

INFORMATIONAL BROCHURE



KINLOCH CAPITAL, LLC

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This brochure provides information about the qualifications and business practices of Kinloch Capital, LLC (hereinafter “Kinloch Capital”, “we” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at 804-956-4550 or via email at [peter.walls@kinlochcapital.com](mailto:peter.walls@kinlochcapital.com). 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. Our registration does not imply a certain level of skill or training. Additional information about Kinloch Capital, LLC (CRD# 300735) is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2: STATEMENT OF MATERIAL CHANGES**

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In this Item, Kinloch Capital is required to discuss any material changes that have been made to the brochure. Since the last delivery of the Brochure in March, 2023 this Brochure has been amended to reflect in Item 5 that hourly fees will not exceed \$250 per hour and to remove reference to the Intriguing Industries model in Item 8 which has been discontinued.

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## INFORMATIONAL BROCHURE KINLOCH CAPITAL, LLC

### ITEM 4: ADVISORY BUSINESS

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Kinloch Capital, LLC (“Kinloch Capital”) has been in business since May of 2019. The firm is owned by Peter Walls.

Kinloch Capital serves as an independent and unbiased advisor to our clients, characterized by a high level of accountability across the organization. As a fiduciary, Kinloch Capital places client interests at the forefront of all of its efforts. No adviser can guarantee that a client will meet their goals or achieve a given performance target, however Kinloch Capital does strive to provide all clients with the benefit of investment adviser representatives dedicated to providing attentive, client focused customer service.

#### Asset Management

If you wish us to manage your investment accounts, we will begin by determining investment guidelines, so that we can determine the model portfolios which meet your needs. Some examples of guidelines include your risk tolerance, or a maximum amount of assets to be held in non-U.S. investments, or a limit on the amount of stocks in your portfolio. Kinloch Capital can assist in developing these guidelines through the financial planning process described below.

When we perform asset management services, we generally will do so on a discretionary basis. This means that while your advisor will communicate regularly with you, Kinloch Capital will not seek specific approval of changes within your portfolio. If Kinloch Capital is managing your assets, you may place reasonable restrictions on the types of investments in an account or portfolio. Because Kinloch Capital takes discretion when managing accounts, clients engaging the firm will be asked to execute a *Limited Power of Attorney* (granting us the discretionary authority over the client accounts) through an Investment Management Agreement that outlines the responsibilities of both the client and Kinloch Capital. Our asset management services are a combination of value based long term buy and hold strategies and a dynamic strategy using technical analysis to make portfolio adjustments. Accounts are not typically managed to a static asset allocation guideline; instead portfolios are structured and adjusted based on prevailing market conditions. More information regarding our investment process is outlined in Item 8 of this brochure.

In limited circumstances, we may provide investment management services on a non-discretionary basis such that we will consult with the client prior to implementing any investment recommendation. Clients should be aware that some recommendations may be time-sensitive, in which case recommendations not implemented because we are unable to reach a non-discretionary client may not be made on a timely basis, and therefore the client’s account may not perform as well as it would have had Kinloch Capital been able to reach the client for a consultation on the recommendation.

Kinloch Capital uses a third party platform called Pontera to facilitate management of held away assets such as defined contribution plan participant accounts, on a non-discretionary or discretionary basis. The platform allows the firm to avoid being considered to have custody of Client funds since Kinloch Capital does not have direct access to Client log-in credentials to affect trades. Kinloch Capital is not affiliated with the platform in any way and receives no compensation from them for using their platform. A link will be provided to the Client allowing them to connect an account(s) to the platform. Once a Client account(s) is connected to the platform, Kinloch Capital will review the current account

allocations. When deemed necessary, Kinloch Capital will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed at least quarterly and allocation changes will be made as deemed necessary.

### Wrap Program

Kinloch Capital does not currently offer a wrap fee program.

### Financial Planning

Kinloch Capital believes that thoughtful financial planning can be an effective tool for protecting and accumulating wealth. Kinloch Capital can also assist in financial planning for special needs clients, including their businesses and wealth transfer issues. In most cases, the client will supply to Kinloch Capital information including income, investments, savings, insurance, age and many other items that are helpful to the firm in assessing your financial goals. The information is typically provided during personal interviews and supplemented with written information. Once the information is received, we will discuss your financial needs and goals with you, and compare your current financial situation with the goals you state. Once these are compared, we will create a financial and/or investment plan to help you meet your goals.

