



Knight Nguyen Investments  
10101 Southwest Freeway, Suite 400  
Houston, Texas 77074

Phone: (888) 894-3878  
Fax: (713) 599-1811

[www.knightinvestments.org](http://www.knightinvestments.org)

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

This Brochure provides information about the qualifications and business practices of Knight Nguyen Investments, a Texas General Partnership. If you have any questions about the contents of this Brochure, please contact us at 888-894-3878. 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.

As of the date of this Brochure, Knight Nguyen Investments is seeking registration as an Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you can determine to hire or retain an adviser.

Additional information about Knight Nguyen Investments is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Knight Nguyen Investments is 198517.

Brochure prepared on February 13, 2017



## Item 2 – Material Changes

The changes made to this Brochure since the filing of our last annual amendment on February 22, 2016 include updating the assets under management information in Item 4; and to indicate in Item 15 that the firm will have custody over some of its client funds and securities. The firm has engaged a Certified Public Accountant to perform an annual surprise exam of those client funds and securities. Also, Item 10 has been amended to remove Zoom Nguyen as a licensed insurance agent and to now include Forrest Jones as a licensed insurance agent.

Currently, our Brochure may be requested by our office at 888-894-3878 or [info@knightinvestments.org](mailto:info@knightinvestments.org). Our Brochure is also available on our website [www.knightinvestments.org](http://www.knightinvestments.org) free of charge.

Additional information about Knight Nguyen Investments is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Knight Nguyen Investments who are registered, or are required to be registered, as investment adviser representatives of Knight Nguyen Investments.



## Table of Contents

Item 2 – Material Changes .....	2
Table of Contents .....	3
Item 4 - Advisory Business .....	4
Item 6 - Performance-Based Fees and Side-By-Side Management.....	8
Item 7 - Types of Clients .....	8
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9 - Disciplinary Information .....	14
Item 10 - Other Financial Industry Activities and Affiliations.....	15
Item 11 - Code of Ethics .....	16
Item 12 - Brokerage Practices .....	17
Item 13 - Review of Accounts.....	20
Item 14 - Client Referrals and Other Compensation .....	22
Item 15 - Custody .....	22
Item 16 - Investment Discretion.....	22
Item 17 - Voting Client Securities .....	22
Item 18 - Financial Information .....	24



#### **Item 4 - Advisory Business**

Knight Nguyen Investments (“Knight Nguyen,” “the Firm,” “our,” or “we”) is an independent investment management firm that provides investment advice and portfolio management services, on a continuing basis, including the appropriate allocation of managed assets among cash, bonds, stocks, exchange-traded funds, and mutual funds with the selection of specific securities which will provide proper diversification and help meet the client's stated investment objectives. Knight Nguyen Investments is a General Partnership owned by Christopher Knight Lopez. Christopher Knight Lopez and Forrest Jones are the investment advisor representatives of the Firm. The General Partnership was formed in November 2014 to provide investment advice and portfolio management services that take advantage of various capital preservation strategies.

Though Knight Nguyen provides investment advice regarding all types of securities, our focus is on building client portfolios through asset protection structures. We devote over seventy five (75) percent (%) of our business solely to rendering investment advice as it pertains to comprehensive financial planning for asset protection.

In addition to investment advisory services, we also provide targeted financial advisory services on an as-needed basis. The financial advisory services include, but are not limited to, cash flow planning; retirement needs analysis, tax-efficient distribution strategies, gift and estate planning, employee benefits planning, insurance (life, disability, health, long term care) and annuity reviews, and education planning.

Consulting services may be focused on particular investment and financial advisory issues. We may undertake but not limited to:

- Declaration of Trust / Deed of Trust Compilation
- Onshore / Offshore Business Entity Formation
- Appointment of Onshore / Offshore Trustee
- Onshore / Offshore Trust Registry Registration
- Onshore / Offshore Business Entity Share Conveyance Contracts
- Trust Advisory Agreements
- Mandatory Declaration Agreements for US Citizens & US Tax Payers having offshore trusts
- Documentation Disclosure Requirements pertaining to US Treasury and Department of Internal Revenue Service (IRS) offshore holdings for US Citizens & US Tax Payers.

As of December 31, 2016 Knight Nguyen has assets under management as follows:

Discretionary:               \$103,154,142



Non-Discretionary:     \$ 182,967,555

As a comprehensive financial planning firm we are primarily geared towards constructing asset protection structures for our clients. If we elect to manage client assets, all of our assets will be managed on a discretionary basis.

#### ***Wrap Account Management***

We do not participate in wrap account management programs.

#### **Item 5 - Fees and Compensation**

The specific manner in which fees are charged by Knight Nguyen is established in a client's written agreement. The annual fee for investment advisory services will be charged as a percentage of assets under management according to the schedule below. These fees are negotiable, at the sole discretion of the Advisor.

