory client.

\*\*For instance, the applicable advisory fee for a client with assets under management of \$1,500,000 would be as follows: the first \$500,000 is billed at 1.00%; the next \$500,000 would be billed at 0.75%; and, the remaining \$500,000 would be billed at 0.50%.

Our annual portfolio management fee is billed and payable quarterly in arrears based on the value of your account on the last day of the quarter. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above. However, because the annual portfolio management fee we charge is based on a client's assets, a client should be aware that the more assets that are in a client's retail account, the more the client will pay in advisory fees. This presents a conflict of interest in that we are incentivized to encourage clients to increase the assets in their account. We address this conflict of interest by reviewing any such recommendation to ensure it is in the best interest of the client.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

You may terminate the portfolio management agreement upon written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client.

### **Financial Planning Services**

We charge an hourly fee of up to \$300 for financial planning services, which is negotiable depending on the scope and complexity of the plan, your situation, and your financial objectives. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you and request that you approve the additional fee. Fees are due upon completion of services rendered. We do not require prepayment of a fee more than six months in advance and in excess of \$1200.

You may terminate the financial planning agreement by providing written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement.

### **Pension Consulting Services**

Our advisory fees and payment arrangements for these customized services will be negotiated with the plan sponsor or named fiduciary on a case-by-case basis. Our fee generally ranges from .60% to 1.00% of plan assets under advisement and we typically bill quarterly in arrears for pension consulting services.

Either party to the pension consulting agreement may terminate the agreement upon 60 day's written notice to the other party. The pension consulting fees will be prorated for the quarter in which the termination notice is given and any unearned fees will be refunded to the client.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this brochure.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Advisory Business* section above, and are not

charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your Account if it falls below a minimum size which, in our sole opinion, is too small to effectively manage.

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

### Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

*Risk:* The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Technical Analysis - involves studying past price patterns, trends, and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

*Risk:* The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Cyclical Analysis - a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions.

*Risk:* The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

Long-Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

*Risk:* Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.



Option Writing - a securities transaction that involves selling an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

*Risk:* Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Risk of Loss Associated with Recommendation of Particular Types of Securities**

As disclosed under the *Advisory Business* section in this brochure, we primarily offer advice on corporate debt securities, equity securities, mutual funds and exchange traded funds (ETFs). However, we may recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Bonds: Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

**Stocks:** There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

**Mutual Funds and ETFs:** Mutual funds and exchange traded funds (ETFs) are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

**Municipal Bonds:** The firm may use municipal bonds or municipal bond funds owing to the tax-advantaged nature of the income and relatively low incidences of default. However, municipal bonds do have risks including call risk, credit risk, interest rate risk, inflation risk, liquidity risk, among other possible risks.

**U.S. Treasury Notes and Bonds:** The firm may use U.S. Treasury Notes and Bonds owing to the relatively low credit risk. However, Treasury securities do have risks including interest rate risk and inflation risk.

**Foreign Securities Risk:** We have the ability to invest in foreign securities, and, from time to time, a significant percentage of your assets may be composed of foreign investments. Foreign investments involve greater risk in comparison to domestic investments because foreign companies/securities: may have different auditing, accounting, and financial reporting standards; may not be subject to the same degree of regulation as U.S. companies, and may have less publicly available information than U.S. companies; and are often denominated in a currency other than the U.S. dollar. As with any type of security, you may place limits on the % of foreign assets you wish to hold or may restrict this asset class altogether, however you must be aware that under investing in these assets may add additional risks to your portfolio.

### **Risk of Loss Associated with Investing (Generally)**

**Allocation Risk:** Our allocation of investments among different asset classes, such as equity or fixed-income assets classes, may have a more significant effect on returns when one of these classes is performing more poorly than others.

**Market Risk:** Markets can, as a whole, go up or down based on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without real reason and may take some time to recover any lost value. Stock and bond markets often trade in random price patterns, and prices can fall over sustained periods of time. The value of the

investments will fluctuate as the financial markets fluctuate. This could result in your account value(s) declining over short or long-term periods of time. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations. This is also referred to as systemic risk.