The plan is intended to be a suggested blueprint of how to meet your goals. Not every plan will be the same for every client. Each one is specific to the client who requested it. Because the plan is based on information supplied by you, it is very important that you accurately and completely communicate to us the information we need. Also, your circumstances and needs may change as your engagement with us progresses. It is very important that you continually update us with any changes so that if the updates require changes to your plan, we can make those changes. Otherwise, your plan may no longer be accurate.

Kinloch Capital provides all financial planning services “in house”, meaning the services are provided by Kinloch Capital professionals and not by any sub-adviser or contractor. During the planning process, it may be determined that a client would benefit from the expertise of another professional, such as an estate planning attorney or tax advisor. If you request, Kinloch Capital may recommend the services of other professionals for implementation purposes. You are under no obligation to engage the services of any such recommended professional. You retain absolute discretion over all such implementation decisions and are free to accept or reject any recommendation from Kinloch Capital. If you engage the services of any professional recommended by Kinloch Capital, and a dispute arises thereafter relative to such engagement, you agree to seek recourse exclusively from and against the engaged professional.

### Divorce Planning

A Kinloch representative who has attained the CDFA® (Certified Divorce Financial Analyst) designation will work with you to help you gain an understanding of your unique situation and provide you with a financial picture so that you are in a better situation to communicate with legal counsel, a mediator or soon to be ex-spouse. We will complete cash flow and net worth projections, budgetary analysis, division of property, as well as help you to understand what the consequences and/or benefits are involving a settlement.

The CDFA designation awarded by the Institute for Divorce Financial Analysts (IDFA). Individuals with a minimum of three years of professional experience in finance or divorce are eligible to enroll in the CDFA course. Candidates must pass each module exam with a 70% or higher to receive the CDFA designation. To

retain the designation, an annual fee must be paid and 15 hours of divorce-related continuing education must be completed

### Retirement Plan Rollovers

Depending on a client's given circumstances, Kinloch may recommend that a client rollover retirement plan assets to an Individual Retirement Account (IRA) managed by us. As a result, Kinloch may earn fees on those accounts. This presents a conflict of interest, as Kinloch has a financial incentive to recommend that a client roll over retirement assets into an IRA Kinloch will manage. This conflict is disclosed to clients verbally and in this brochure. Clients are also advised that they are under no obligation to implement the recommendation to roll over retirement plan assets. Kinloch attempts to mitigate this conflict by requiring that all investment recommendations have a sound basis for the recommendation, and by requiring advisors of Kinloch to acknowledge their fiduciary responsibility toward each client. When we provide investment advice to you regarding your 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 your interests, so we operate 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, we 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.

### Assets under Management

As of March 28, 2024, Kinloch Capital manages approximately \$218,889,819 all on a discretionary basis.

## **ITEM 5: FEES AND COMPENSATION**

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### **A. Fees Charged**

Kinloch Capital offers services on a fee basis, which includes fixed fees, hourly fees, and fees based upon assets under management.

### Asset Management

Kinloch Capital's asset management fees range from 0.35% to 2.0% per annum of the gross market value of a client's assets managed by Kinloch Capital, as shown in the schedule below. Fees are negotiable and could be higher or lower than this range, based on the nature of the account, and the origin of the client. Factors affecting fee percentages include the size of the account, complexity of asset structures, the extent of the anticipated financial planning work to be included with the engagement, and other factors. All clients, but especially those with smaller accounts, should be advised they may receive similar services from other professionals for higher or lower overall costs.

<b><u>Portfolio Value</u></b>	<b><u>Annual Fee</u></b>
\$0 - \$500,000	2.00%
\$500,001 - \$750,000	1.50%
\$750,001 - \$1,000,000	1.25%
\$1,000,001 - \$2,000,000	1.00%
\$2,000,001 – \$5,000,000	0.85%
\$5,000,001 - \$10,000,000	0.65%
\$10,000,001 - \$25,000,000	0.50%
Over \$25,000,000	0.35%

There may be special circumstances in which Kinloch Capital arranges a fixed fee for asset management with a client. This fixed fee is determined by Kinloch Capital and the client, factoring the nature and size of the account and complexity of asset structures.

#### Advisory Fees for “Held Away” Assets

For services we provide on Held Away Accounts (accounts other than those held with our primary custodian, Charles Schwab), Kinloch Capital will be paid a fee based upon the fair market value of your account. This fee will be calculated and billed/invoiced monthly in advance. Fees are pro-rated based on the number of days service is provided during the billing period. Pontera does not have trading authority on the held away account and will be paid by Kinloch Capital directly. Pontera does not bill nor invoice Kinloch Capital clients. Kinloch Capital bills clients directly. As it is impossible to directly debit the fees from these accounts, those fees will either be assigned to the client’s taxable accounts. If the client does not have a taxable account, those fees will be billed directly to the client.

