



SHEETS SMITH
Investment Management

5600 NW Central Drive, Suite 221
Houston, TX 77092
(346) 867-8606
SheetsSmithIM.com

ADV Part 2A – Firm Brochure

Sheets Smith Investment Management, LLC
5600 NW Central Drive, Suite 221
Houston, TX 77092
346-867-8606

www.SheetsSmithIM.com

Dated: March 21, 2024

This Form ADV, Part 2 (the “Brochure”) is a very important document that provides disclosures about the manner in which Sheets Smith Investment Management, LLC. (“Sheets Smith Investment Management”, “SSIM”, or the “Firm”) provides services to its clients.

This brochure provides information about the qualifications and business practices of Sheets Smith Investment Management. If you have any questions about the contents of this brochure, please contact Gregory Bowden, Chief Compliance Officer, at 346-867-8606 or gbowden@sheetssmithim.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.

Additional information about Sheets Smith Investment Management is also available at the SEC’s website www.adviserinfo.sec.gov (click on the link, select “investment adviser firm” and type in the Firm’s name).

Sheets Smith Investment Management is a registered investment advisor with the SEC. The Firm’s registration as an investment advisor does not imply any level of skill or training. However, all of the Firm’s advisors either hold MBA or MSF degrees and have passed the Uniform Investment Advisor Law Exam, which is required to be an investment advisory representative.

Item 2 – Material Changes

The firm does not have any material changes since the last filing in March of 2023.

The Firm may, at any time, update this Form ADV, Part 2. In such an event, the Firm will either send you a copy or offer to send you a copy (either by e-mail or by regular mail). If at any time you would like another copy of this Form ADV, Part 2, you may download it from the SEC's public disclosure website (www.adviserinfo.sec.gov) or you may request one from the Firm's Chief Compliance Officer, Gregory Bowden at 346-867-8606 or gbowden@sheetssmithim.com.

Item 3 – Table of Contents

	Page
ADV Part 2A – Firm Brochure	i
Item 2 – Material Changes	ii
Item 3 – Table of Contents	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	2
Item 6 – Performance-Based Fees and Side-By-Side Management	4
Item 7 – Types of Clients	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	4
Item 9 – Disciplinary Information	6
Item 10 – Other Financial Industry Activities and Affiliations	6
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	6
Item 12 – Brokerage Practices	7
Item 13 – Review of Accounts	9
Item 14 – Client Referrals and Other Compensation	10
Item 15 – Custody	11
Item 16 – Investment Discretion	11
Item 17 – Voting Client Securities (<i>i.e.</i> , Proxy Voting)	11
Item 18 – Financial Information	12
Item 19 – Requirements for State-Registered Advisors	12

Item 4 – Advisory Business

Sheets Smith Investment Management, LLC (SSIM or Firm) is an affiliate of Sheets Smith Wealth Management Inc. (SSWM). Both firms are investment advisors registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. The primary office is located in Houston, TX with a branch office in Winston-Salem, NC. The Firm was formed in December 2015 by SSWM and Z. Cornell Bowden. SSWM owns 35% of SSIM and the remainder is owned by employees of SSIM. The Firm specializes in multi-strategy equity and dynamic asset allocation balanced portfolio management. Accounts using these investment strategies are both institutional and retail clients, including those with a wrap fee arrangement with their custodian. SSIM was formed for the expressed purpose of segregating accounts using these strategies into an entity separate from SSWM to comply with the CFA Institute's Global Investment Performance Standards.

The Multi-Strategy Equity portfolios consist of stocks and, as appropriate, cash and cash equivalent investments. Balanced portfolios have the same holdings as the equity and cash accounts but also include income-producing securities. The Firm offers a suite of Balanced Portfolio strategies to accommodate various risk tolerances and time horizons of individual clients. Other portfolio strategies that are designed for specific clients are also managed by SSIM.