**Focused and Concentrated Portfolio Risks:** We will often invest your assets in a smaller number of securities than other broadly diversified investment strategies. Our approach is often referred to as “focused, concentrated, or non-diversified.” Accordingly, the money We manage may have more volatility and is often considered to have more risk than a strategy that invests in a greater number of securities because changes in the value of a single security may have a more significant effect, either negative or positive, on your overall portfolio value. To the extent, We invest assets in fewer securities, or We invest in non-diversified funds that take a focused or concentrated approach, these assets are subject to greater risk of loss if any of those securities become permanently impaired. You may place a restriction on this type of portfolio construction at any time during your relationship with us.

**Equity Risk:** Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. Investments will be subjected to the risk that stock prices may fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of equity securities in any portfolio may fluctuate drastically from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors will contribute to the volatility and risk of your assets. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

**Company Risk:** When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company’s employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

**Management Risk:** While we manage client investment portfolios based on our experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying mutual funds and other securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that our firm allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that our firm’s specific investment choices could underperform their relevant indexes.

**Special Situation Risk:** We may invest your assets in special situations. Investments that may involve greater risks when compared to other strategies due to a variety of factors.

Expected changes may not occur, or transactions may take longer than originally anticipated, resulting in lower returns than contemplated at the time of investment. Additionally, failure to anticipate changes in the circumstances affecting these types of investments may result in permanent loss of capital, where We may be unable to recoup some or all of its investment.

**Foreign Securities Risk:** We have the ability to invest in foreign securities, and, from time to time, a significant percentage of your assets may be composed of foreign investments. Foreign investments involve greater risk in comparison to domestic investments because foreign companies/securities: may have different auditing, accounting, and financial reporting standards; may not be subject to the same

degree of regulation as U.S. companies, and may have less publicly available information than U.S. companies; and are often denominated in a currency other than the U.S. dollar. As with any type of security, you may place limits on the % of foreign assets you wish to hold or may restrict this asset class altogether, however you must be aware that under investing in these assets may add additional risks to your portfolio.

Currency Risk: Investments may be subject to currency risk. Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. Currency fluctuations and changes in the exchange rates between foreign currencies and the U.S. dollar could negatively affect the value of your investments in foreign securities.

Interest Rate Risk: Investments are subject to interest rate risk. Interest rate risk is the risk that the value of a security will decline because of a change in general interest rates. Investments subject to interest rate risk will usually decrease in value when interest rates rise. For example, fixed-income securities with long maturities typically experience a more pronounced change in value when interest rates change, specifically when rates rise losses are greater.

Credit Risk: Your investments are subject to credit risk. An investment's credit quality depends on its ability to pay interest on and repay its debt and other obligations. If debt obligations held by an account are downgraded by ratings agencies or go into default, or if management action, legislation or other government action reduces the ability of issuers to pay principal and interest when due, the value of those obligations may decline, and an account's value may be reduced. Because the ability of an issuer of a lower-rated or unrated obligation (including particularly "junk" or "high yield" bonds) to pay principal and interest when due is typically less certain than for an issuer of a higher-rated obligation, lower rated and unrated obligations are generally more vulnerable than higher-rated obligations to default, to ratings downgrades, and to liquidity risk.

Pre-payment Risk: Investments may be subject to pre-payment risk. Pre-payment risk occurs when the issuer of a security can repay principal prior to the security's maturity. Securities subject to pre-payment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. In addition, the potential impact of pre-payment features on the price of a security can be difficult to predict and result in greater volatility.