#### Financial Planning

Clients who are engaging Kinloch Capital for financial planning services without asset management services will do so on an hourly basis. The hourly fee is not expected to exceed \$250 per hour. Fees are negotiable and will depend on the anticipated complexity of the financial plan. If Client engages Kinloch Capital under separate agreement for asset management services, asset management fees shall be offset for the first year that Client receives such asset management services effective upon execution of the asset management agreement and expiring one year later. The amount of the fee offset shall be limited to the amount of planning fees accrued by Client in accordance with the planning agreement. Upon completion of the first year of asset management services the agreed upon fee as disclosed in the asset management agreement shall be reinstated and applied to the assets under management for the immediately following billing period.

#### Divorce Planning

Clients who are engaging Kinloch Capital for divorce planning services will do so on an hourly basis. The hourly fee is not expected to exceed \$250 per hour. Fees are negotiable and will depend on the complexity of the services to be provided. If Client engages Kinloch Capital under separate agreement for asset management services, asset management fees shall be offset for the first year that Client receives such asset management services effective upon execution of the asset management agreement and expiring one year later. The amount of the fee offset shall be limited to the amount of planning fees accrued by Client in accordance with the planning agreement. Upon completion of the first year of asset

management services the agreed upon fee as disclosed in the asset management agreement shall be reinstated and applied to the assets under management for the immediately following billing period.

B. Fee Payment

Asset Management

For clients whose assets are managed by the firm, investment advisory fees will be debited directly from each client's account. The advisory fee is paid monthly, in advance, and the value used for the fee calculation is the balance of the gross assets under management within client accounts for the immediately preceding month. For example, if your annual fee is 1.00%, each month we will multiply the ending value of your account for the immediately preceding month by 1.00%, then divide by the number of days in that calendar year and multiply that number by days in the month to calculate our fee. To the extent there is cash in your account, it will be included in the value for the purpose of calculating fees only if the cash is part of an investment strategy. No adjustments are made to the advisory fee for inflows or outflows made during a billing month. Once the calculation is made, we will instruct your account custodian to deduct the fee from your account and remit it to Kinloch Capital.

Clients whose fees are directly debited will provide written authorization to debit advisory fees from their accounts held by a qualified custodian chosen by the client. Each month, the client will receive a statement from their account custodian showing all transactions in their account, including the fee.

Financial Planning & Divorce Planning

Divorce planning fees will be billed monthly in arrears and Financial planning fees will be due upon completion of the plan each through receipt of invoice from Kinloch Capital. Payment via check and credit card are acceptable.

C. Other Fees

There are a number of other fees that can be associated with holding and investing in securities. You will be responsible for fees including transaction fees for the purchase or sale of a mutual fund. Expenses of a fund will not be included in management fees, as they are deducted from the value of the shares by the mutual fund manager. When selecting mutual funds that have multiple share classes for recommendation to clients, Kinloch Capital will take into account the internal fees and expenses associated with each share class, and it is Kinloch Capital policy to choose the lowest-cost share class available, absent circumstances that dictate otherwise. For complete discussion of expenses related to each mutual fund, you should read a copy of the prospectus issued by that fund. Kinloch Capital can provide or direct you to a copy of the prospectus for any fund that we recommend to you. Please make sure to read Item 12 of this informational brochure, where we discuss broker-dealer and custodial issues.

D. *Pro-rata* Fees

If you become a client during a month, you will pay a management fee for the number of days left in that month. If you terminate our relationship during a month, you will be entitled to a refund of any management fees for the remainder of the month. Once your notice of termination is received, we will assess pro-rated fees for the number of days between the end of the prior billing period and the date of termination to be paid in whatever way you direct (check, wire). Kinloch Capital will cease to perform



services, including processing trades and distributions, upon termination. Assets not transferred from terminated accounts within 30 (thirty) days of termination may be “de-linked”, meaning they will no longer be visible to Kinloch Capital and will become a retail account with the custodian.

E. Compensation for the Sale of Securities.

This item is not applicable.

## **ITEM 6: PERFORMANCE-BASED FEES**

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Kinloch Capital will not charge performance based fees.

## **ITEM 7: TYPES OF CLIENTS**

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Clients advised may include individuals, families, trusts, non-profit organizations, pensions and businesses. Kinloch Capital does not impose a stated minimum fee or minimum portfolio value for starting or maintaining an investment advisory relationship.