As mentioned above, the Firm manages accounts that participate in wrap programs sponsored by various brokerage firms. These accounts are usually managed under dual contracts and in most cases billed separately from the wrap fees that are paid to the applicable brokerage firm. The Firm also manages accounts that are either commission free or commission-based and not part of any wrap program. The management style is the same for wrap program accounts, commission free accounts, and commission-based accounts.

The Firm was accepted onto the Morgan Stanley Uniform Managed Account (UMA) platform in the spring of 2016, and all the dynamic asset allocation balanced strategies are available under dual contracts at Morgan Stanley. In the Fall of 2016, the Firm's Absolute Return Balanced product was allowed onto the Wells Fargo Private Advisor Network.

As of December 31, 2023, the Firm had \$125,757,393.98 in total assets under management (AUM), with \$125,757,393.98 in discretionary assets and \$0.00 in non-discretionary assets.

These AUM values do not include any assets which are part of a Unified Managed Account (UMA) program. As of December 31, 2023, Assets Under Advisement (AUA) which are part of a UMA program were valued at \$38,553,293.00.

Sheets Smith Investment Management also offers financial planning to individuals on a monthly fee agreement based on net worth and or total household income. The firm utilizes financial planning software to deliver robust analysis and support in recommendations to clients.

When Sheets Smith Investment Management provides investment advice to you regarding your retirement plan account or individual retirement account, Sheets Smith Investment Management is a fiduciary 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 Sheets Smith Investment Management earns revenue creates some conflicts with your interests, so Sheets Smith Investment Management operates under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, Sheets Smith Investment Management must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

Item 5 – Fees and Compensation

Sheets Smith Investment Management's fees are predominantly based on Assets Under Management (AUM). All of the Firm's fees are (1) agreed upon when the written advisory agreement or financial planning agreement is signed, and (2) generally billed in arrears.

Sheets Smith Investment Management's standard fee schedule in US dollars is as follows: 1.00% annually on the first \$5 million, 0.75% on the next \$5 million and 0.50% on amounts over \$10 million. Asset-based fees are payable quarterly in advance or arrears and are based on the account value at quarter-end. For the clients who participate in wrap programs, SSIM's management fees vary from 0.25% to 0.75% of the assets managed, payable in advance or arrears depending on custodian and service rendered. Various factors dictate whether higher or lower fees are appropriate. These factors include the size of the account, frequency of trading, the amount of client contact necessary, the nature of the account, and the ease of administration. The Firm attempts to tailor both its services and its fees to fit the needs and desires of clients. Depending on client preferences and where the account is custodied, Sheets Smith Investment

Management may bill clients or invoice the custodian which will deduct its fees directly from client accounts.

Commission based clients (those not paying wrap fees) may incur custodial fees and/or broker fees for trades. If client assets are custodied at Schwab Institutional, they do not pay custodial fees, and as of October 1, 2019, they do not pay brokerage fees for trades. For investments in mutual funds, the Firm generally utilizes no-load mutual funds in client accounts. For Schwab Institutional clients, the Firm also attempts to minimize transaction costs by utilizing Schwab OneSource no-load funds that do not carry a transaction fee.

Clients who invest in mutual funds are advised that they are paying the mutual fund management fees in addition to the fees charged by the Firm. Clients who invest in ETFs are also advised that they will also be paying management fees with the ETF as well as fees charged by the Firm.

Clients often incur other minimal fees when securities are purchased or sold on their behalf. The Firm does not receive, directly or indirectly, any of these fees, which are typically paid directly to the client's broker-dealer, custodian, or mutual fund. These fees include, but are not limited to, exchange fees and SEC fees.

For clients that utilize the firm's financial planning services, the monthly fee will be based on the client's net worth and/or household annual income as outlined in the table below based on the Firm's discretion. Fees are payable monthly in advance or arrears with the first month being pro-rated for the number of days the services are utilized. The fees for these services are negotiable. Termination of the financial planning services by either party requires a minimum of thirty (30) days prior written notification, but the final month's fee may be waived upon Advisor's discretion.