Inflation Risk: This is the risk that the value of assets or income will be worth less in the future because inflation decreases the value of your money. As inflation increases, the value (purchasing power) of your assets can decline. This risk increases as we invest a greater portion of your assets in fixed-income securities with longer maturities.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Liquidity risk exists when particular investments you may own have light trading volume and cannot be readily sold on a market. This means effectually you cannot convert the investment into cash until such time as a market exists in the investment, if ever. For example, Treasury Bills are highly liquid, while real estate properties are not. Some securities are highly liquid while others are highly illiquid. Illiquid investments carry more risk because it can be difficult to sell them.

Political Risk: Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.

Regulatory Risk: Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.

**Investment Term Risk:** If the Client requires a liquidation of their portfolio during a period in which the price of the security is low, the Client will not realize as much value as they would have had the investment had the opportunity to regain its value, as investments frequently do, or had it been able to be reinvested in another security.

**Financial Risk:** Many investments contain interests in operating businesses. Excessive borrowing to finance a company's business operations decreases the risk of profitability because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

**Default Risk:** This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk.

## **Item 9 Disciplinary Information**

The Nalls Sherbakoff Group, LLC has been registered and providing investment advisory services since 2013. Neither our firm nor any of our management persons has any reportable disciplinary information.

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

We have not provided information on other financial industry activities and affiliations because we do not have any relationship or arrangement that is material to our advisory business or to our clients with any of the types of entities listed below.

1. Broker-dealer, municipal securities dealer, or government securities dealer or broker.
2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund).
3. Other investment adviser or financial planner.
4. Futures commission merchant, commodity pool operator, or commodity trading advisor.
5. Banking or thrift institution.
6. Accountant or accounting firm.
7. Lawyer or law firm.
8. Insurance company or agency.
9. Pension consultant.
10. Real estate broker or dealer.
11. Sponsor or syndicator of limited partnerships.

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies

reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

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

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We recommend the brokerage and custodial services the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a securities broker-dealer and a member of the Securities Investor Protection Corporation. We believe that Schwab provides quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the following factors:

- Ability to maintain the confidentiality of trading intentions
- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Liquidity of the securities traded
- Willingness to commit capital
- Allocation of limited investment opportunities
- Ability to place trades in difficult market environments
- Client direction
- Research services provided
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Intermediary compensation (commissions and spreads)
- Client Referrals
- Financial condition
- Business reputation

In recognition of these factors, including the value of research services and additional brokerage products and services Schwab provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

### **Schwab Research and Other Benefits**

We are independently owned and operated and not affiliated with Schwab. Schwab provides us with access to its institutional trading and custody services, which are typically not available to Schwab retail



investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

We believe that Schwab provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by Schwab, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services Schwab provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

Schwab Advisor Services makes available to us other products and services that benefit us but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering your' accounts include software and other technology that (i) provide access to your account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of our fees from your account; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Advisor Services also offers other services intended to help us manage and further develop our business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange, and/or pay third-party vendors for the types of services rendered to us. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to us. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment to us.

The research, other products or services received benefit us because we do not pay for those benefits, and are considered soft dollar benefits. Such benefits are provided free of charge to us and other registered investment adviser's utilizing the custodial and brokerage services offered by Schwab. In recognition of the value of research services and additional brokerage products and services provided by Schwab, you may pay higher commissions and/or trading costs than those that may be available elsewhere. Therefore, you should be aware that the receipt of economic benefits by our firm is a conflict of interest as we may have an economic incentive to recommend a broker-dealer based on our interest in receiving research or other products or services, rather than based solely on your interest in receiving most favorable execution costs. We mitigate this conflict by conducting best execution reviews and through application of our policies and procedures.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

**Directed Brokerage**

We routinely recommend that you direct our firm to execute transactions through Schwab. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

**Block Trades**

At the discretion of the relevant portfolio manager or the CCO, the Company may aggregate buy or sell orders for two or more clients into a single large order, and place the aggregated order with a single broker or dealer for execution. We may combine multiple orders for shares of the same securities purchased for discretionary advisory accounts we manage (this practice is commonly referred to as "block trading"). Typically, we do not engage in block trading and accounts are generally traded on an individual basis. However, we may occasionally perform block trading in certain circumstances. For example, if the firm is exiting or swapping positions throughout the book, we may elect to perform this function through a block trade for operational efficiency and to optimize equitable execution prices fairly across client accounts. Additionally, the Firm may block trade when mutual funds liquidate their holdings.