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

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It is important for you to know and remember that all investments carry risks. **Investing in securities involves risk of loss that clients should be prepared to bear.**

### *Investment Allocations & Investment Programs*

Each client's portfolio will be invested according to that client's investment objectives which are ascertained through the financial planning process. For clients without a plan in place, Kinloch Capital will review with the client their circumstances, needs and goals to determine investment objectives for each account. Once we ascertain your objectives, we will place you in one of or a combination of our proprietary model portfolios. Kinloch Capital manages most of the model portfolios using a dynamic approach making adjustments to allocation based upon technical indicators. Kinloch Capital does not adhere to a predetermined allocation or to preselected asset classes or sectors. Kinloch Capital believes the dynamic approach to asset allocation serves to mitigate down-side risk while allowing for potential gains when the market suggests opportunities. While the composition of a client's portfolio may adjust from time to time with changing technical indicators, and the addition of new asset classes, these portfolios are invested with a focus on mitigating cost, creating tax efficiency and ultimately putting clients in a position to reap the benefits of appropriate long-term market exposure. Investment programs are not investment products. Clients may have different needs than others within the same investment program. Accordingly, not all clients in each investment program will have the same percentages of each underlying model portfolio.

Because we develop an investment strategy based on your personal situation, financial goals, and prevailing market conditions your portfolio allocation guidelines may be different from another client.

We may periodically recommend changes to the investment programs and client portfolios to meet the guidelines of the portfolio allocation for the program or an individual client's objectives. It is important to remember that because market conditions can vary greatly, your portfolio allocation guidelines are

not necessarily strict rules. Rather, we review accounts individually and may deviate from the guidelines as we deem necessary.

Additionally, as assets are transitioned from a client's prior advisors to Kinloch Capital, clients may hold legacy securities and may place restrictions on individual security types. Legacy securities are those that a client owned prior to or separate from its Kinloch Capital portfolio. If a client transitions mutual fund shares to Kinloch Capital that are not the lowest-cost share class, and Kinloch Capital is not recommending disposing of the security altogether, Kinloch Capital will attempt to convert such mutual fund share classes into the lowest-cost share classes the client is eligible for, taking into account any adverse tax consequences associated with such conversion.

### Strategies and Methods of Analysis

**Deep Blue:** Deep Blue is an income-oriented strategy based on long-term ownership of blue-chip, dividend-paying stocks. The portfolio is a sub-set of Dividend Aristocrats. The Aristocrats are S&P 500-member stocks that have consistently paid and raised their annual dividends for a minimum of 25 years. Deep Blue then takes this list and culls it to those stocks that are paying above market dividend yields. Deep Blue seeks to be cost effective as the ownership of individual stocks does not entail 'internal expenses' seen with bundled investments such as mutual funds. Deep Blue seeks to be a tax efficient strategy through its long-term holding strategy and the ability to marry year-end gains & losses. Because of the strategy's low turnover and lower tax rates on qualified dividends it is appropriate for non-qualified accounts. For those seeking a reliable stream of income from their IRAs in retirement, it is also an appropriate strategy.

**Sector Rotation:** The objective of this portfolio is long-term growth. There are 11 major sectors that make up the S&P 500. Depending upon economic & market conditions these sectors can and do perform differently. Technical analysis in the form of trend following, momentum, and relative strength are used to judge which sectors will be owned at any point in time. While tax-efficient exchange-traded funds (ETFs) are used to represent the 11 major sectors, occasional short-term trades make this portfolio more appropriate for qualified accounts such as IRAs.

**Tactical Balanced:** The objective of this portfolio is long-term growth and capital preservation. We refer to Tactical Balanced as "The S&P 500 on a dimmer switch". Tactical Balanced generally owns only 2 positions: An S&P 500 index fund, and a short term bond index fund. Technical analysis is used (trend following & momentum) to determine the allocation between these two investments. The allocation possibilities for Tactical Balanced are typically 80/20 stocks/bonds, 50/50 stocks/bonds, and 20/80 stocks/bonds. The model will always own some combination of stocks & bonds, but the allocation of those will change as long-term market conditions change. Because index funds are used and changes to allocations are only made when the analysis suggests a major change in market conditions, this portfolio is generally tax efficient and most often used in non-qualified accounts.

We strive to find a suitable mix of investments geared to provide clients with low-cost options, while not surrendering the potential for returns. We rely primarily on technical analyses, which means that we will review the past behaviors of the security and the markets in which it trades for signals as to what might happen in the future. We also base our conclusions on predominantly publicly available research, such as regulatory filings, press releases, competitor analyses, and in some cases research we receive from our custodian or other market analyses.