Household Net Worth Range	Household Income	Monthly Financial Planning Fee
< \$100k	< \$150k	\$150
\$100 - \$750k	\$150k - \$200k	\$200
\$750k - \$1.5m	\$200k - \$300k	\$300
\$1.5m - \$3.0m	\$300k - \$500k	\$450
> \$3.0m	> \$500k	Negotiable

Termination: Either the Client or the Adviser may terminate the Investment Advisory Agreement by giving thirty (30) days' prior written notice of termination to the other; provided, however, such termination of the Agreement will not affect: (a) the validity of any actions the Adviser has previously taken; (b) the Client's or the Adviser's liabilities or obligations for transactions started before termination; or (c) any provision,

obligation or right that is specifically designated herein to survive such termination. Upon termination, any fees owed to the Adviser will be paid by the Client on a prorated basis as of the effective date of termination, and any fees paid by the Client that have not been earned will be refunded to the Client on a prorated basis as of the effective date of termination.

Item 6 – Performance-Based Fees and Side-By-Side Management

The Firm does not charge advisory fees on a share of the capital appreciation of the funds or securities in client accounts (*i.e.*, performance-based fees). All of the Firm's advisory compensation arrangements are disclosed in Item 5.

Item 7 – Types of Clients

Sheets Smith Investment Management clients and prospective clients generally include individuals, trusts, foundations, endowments, and retirement plans.

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

Sheets Smith Investment Management offers a suite of Dynamic Asset Allocation products with risk characteristics ranging from relatively low volatility to those of an aggressive, all equity and cash account. For each of these products, the overriding concern is Preservation of Capital, particularly in volatile markets, and second is achieving competitive long-term returns within those risk parameters of the client. The Dynamic Asset Allocation process measures the risk-adjusted expected return (based on projected earnings) of the S&P 500 and compares it with the returns available in typically less volatile, longer-term corporate bonds and cash. ("Typically" is used carefully here because there have been periods in the past when the volatility of the return of bonds was actually higher than that of stocks). For each of our balanced products the system finds the optimal asset mix for each of our products at a given point in time. Changes in interest rates and the prices of stocks causes the relative value of the capital markets to change over time. These changes in relative value shift the asset mix, and the portfolio manager is then required to adjust the portfolio from relatively overvalued assets to relatively undervalued ones in a measured and timely manner. This process measures the relative, risk-adjusted value of the capital markets of stocks, bonds, and cash. It is not predictive of changes in the prices of these asset classes.

SSIM's Portfolio Managers/Analysts do not follow specific issues/industries in the traditional sense of an analyst's role. The investment process is highly quantitative, and is agnostic as to capitalization, industry, or economic sector. Our investment universe is every stock traded on major exchanges in the United States, including ADRs, but excluding those listed on the "pink sheets". The total number of stocks in our universe exceeds 5,500. For most portfolios, including wrap accounts, the fixed income portion of the portfolio and MLP's, if used, are in the form of ETFs. For smaller accounts, individual bonds offer only marginal, if any, benefits especially when a bond needs to be sold. Diversification with individual bonds is also difficult as corporates are generally traded in \$5,000 lots. Therefore, fixed income ETFs are used for our wrap customers. For larger commission accounts, in addition to ETFs, individual municipals, treasury, agency or corporates may be used as appropriate. For real estate investing, the Firm's advisors primarily use real-estate investment trusts (REITs).