If we do engage in block trading, block trading will only be permitted where the following conditions are met. Orders of two or more clients may be aggregated only if the Company has determined, on an individual basis that the securities order is (i) in the best interests of each client participating in the order, (ii) consistent with the Company's duty to obtain best execution; and (iii) consistent with the terms of the investment advisory agreement of each participating client. We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, generally each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Commission rates paid by individual clients may vary based upon minimum ticket charges assessed by broker-dealers in which other services, such as custody of assets, are provided. Clients with household assets less than \$1 million may pay commission rates higher than rates paid by clients with household assets exceeding \$1 million due to special discounts, including flat rate commissions, provided by broker-dealer(s) for those clients with household assets in excess of \$1 million. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

**Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

**Item 13 Review of Accounts****Portfolio Management**

Donald Nalls, Managing Member of our firm, will monitor your accounts on an ongoing basis and will conduct account reviews periodically (at least annually) and upon your request to ensure that the advisory services provided to you are consistent with your stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to: contributions and withdrawals; year-end tax planning; market moving events; security specific events; and/or, changes in your risk/return objectives. Clients are advised that they should notify us promptly of



any changes to their financial goals, objectives or financial situation as such changes may require us to review the client's portfolio and make recommendations for changes.

In our sole discretion, we may provide you with additional or regular written reports in conjunction with account reviews if your managed account exceeds \$500,000. Reports we provide to you might contain relevant account and/or market-related information, such as an inventory of account holdings and account performance, etc. In addition, you will receive trade confirmations and monthly or quarterly written account statements from your account custodian(s).

#### Financial Planning

We will review your financial plan only at your request. At your request, we may meet with you to discuss asset allocation, but we will not make recommendations regarding specific investments or provide any regular written reports to you.

#### Pension Consulting

We will conduct reviews and provide reports as required by the Plan Document or the agreement you sign with our firm.

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

We do not receive any compensation from any third party in connection with providing investment advice to you. Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with Schwab.

From time to time, we may enter into one or more relationships with third party companies that provide electronic referral and listing services through various websites. As a result, we compensate these companies with a one-time referral fee per potential client lead for connecting us with consumers who have indicated that they are interested in investment advisory services. This referral fee is paid by us and will not be passed on to you. This one-time compensation is owed regardless of whether we enter into an advisory relationship with a lead and regardless of the amount we earn from any such relationship, if any. We never charge a client more as a result of such referrals, and always act in a manner we deem is in the best interest of our clients pursuant to our fiduciary duties.

### **Item 15 Custody**

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

Our Firm also has custody of client funds or securities due to our standing authority to make third-party transfers on behalf of our clients who have granted us this authority. This authority is granted to us by the client through the use of a standing letter of authorization ("LOA") established by the client with his or her qualified custodian. The standing LOA authorizes our Firm to disburse funds to one or more third parties specifically designated by the client pursuant to the terms of the LOA, and can be changed or revoked by the client at any time. We have implemented procedures to comply with the requirements outlined by the Securities Exchange Commission ("SEC") in its February 21, 2017 No-Action Letter to the Investment Adviser Association. Further, we require that a qualified custodian hold client assets.

Information about the custodian that we recommend is fully described in the Brokerage Practices section (Item 12).

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, and the appropriate trading authorization forms. You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the *Advisory Business* section in this brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Item 17 Voting Client Securities**

### **Proxy Voting**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

## **Item 18 Financial Information**

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts. We do not require the prepayment of more than \$1,200 in fees six or more months in advance. We have not filed a bankruptcy petition at any time in the past ten years. Therefore, we are not required to include a financial statement with this brochure.