**Technical Analysis:** A security analysis methodology for forecasting the direction of prices through the study of past market data, primarily price. A primary principle of technical analysis is that a security's price reflects all relevant information, so their analysis looks at the history of a security's

trading pattern rather than external drivers such as economic, fundamental and news events. Therefore, price action tends to repeat itself due to investors collectively tending toward patterned behavior – hence technical analysis focuses on identifiable trends and conditions. Technical analysts also widely use market indicators of many sorts, some of which are mathematical transformations of price, often including up and down volume, advance/decline data and other inputs. These indicators are used to help assess whether an asset is trending, and if it is, the probability of its direction and of continuation. Technicians also look for relationships between price/volume indices and market indicators. Technical analysis employs models and trading rules based on price and volume transformations, such as the relative strength index, moving averages, regressions, inter-market and intra-market price correlations, business cycles, stock market cycles or, classically, through recognition of chart patterns. Technical analysis is widely used among traders and financial professionals and is very often used by active day traders, market makers and pit traders. The risk associated with this type of analysis is that analysts use subjective judgment to decide which pattern(s) a particular instrument reflects at a given time and what the interpretation of that pattern should be.

### Risk of Loss

There are always risks to investing. **Clients should be aware that all investments carry various types of risk including the potential loss of principal that clients should be prepared to bear.** It is impossible to name all possible types of risks. Among the risks are the following:

- **Political Risks.** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **General Market Risks.** Markets can, as a whole, go up or down 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. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.
- **Currency Risk.** When investing in another country using another currency, the changes in the value of the currency can change the value of your security value in your portfolio.
- **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.
- **Tax Risks Related to Short-Term Trading.** Clients should note that Kinloch Capital may engage in short-term trading transactions. These transactions may result in short-term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long-term strategies. Kinloch Capital endeavors to invest client assets in a tax efficient manner, but all clients are advised to consult with their tax professionals regarding the transactions in client accounts.
- **Purchasing Power Risk.** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.
- **Business Risk.** This can be thought of as certainty or uncertainty of income. Management comes under business risk. Cyclical companies (like automobile companies) have more business risk because of the less steady income stream. On the other hand, fast food chains tend to have steadier income streams and therefore, less business risk.
- **Financial Risk.** The amount of debt or leverage determines the financial risk of a company.
- **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.
- **Risks specific to private placements, sub-advisors, and other managers.** If we invest some of

your assets with another advisor, including a private placement, there are additional risks. These include risks that the other manager is not as qualified as we believe them to be, that the investments they use are not as liquid as we would normally use in your portfolio, or that their risk management guidelines are more liberal than we would normally employ.

- **Information Risk.** All investment professionals rely on research in order to make conclusions about investment options. This research is always a mix of both internal (proprietary) and external (provided by third parties) data and analyses. Even an adviser who says they rely solely on proprietary research must still collect data from third parties. This data, or outside research is chosen for its perceived reliability, but there is no guarantee that the data or research will be completely accurate. Failure in data accuracy or research will translate to a compromised ability by the adviser to reach satisfactory investment conclusions.

- **Small Companies.** Some investment opportunities in the marketplace involve smaller issuers. These companies may be starting up, or are historically small. While these companies sometimes have potential for outsized returns, they also have the potential for losses because the reasons the company is small are also risks to the company's future. For example, a company's management may lack experience, or the company's capital for growth may be restricted. These small companies also tend to trade less frequently than larger companies, which can add to the risks associated with their securities because the ability to sell them at an appropriate price may be limited as compared to the markets as a whole. Not only do these companies have investment risk, if a client is invested in such small companies and requests immediate or short-term liquidity, these securities may require a significant discount to value in order to be sold in a shorter time frame.

- **Concentration Risk.** While Kinloch Capital selects individual securities, including mutual funds, for client portfolios based on an individualized assessment of each security, this evaluation comes without an overlay of general economic or sector-specific issue analysis. This means that a client's equity portfolio may be concentrated in a specific sector, geography, or sub-sector (among other types of potential concentrations), so that if an unexpected event occurs that affects that specific sector or geography, for example, the client's equity portfolio may be affected negatively, including significant losses.

- **Transition Risk.** As assets are transitioned from a client's prior advisers to Kinloch Capital there may be securities and other investments that do not fit within the asset allocation strategy selected for the client. Accordingly, these investments will need to be sold in order to reposition the portfolio into the asset allocation strategy selected by Kinloch Capital. However, this transition process may take some time to accomplish. Some investments may not be unwound for a lengthy period of time for a variety of reasons that may include unwarranted low share prices, restrictions on trading, contractual restrictions on liquidity, or market-related liquidity concerns. In some cases, there may be securities or investments that are never able to be sold. The inability to transition a client's holdings into recommendations of Kinloch Capital may adversely affect the client's account values, as Kinloch Capital's recommendations may not be able to be fully implemented.