Again, Preservation of Capital is of paramount concern. Performance is secondary, which SSIM attempts to achieve with reduced risk through nimble asset allocation adjustments and strategic equity selection. SSIM believes it is far more profitable not to lose money than to have wide variations in return. Portfolio risk is managed through the tactical asset allocation process and highly diversified holdings, which usually ranges between 75 and 125 names. In addition, volatile stock price declines, typically caused by negative changes in fundamentals or by severe bear market corrections, may result in selling a stock, or a number of holdings. In bear market conditions, a large portion of the portfolio may be allocated to cash giving clients some comfort in tumultuous markets. Some people may consider this process not "tax efficient" due to our active trading strategy. However, our belief is that it is far more profitable to pay a tax on the *gain* in a stock than to lose 30% to 50% of the *principal* of the holding.

The Firm may use street research from various brokerage houses but prefers more timely information provided by news sources such as CNBC and Bloomberg; internet sources such as John Mauldin or Seeking Alpha; research services provided by Bloomberg or Charles Schwab; and periodicals such as the Wall Street Journal. The Firm relies most heavily on Panaray®, the William O'Neil & Co. institutional investment data research platform, and on Bloomberg Professional Service (the terminal). More general investment information from reputable websites is also utilized.

Securities markets can and often do fluctuate substantially, even over short periods of time. Investing in equities, fixed-income, mutual funds, ETFs and real estate involves a risk of loss, and clients need to be prepared for the potential that their account may sustain substantial losses. The risk of loss includes the loss of principal (*i.e.*, the amount invested) and any unrealized profits (*i.e.*, any gain in the value of the securities before they are sold to "lock in" the profit).

The Firm cannot guarantee any level of performance, or that client accounts will not experience losses. Investing in securities involves risk of loss that clients should be prepared to bear.

Item 9 – Disciplinary Information

Neither Sheets Smith Investment Management, nor any employee of the Firm, has had: (1) any civil or criminal actions brought against them; (2) any administrative proceedings before the SEC, any other federal regulator agency, any state regulatory agency, or any foreign financial regulatory authority; or (3) any proceedings before a self-regulatory organization.

Item 10 – Other Financial Industry Activities and Affiliations

Sheets Smith Investment Management is an affiliate of Sheets Smith Wealth Management Inc.

Mr. Eric Tesler is a Registered Representative with Innovation Partners LLC, an unaffiliated Broker Dealer registered with FINRA. However, Mr. Tesler is an independent wholesaler receiving compensation from the various ETFs and Mutual Funds he represents. He also represents Sheets Smith Investment Management, being their National Sales Manager.

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

Sheets Smith Investment Management's Code of Ethics (the "Code") is designed to ensure the Firm meets its fiduciary obligation to its clients and to instill a culture of compliance within the Firm. The Firm's Code includes the CFA Institute Code of Ethics and Standards of Professional Conduct. The Firm's Code and compliance manual includes policies and procedures covering the following areas:

- Portfolio Management Processes;
- Personal Securities Transactions;

- Trading Error Policy;
- Gift Policy;
- Whistle Blowing Procedures and Protections; and
- Code of Ethics Records.

The Firm's Code is distributed to, reviewed by, and acknowledged by each employee annually. Any amendments to the Code are distributed to all employees for their review. Gregory Bowden, the Chief Compliance Officer, is responsible for distributing the Code and any amendments and verifying the receipt of employee acknowledgements. A copy of the Firm's Code will be provided to any client or prospective client upon request by contacting Gregory Bowden or Cornell Bowden at 346-867-8606 or gbowden@sheetssmithim.com or cbowden@sheetssmithim.com, respectively.

The Firm's Code does not prohibit personal trading by employees. As professional investment advisors, the Firm's advisors often follow their own advice. As a result, Firm employees may purchase or sell the same or similar securities after or at the same time that the Firm places transactions for clients. Advisors may include their trades in with client block trades if they wish to trade identical securities for employee accounts at the same time as clients. To ensure that personal trades are not executed before any client trades, an employee or the Sheets Smith administrator responsible for executing the employee trade sends out an e-mail to notify all of the Firm's advisors, including the Chief Compliance Officer, of an employee trade request. If another employee responds with a conflict, the trade will not be executed. Otherwise, the employee/administrator will proceed with the trade. These procedures help ensure that that the Firm and its advisors do not put their interests before the interests of clients.

