



## **Plan Participant Disclosure Brochure**

March 14, 2024

# **Shepherd Financial Investment Advisory, LLC**

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This brochure provides information about the qualifications and business practices of Shepherd Financial Investment Advisory, LLC, a registered investment adviser. If you have any questions about the contents of this Disclosure Brochure, please contact us at 844-975-4015. The information in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Shepherd Financial Investment Advisory, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

There are no material changes from the brochure dated March 31, 2023.

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## Advisory Business

Shepherd Financial Investment Advisory, LLC ("Shepherd," "we" or "us") is an Indiana limited liability company owned by Shepherd Financial Holdings, LLC ("Holdings"). Holdings is primarily owned by Steven Wylam, Thomas Mayer, Andrew Denny, and David Shepherd. We have been providing investment advisory services since September 2017.

Important information about our non-Plan services to individuals, foundations and other clients is provided in our separate Brochure.

Shepherd either serves as the Plan's investment adviser under Section 3(21) of the Employee Retirement Income Security Act of 1974 ("ERISA") (in which case we will recommend investments for approval by the Plan's named fiduciaries), or as the Plan's investment manager under ERISA §3(38) (in which case we will manage the Plan's investments on a discretionary basis). For Plans with participant-directed accounts, we may provide advice or management on the investment options available to the Plan's participants (the "Participants"). When we provide these services, we work with the Plan's named fiduciaries to evaluate the demographics of the Participants to select investment options that are appropriate for their retirement needs based upon ERISA §404(c)'s requirement that Participant-directed retirement plans offer a "broad range" of investment options. The Plan's named fiduciaries may impose restrictions on the types of investments that may be held by, or offered through, the Plan, and those guidelines are typically referenced in the Plan's investment policy statement.

We also offer additional services to our Plan clients, including financial wellness and enrollment services for Participants. We will provide, on a non-discretionary basis, recommendations regarding the allocation of assets within the individual Participant's Plan account given the Participant's stated investment objective and risk tolerance. The asset allocation recommendations may include consideration of existing client assets, if any, that are held outside of the Participant's Plan account. Any securities recommendations made by us will be confined to those offered under the Plan.

The asset allocation and mutual fund recommendations we give to Plan clients may differ from those we give to our high-net-worth and affluent individuals and institutions because, among other reasons, a Participant's asset allocation target typically consists of a smaller number of asset categories to reflect the relatively smaller size of the Participant's investment assets; or the sponsor has constrained the investment alternatives from which we may make recommendations. In such cases, we may be required to observe quantitative criteria established by the sponsor in preparing Participant-oriented lists of mutual funds, or to confine the advice given to choices among a relatively narrow set of investment alternatives established by the sponsor. Participants are informed when the Plan sponsor imposes constraints on our ability to recommend mutual funds or other securities.

## Assets Under Management

As of December 31, 2023, Shepherd has \$3,304,141,937 in non-discretionary assets under management, and \$712,801,107 in discretionary assets under management.

## Fees & Compensation

We charge either on a percentage of assets in the Plan or as a flat amount. These fees are negotiable and vary greatly based upon the size of the Plan and the services we provide. Under ERISA §408(b)(2), we and other vendors providing services to the Plan must disclose all direct and indirect compensation they will receive in exchange for the services they provide to a retirement Plan. We disclose the services we will provide and the fee we charge for those services in the written agreement with the Plan's sponsor. We do not charge participants for education and advice.

Our advisory fee does not include any applicable taxes; confirmation fees for trades; custodial fees; brokerage commissions; transaction fees; charges imposed directly by a mutual fund, index fund, or ETF (as disclosed on the fund's prospectus); fees imposed by variable annuity providers (as disclosed in the annuity contract); certain deferred sales charges; odd-lot differentials; transfer taxes; wire transfer and electronic fund fees, as well as other fees imposed upon brokerage accounts and securities transactions. The Plan's administrator is required to provide Participants with a disclosure of the costs associated with the investment options offered under the plan, such as mutual fund internal expenses, under ERISA §404(a)(5).

## Performance-Based Fees & Side-by-Side Management

We do not charge performance-based fees and therefore we have no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## Types of Clients

We provide advisory and management services to 401(k), 403(b), 457, profit sharing, cash balance, and pension plans for private and publicly-held companies, charitable organizations, and governmental entities. We also provide advisory and management services to individuals and couples. We do not require a minimum account size, but may impose a minimum annual fee.

## Methods of Analysis, Investment Strategies & Risk of Loss

### Methods of Analysis & Investment Strategies

We use a variety of sources of data to conduct our economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press

releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that Participants should be prepared to bear.