- **Restriction Risk.** Clients may at all times place reasonable restrictions on the management of their accounts. However, placing these restrictions may make managing the accounts more difficult, thus lowering the potential for returns.

- **Risks Related to Investment Term & Liquidity.** Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security is not an accurate measure of its value. If you require us to liquidate your portfolio during one of these periods, you will not realize as much value as you would have had the investment had the opportunity to regain its value. Further, some investments are made with the intention of the investment appreciating over an extended period of time. Liquidating these investments prior to their intended time horizon may result in losses.

- **REITs.** In very limited circumstances, Kinloch Capital may recommend that portions of client portfolios be allocated to real estate investment trusts, otherwise known as "REITs." A REIT is an entity, typically a trust or corporation, that accepts investments from a number of investors, pools the money, and then uses that money to invest in real estate through either actual property purchases or

mortgage loans. While there are some benefits to owning REITs, which include potential tax benefits, income, and the relatively low barrier to invest in real estate as compared to directly investing in real estate, REITs also have some increased risks as compared to more traditional investments such as stocks, bonds, and mutual funds. First, real estate investing can be highly volatile. Second, the specific REIT chosen may have a focus such as commercial real estate or real estate in a given location. Such investment focus can be beneficial if the properties are successful, but lose significant principal if the properties are not successful. REITs may also employ significant leverage for the purpose of purchasing more investments with fewer investment dollars, which can enhance returns but also enhances the risk of loss. The success of a REIT is highly dependent upon the manager of the REIT. Clients should ensure they understand the role of the REIT in their portfolio.

- **Options.** The use of options transactions as an investment strategy involves a high level of inherent risk. Although the intent of many of the options-related transactions implemented by Kinloch Capital is to hedge against principal risk, certain options-related strategies (i.e., straddles, short positions, etc.), may in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, clients may direct Kinloch Capital, in writing, not to employ any or all such strategies for his/her/their/its accounts. Clients participating in the Options Strategy should *carefully* consider all information regarding the strategy and its risks prior to participating.

- **Market Disruption, Health Crisis, Terrorism and Geopolitical Risk.** Investments are subject to the risk that war, terrorism, global health crises or similar pandemics, and other related geopolitical events increase short-term market volatility and may have adverse long-term effects on world economics and markets generally. These risks have previously led and may lead in the future to adverse effects on the value of client's investments.

## **ITEM 9: DISCIPLINARY INFORMATION**

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There are no disciplinary items to report.

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

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### **A. Broker-dealer**

Neither the principal of Kinloch Capital, nor any related persons are registered, or have an application pending to register, as a broker-dealer, or as an associated person of the foregoing entities.

### **B. Futures Commission Merchant/Commodity Trading Advisor**

Neither the principal of Kinloch Capital, nor any related persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

### **C. Relationship with Related Persons**

SmartHER, LLC is a wholly owned subsidiary of Kinloch Capital, LLC. SmartHER, LLC provides financial coaching, education, and budgeting assistance to individuals. SmartHER, LLC does not provide investment advice. Clients seeking investment advisory services must engage Kinloch Capital under a separate advisory agreement requiring an additional fee.

Jennifer Berdell, an investment adviser representative of Kinloch is separately licensed as an independent real estate agent. As such, Ms. Berdell may conduct real estate transactions or receive referral fees for clients, in her capacity as a licensed real estate agent, and will receive customary commissions for these transactions in addition to any compensation received in her capacity as an employee of Kinloch Capital, LLC. Commissions or referral fees from the sale of real estate will not be used to offset or as a credit against advisory fees. Ms. Berdell therefore has an incentive to recommend real estate investments or her services based on the compensation to be received, rather than on a client's needs. The receipt of additional revenue for real estate commissions is therefore a conflict of interest, and clients should be aware of this conflict when considering whether to engage Kinloch Capital, LLC or to utilize Ms. Berdell to implement any real estate recommendations. Kinloch Capital, LLC attempts to mitigate this conflict of interest by disclosing the conflict to clients, and informing the clients that they are always free to complete real estate transactions through other agents that are not affiliated with Kinloch Capital, LLC, or to determine not to complete such transactions at all. Kinloch Capital, LLC also attempts to mitigate the conflict of interest by requiring employees to acknowledge in the firm's Code of Ethics, their individual fiduciary duty to the clients of Kinloch Capital, LLC which requires that employees put the interests of clients ahead of their own. Any investment in real estate made through Ms. Berdell is not subject to ongoing investment management fees .