Item 12 – Brokerage Practices

Sheets Smith Investment Management takes its fiduciary responsibility to clients very seriously. The Firm recognizes that achieving best execution on client trades is an important component of maximizing client account performance.

The Firm has accounts with multiple custodians. In virtually all cases, trades are placed with the clients' respective custodian as part of a block trade so that each client at that custodian should get the same average price. The Firm attempts to complete all trades with these custodians the same day. To be fair with every custodian, including those accounts in UMAs, the order of the trades sent to each custodian is rotated every trading day so that over time there is no preferential treatment. In rare instances where trades

for large commission-based accounts are executed away from their custodian, these trades will be part of the trade rotation with all other custodians as well.

If there is a partial fill of an order at a given custodian, the shares are either prorated by the custodian or allocated on a random basis depending on how many shares were completed and the price of the individual security.

The Firm typically uses fixed income ETFs for its fixed income investments or will search for bonds with the client's custodial broker. In some cases involving fixed-income securities, particularly municipal bond investments, the Firm may use broker-dealers who specialize in fixed-income and, therefore, are more likely to offer the desired inventory and pricing. When the Firm trades with a specific fixed-income specialist, the Firm's advisors use bond market benchmarks to gauge the value of a specific security before executing a trade. For example, the Firm's advisors may reference data available from Bloomberg to assess whether a bond's price and yield is reasonable relative to similar fixed-income securities.

Research and Other Soft Dollar Benefits:

Sheets Smith Investment Management uses Bloomberg Professional Services and Panaray®, a database and analytical research service provided by William O'Neil & Co. Sheets Smith Investment Management is paying the cost of these research services directly.

The various custodians make available to Sheets Smith Investment Management other products and services that benefit the Firm, but that may not directly benefit client accounts. Some of these other products and services assist the Firm in managing and administering client accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information, and other market data; facilitate payment of the Firm's fees from client accounts; and assist with back-office functions, recordkeeping, and client reporting. Custodians also make available to the Firm other services intended to help the Firm manage its business. These services may include consulting, webcasts, publications, and conferences on items such as practice management, regulatory compliance, information technology, and marketing. The custodians may use independent third parties to help disseminate the information on the above-mentioned topics. These services are generally available to the Firm free of charge.

Block Trading:

Sheets Smith Investment Management uses block trading when buying or selling the same equity for more than one client account at a given custodian. Clients participating in an aggregated (block) order will receive an average share price, and all transaction costs, if any, are shared on a pro-rata basis. Block orders not fully completed on a given day are allocated on a pro-rata basis. Trades are reviewed the following day for correct allocations.

Cross Trades:

Sheets Smith Investment Management has a written compliance policy that prohibits advisors from executing equity cross trades. The Firm permits fixed-income cross trades if the cross trade makes sense for both clients.

Item 13 – Review of Accounts

Sheets Smith Investment Management employs an investment style that actively manages portfolios to adjust for changes in economic conditions, the relative risk-adjusted value of the capital markets, company specific conditions, and other factors. The process is highly quantitative but is not an algorithm. Accounts are assigned to models based on client investment objectives and risk tolerance. Changes in asset allocation or security selection results in adjustments to these models and thus the portfolios assigned to them. Accounts are reviewed when these changes occur and are, therefore, monitored on a continuous basis throughout the year. More frequent reviews may be triggered by other variables such as a change in a client's individual circumstances.

Advisors use the Firm's portfolio management software to review client accounts. Portfolio data for these reviews is based on the close of the prior business day. Advisors also can review client accounts through most custodians' websites, except for accounts at UBS. Electronic or paper custodian monthly statements are accessible by the Firm for all clients' accounts, except those accounts at UBS, but the Advisor may request copies of statements from UBS if necessary. Material deposits to or withdrawals from an account, as well as a corporate transaction such as a merger or acquisition involving a security held in a client account, may trigger a review of that client account. The Firm's advisors also will review client accounts after executing block trades to verify that the allocations are correct.