The methods of analysis we use to formulate advice to Participants may include quantitative methods for providing recommendations to Participants, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria. We may employ outside vendors or utilize third-party software to assist in formulating recommendations.

## **Mutual Funds**

Depending on our engagement with a Plan, from the limited options available to Participants, we may recommend no-load and load-waived mutual funds and individual securities. We may utilize additional independent third parties to assist us in recommending and monitoring individual securities and mutual funds.

We review certain quantitative and qualitative criteria of mutual funds and managers and to formulate investment recommendations to Participants. Quantitative criteria may include the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks; an analysis of risk-adjusted returns; an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis; the fund, sub-adviser or manager's fee structure; and the relevant portfolio manager's tenure. Qualitative criteria used in selecting/recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by Shepherd on a quarterly basis or such other interval as appropriate under the circumstances. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by Shepherd (both of which are negative factors in implementing an asset allocation structure).

## **Material Risks of Investment Instruments**

*Mutual Funds:* Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may

pay capital gains taxes on fund investments while not having yet sold the fund.

*ETFs:* ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs®, streetTRACKS®, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup>, iShares®, and VIPERs®. We could recommend an ETF to gain exposure to a portion of the U.S. or foreign market. Participants, as a shareholder of the ETF, will bear their pro-rata portion of the ETF's advisory fee and other expenses. Investing in ETFs involves risk. Specifically, an ETF, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral. Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

## **Disciplinary Information**

Not applicable.

## **Other Financial Industry Activities & Affiliations**

Our owners and registered personnel are registered representatives of Lincoln Investment, a FINRA-registered broker-dealer and member of SIPC. As a result, Participants should understand that their personal information is available to FINRA and Lincoln Investment personnel in the fulfillment of their oversight obligations and duties.

## **Code of Ethics, Participation or Interest in Client Transactions & Personal Trading**

### **Code of Ethics Description**

We have adopted policies and procedures designed to detect and prevent insider trading. In addition, we have adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Shepherd's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. Applicable securities transactions are monitored by our chief compliance officer.

We will send Participants a copy of the Code upon request.

We have policies and procedures in place to help ensure that the interests of our clients are given preference over ours, our affiliates and employees. For example, we have policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

#### **Purchase of Securities Recommended to Clients & Conflicts of Interest**

Shepherd, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it (collectively, the “Firm Affiliates”) may purchase the same securities as are recommended to Participants in accordance with the Code. Firm Affiliates’ personal securities transactions may raise potential conflicts of interest when they trade in a security that is owned by a Participant, or considered for recommendation to a Participant.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which we specifically prohibit. We have adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures—

- require Firm Affiliates to act in the client’s best interest;
- prohibit fraudulent conduct in connection with the trading of securities in a client account;
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions;
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions;
- allocate investment opportunities in a fair and equitable manner; and
- provide for the review of transactions to discover and correct any trades that result in a Firm Affiliate benefitting at the expense of a client.

Firm Affiliates must follow our procedures when purchasing or selling the same securities purchased or sold for a client.

Firm Affiliates may buy securities for their own accounts that differ from those recommended to Participants. We will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in Firm Affiliate accounts. Trades executed the same day will likely be subject to an average pricing calculation. Our policy is to place the clients’ interests above ours and our employees.

## **Brokerage Practices**

Participants do not rely on us to interact with any broker-dealer, nor do Participants empower us to select any broker-dealer. The Plan’s sponsor retains the authority to engage broker-dealers to effect Plan and/or Participant securities transactions.

## **Client Referrals & Other Compensation**

Not applicable to the services we provide to Participants.

## **Custody**

Participants receive Plan account statements directly from the Plan custodian. Participants are urged to review the custodian statement for accuracy. Any discrepancies should be brought to the firm’s attention.

## **Investment Discretion**

We do not act in any discretionary capacity for any Participant unless the Participant separately engages us for advisory services.

## **Voting Client Securities**

We do not take discretion with respect to voting proxies on Participants’ behalf. We endeavor to make recommendations to Participants on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities in Participant accounts. Except as required by applicable law, we will not be obligated to render advice or take any action on Participants’ behalf respecting assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies. From time to time, Participants account securities will be the subject of class action lawsuits. We have no obligation to determine if securities held by a Participant are subject to a pending or resolved class action lawsuit. We have no duty to evaluate a Participant’s eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, we have no obligation or responsibility to initiate litigation to recover damages for Participants who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by Participants. Where we receive written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a Participant, we will forward all notices, proof of claim forms, and other materials to the Participant. Electronic mail is acceptable where appropriate and where the Participant has authorized contact in this manner.

## **Financial Information**

Not applicable.