Peter Walls, Kinloch's managing member serves as the manager of Kincap Atrium, LLC, Kincap Manchester Park, LLC, KinCap Motorworks, LLC, KinCap1218-1220 W. Cary, LLC, KinCap Eddy, LLC, and KinCap JRHP 1322 W. Broad, LLC, KinCap Tuckahoe Holdings, LLC. Each of the aforementioned entities serves as a single purpose vehicle to make investments in real estate related private placements. As manager, Mr. Walls receives compensation for his services. In the context of any prospective client investment in these entities, there is a conflict of interest whereas Mr. Walls may have an incentive to recommend that clients purchase interests in them based on personal financial interests of Mr. Walls as opposed to Client's interests. Kinloch Capital, LLC requires all employees to acknowledge their fiduciary duty to each client, and requires that all investment recommendations have a sound basis for the recommendation. Accordingly, Clients are advised that such investments are limited to accredited investors and Kinloch Capital, LLC will not on a discretionary basis recommend or solicit an investment in such entities.

#### D. Recommendations of Other Advisers

Kinloch Capital does not currently recommend any third party managers..

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

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- A. A copy of our Code of Ethics is available upon request. Our Code of Ethics includes discussions of our fiduciary duty to clients, political contributions, gifts, entertainment, and trading guidelines.
- B. Affiliates of Kinloch Capital may on a non-discretionary basis introduce certain clients to investments in securities in which a principal of Kinloch Capital has a financial interest. Such an introduction would be subject to disclosure of the conflict of interest created thereof and no investment would be made without the client's acknowledgement of an understanding of the risks.
- C. On occasion, an employee of Kinloch Capital may purchase for his or her own account

securities which are also recommended for clients. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades are reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.

D. On occasion, an employee of Kinloch Capital may purchase for his or her own account securities which are also recommended for clients at the same time the clients purchase the securities. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades are reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.

## **ITEM 12: BROKERAGE PRACTICES**

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### **A. Recommendation of Broker-Dealer**

Kinloch Capital does not maintain custody of client assets, though Kinloch Capital may be deemed to have custody if a client grants Kinloch Capital authority to debit fees directly from their account (see Item 15 below). Assets will be held with a qualified custodian, which is typically a bank or broker-dealer. Kinloch Capital recommends that investment accounts be held in custody by Schwab which is a qualified custodian. Kinloch Capital is independently owned and operated and is not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when Kinloch Capital instructs them to, which Kinloch Capital does in accordance with its agreement with you. While Kinloch Capital recommends that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. Kinloch Capital does not open the account for you, although Kinloch Capital may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see "Your brokerage and custody costs").

How we select brokers/custodians

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including both quantitative (Ex: costs) and qualitative (execution, reputation, service) factors. We do not consider whether Schwab or any other broker-dealer/custodian, refers clients to Kinloch Capital as part of our evaluation of these broker-dealers.

### **Your brokerage and custody costs**

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. In addition to commissions, Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading

costs, we have Schwab execute most trades for your account. Kinloch Capital places trades for its clients' accounts subject to its duty to seek best execution and its other fiduciary duties. Kinloch Capital may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients so that Kinloch Capital is more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than other broker-dealers. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "How we select brokers/custodians").

### **Products and services available to us from Schwab**

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like Kinloch Capital. They provide Kinloch Capital and our clients with access to its institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help Kinloch Capital manage or administer our clients' accounts, while others help Kinloch Capital manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to Kinloch Capital. Following is a more detailed description of Schwab's support services:

#### *Services that benefit you*

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

#### *Services that may not directly benefit you.*

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

#### *Services that generally benefit only us.*

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs



- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Charles Schwab & Co., Inc. has provided a loan to Kinloch Capital to assist its business operations, and the loan is guaranteed by Peter Walls, managing member of Kinloch Capital. The terms of the loan require that management fees to Kinloch Capital be paid to an account at Schwab for deduction of interest and principal payments on the loan before Kinloch Capital may access such management fees. The loan agreement contains various representations and covenants by Kinloch Capital, including, among others, that Kinloch Capital will maintain at least \$80,000,000.00 in end client net assets held at Schwab ("Assets Under Management at Schwab"), and that Kinloch Capital will comply with all applicable laws, regulations, and agreements, and obtain all necessary licenses, consents and permits. Upon the occurrence and during the continuance of an event of default under the loan agreement, Schwab may terminate and/or accelerate the loan, which may have a material adverse effect on Kinloch Capital's ability to perform services for you.