The Firm's clients receive statements from their custodians on a monthly basis. Custodian banks send paper statements, while most clients whose assets are custodied at Schwab Institutional have signed up for eDelivery and receive notification via e-mail that statements are available online. If clients are not signed up for eDelivery, they receive paper statements. The Firm's advisors provide performance and holdings

reports to clients upon request or when meetings with the clients are held. During client meetings, the Firm's advisors discuss portfolio performance, present and future investment strategy, and any events that may have led to a change in risk tolerance or time horizon for the client.

Item 14 – Client Referrals and Other Compensation

Sheets Smith Investment Management receives no economic benefits from third parties for providing investment advice, including sales awards or other prizes, to any of its clients.

To the extent insurance products are purchased thorough an investment advisory representative, the investment advisory representative will be paid a commission by the insurance company who issues the policy. This creates a conflict of interest as there is an incentive for them to recommend insurance products based on the compensation received, rather than on your needs. Notwithstanding such conflict of interest, we address our fiduciary duty by utilizing insurance products only where it is in the best interest of clients, and after consultation with the client.

Item 15 – Custody

Sheets Smith Investment Management never has custody of client assets, but the Firm does have the ability to invoice the various custodians for management fees due from individual accounts as outlined in the Sheets Smith Advisory Agreement. The custodian then debits the client accounts and sends the Firm payment for the client fees.

All clients either receive or have electronic access to monthly statements from their respective custodians. Sheets Smith Investment Management receives a courtesy physical copy of these statements or has access to them electronically, except for accounts held at UBS. The UBS platform that Sheets Smith Investment Management is associated with does not provide the Firm with direct access to the clients' monthly statements. UBS will provide the monthly statements to the Firm upon request when needed.

Item 16 – Investment Discretion

Sheets Smith Investment Management accepts discretionary authority to manage securities accounts on behalf of all Firm clients in a manner consistent with the clients stated investment objectives. Prior to assuming discretionary authority, clients are provided with a written Sheets Smith Advisory Agreement to sign that provides the Firm with this discretion. Clients are also provided a current Form CRS, ADV, Part 2A and Part 2B.

Item 17 – Voting Client Securities (*i.e.*, Proxy Voting)

Proxy Voting:

Except for clients that use Morgan Stanley as their custodian, SSIM utilizes the services and voting methodology of Egan Jones (www.ejproxy.com) to vote client proxies on all managed accounts. Egan Jones has agreed to use their "Standard" methodology when voting on behalf of client. This methodology generally focuses on three guiding principles; 1) directors should be accountable to shareholders, and management should be accountable to directors; 2) information on the Company supplied to shareholders should be transparent; and 3) shareholders should be treated fairly and equitably according to the principle of one share, one vote. A complete description of this voting methodology is available from SSIM upon request. Clients which use Morgan Stanley as

their custodian will not have Egan Jones vote their proxies. Morgan Stanley votes proxies for clients of that firm.

Clients may “opt out” of the proxy voting services by notifying SSIM in writing.

Class Action Lawsuits:

Unless the client specifically “opts out”, Chicago Clearing Corporation (“CCC”) has been engaged to provide class action litigation monitoring and securities claim filing services on their behalf. CCC handles the filings from start to finish and charges a contingency fee of 15% of any payout, which is subtracted at the time of payment from the client’s portion of the litigation payout.

Item 18 – Financial Information

The Firm has an independent public accountant who is responsible for tracking finances and producing financial statements. There are no financial conditions that are likely to impair the Firm’s ability to meet its contractual commitments to clients.

Item 19 – Requirements for State-Registered Advisors

This section is not applicable to Sheets Smith Investment Management.