#### **Our interest in Schwab's services**

Some of the products, services and other benefits provided by Schwab, including the loan noted above, benefit Kinloch Capital and may not benefit Kinloch Capital's client accounts. Kinloch Capital's recommendation or requirement that a client place assets in Schwab's custody may be based in part on benefits Schwab provides to Kinloch Capital, or Kinloch Capital's agreement to maintain certain Assets Under Management at Schwab, and not solely on the nature, cost or quality of custody and execution services provided by Schwab. The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. We may have an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How we select brokers/ custodians") and not Schwab's services that benefit only us.

We do not consider whether Schwab or any other broker-dealer/custodian, refers clients to Kinloch Capital as part of our evaluation of these broker-dealers.

#### **B. Aggregating Trades**

Commission costs per client (if applicable) may be lower on a particular trade if all clients in whose accounts the trade is to be made are executed at the same time. This is called aggregating trades. Instead of placing a number of trades for the same security for each account, we will, when appropriate, executed one trade for all accounts and then allocate the trades to each account after execution. If an aggregate trade is not fully executed, the securities will be allocated to client accounts on a *pro rata* basis, except where doing so would create an unintended adverse consequence (For example, if a *pro rata* division would result in a client receiving a fraction of a share, or a position in the account of less than 1%.)

### **ITEM 13: REVIEW OF ACCOUNTS**

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All accounts and corresponding financial plans will be managed on an ongoing basis, with formal reviews with the client on at least an annual basis by the client's assigned investment adviser representative. However, it is expected that market conditions, changes in a particular client's account, or changes to a client's circumstances will trigger a review of accounts.

All clients will receive statements and confirmations of trades directly from Schwab. Please refer to Item 15 regarding Custody.

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

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A. Economic Benefit Provided by Third Parties for Advice Rendered to Client.

*Please refer to Item 12, where we discuss recommendation of Broker-Dealers.*

B. Compensation to Non-Advisory Personnel for Client Referrals.

Kinloch Capital does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

### **ITEM 15: CUSTODY**

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There are multiple avenues through which Kinloch Capital has custody of client funds; by directly debiting its fees from client accounts pursuant to applicable agreements granting such right, by clients investing in an affiliated entity, and potentially by permitting clients to issue standing letters of authorization ("SLOAs"). SLOAs permit a client to issue one document that directs Kinloch Capital to make distributions out of the client's account(s). Clients will receive statements directly from Schwab, and copies of all trade confirmations directly from Schwab. Clients whose fees are directly debited will provide written authorization to debit advisory fees from their accounts held by the qualified custodian. Each month, the client will receive a statement from their account custodian showing all transactions in their account, including the fee. We encourage clients to carefully review the statements and confirmations sent to them by their custodian, and to compare the information on reports prepared by Kinloch Capital against the information in the statements provided directly from the custodian. Please alert us of any discrepancies.

In addition to the account custodian's custody procedures, clients issuing SLOAs will be requested to confirm, in writing, that the accounts to which funds are distributed are parties unrelated to Kinloch Capital or Schwab.

Kinloch Capital has custody of the assets of certain single purpose investment entities through its Managing Member who is a Manager of the entities as well. Such entities are subject to an annual audit by a PCAOB registered accounting firm.

### **ITEM 16: INVESTMENT DISCRETION**

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When Kinloch Capital is engaged to provide asset management services on a discretionary basis, we

will monitor your accounts to ensure that they are in line with the overall strategy being applied to your account. If any changes are needed to your investments, we will make the changes. These changes may involve selling a security or group of investments and buying others or keeping the proceeds in cash. You may at any time place restrictions on the types of investments we may use on your behalf, or on the allocations to each security type. You may receive at your request written or electronic confirmations from your account custodian after any changes are made to your account. You will also receive monthly statements from your account custodian. Clients engaging us on a discretionary basis will be asked to execute a Limited Power of Attorney (granting us the discretionary authority over the client accounts) as well as an Investment Management Agreement that outlines the responsibilities of both the client and Kinloch Capital.

#### **ITEM 17: VOTING CLIENT SECURITIES**

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From time to time, shareholders of stocks, mutual funds, exchange traded funds or other securities may be permitted to vote on various types of corporate actions. Examples of these actions include mergers, tender offers, or board elections. Clients are required to vote proxies related to their investments, or to choose not to vote their proxies. Kinloch Capital will not accept authority to vote client securities. Clients will receive their proxies directly from the custodian for the client account. Kinloch Capital will not give clients advice on how to vote proxies.

#### **ITEM 18: FINANCIAL INFORMATION**

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Kinloch Capital does not require the prepayment of fees of \$1,200 or more, more than six (6) months or more in advance and therefore has not provided a balance sheet with this brochure.

There are no material financial circumstances or conditions that would reasonably be expected to impair our ability to meet our contractual obligations to our clients.