Assets Under Management	Annual Fee
First \$49,999	2.25%
Next \$50,000 - \$99,999	2.00%
Next \$100,000 - \$499,999	1.75%
Next \$500,000 – \$999,999	1.50%
Next \$1,000,000 – \$2,999,999	1.25%
Next \$3,000,000 – \$4,999,999	1.15%
Next \$5,000,000 – \$9,999,999	1.00%
Next \$10,000,000 – \$19,999,999	0.75%
Over \$20 million	0.65%

Our fees are payable quarterly, in advance, within thirty (30) days following the beginning of the quarter for which said fees will be incurred. The Investment Advisory Fee will be based upon the average market value of the assets under management in the client account calculated on the first business day of the upcoming calendar quarter. Our clients authorize the account custodian to debit their client account for the amount of our investment advisory fee. At the inception of the relationship and each quarter thereafter, we will notify your custodian of the



amount of the fee due and payable to us through our fee schedule and contract. The custodian does not validate or check our fee, its calculation or the assets on which the fee is based. They will “deduct” the fee from your account(s) or, if you have more than one account, from the account you have designated to pay our advisory fees. In limited situations we may provide an alternate payment method.

Clients with more than one account may also incur a separately calculated Administration Fee. Such fees shall be deducted from the Account(s) five (5) business days after the quarterly invoice is mailed to the Client. The annual Administration Fee is \$250 for each additional account. (Advisor waives any portion of this fee that would cause a client’s total investment management fee to exceed 1.0% per annum.)

Each month, you will receive a statement directly from your custodian showing all transactions, positions and credits / debits into or from your account; the statements after the quarter-end will reflect these transactions, including the advisory fee paid by you to us.

Management fees shall be prorated for capital contributions made during the applicable calendar quarter (with the exception of de minimis contributions). Accounts opened in mid-quarter will be assessed at a pro-rated management fee.

Certain clients of Knight Nguyen with pre-existing relationships may initially be charged fees which are more or less than those set out above. With regards to employee-related accounts and certain other accounts, the quarterly fees may be less, depending upon a number of factors, including portfolio size, length of employment and relationship to the employee.

### ***Additional Fees and Expenses***

Advisory fees payable to us do not include all the fees you will pay when we purchase or sell securities for your account(s). The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your account(s) under our management. We do not receive, directly or indirectly, any of these fees charged to you. They are paid to your broker, custodian or the mutual fund or other investment you hold. These fees may include brokerage commissions, transaction fees, exchange fees, SEC fees, advisory fees and administrative fees charged by Mutual Funds (MF), Exchange Traded Funds (ETFs), Money Markets, or Money Market Mutual Funds, custodial fees, deferred sales charges (on MF or annuities), early redemption fees (charged by MFs), transfer taxes, wire transfer and electronic fund processing fees, and commissions or mark-ups / mark-downs on security transactions.



*Consulting Services.* In most instances, a client will request services that are above and beyond the usual financial advisory services. As a comprehensive financial planning firm we will be focused usually on designing asset protection structures. Consulting services and fees will be agreed to in advance by the Firm and the client. Fees for these consulting services will usually be billed on an hourly basis at rates ranging from \$100/hour to \$400/hour. Hourly fee-based clients are billed on a monthly basis upon completion of work performed. Consulting services may be focused on particular investment and financial advisory issues. We may undertake but not limited to:

- Declaration of Trust / Deed of Trust Compilation
- Onshore / Offshore Business Entity Formation
- Appointment of Onshore / Offshore Trustee
- Onshore / Offshore Trust Registry Registration
- Onshore / Offshore Business Entity Share Conveyance Contracts
- Trust Advisory Agreements
- Mandatory Declaration Agreements for US Citizens & US Tax Payers having offshore trusts
- Documentation Disclosure Requirements pertaining to US Treasury and Department of Internal Revenue Service (IRS) offshore holdings for US Citizens & US Tax Payers.

*Certain Fixed Fee Arrangements.* In addition to standard hourly rates for our consulting services we may require a fixed fee payment. This fixed fee will vary on the type of financial plan you require. This fixed fee will also vary depending on the jurisdiction of your asset protection that is selected. We will disclose all fees prior to engagement but for asset protection & trust formation these fees will typically range from \$5,000 – \$25,000 depending on the complexity of your individual issues. Fixed fee-based clients are billed one half of the fee at the time of signing the Agreement with the Firm and the other one half upon completion of the project. If the final fee is not paid by the client at the completion of the project, the client is required to pay the fee within 5 days of the completion date. If the client terminates the Agreement with the Firm prior to our completion of the project, any fees due the Firm will be invoiced to the client and payable within 5 days of delivery of the invoice. If we complete the project in less time than originally planned, we will refund to the client a pro-rata share of the fee the client paid. The Firm will refund the pro-rata fee to the client within 5 days of completion of the project. In no instance will Knight Nguyen take 6 months or longer to complete a project for the client.

*Termination of Investment Management Services.* A client may terminate an agreement with us at any time upon



30 days written notice. The Firm is not under any obligation to repay any portion of the fees paid by the Client prior to the termination of this agreement. However, fees paid in advance will be prorated to the date of termination and any excess will be refunded to the Client.

*Termination of Consulting Services.* Consulting services may be immediately terminated upon written notice by either party.

For each of the Advisor's services described above, the Client may terminate these services within five business days of the effective date of an Agreement signed with the Advisor without any penalty to the Client. Thereafter, the termination policy mentioned above for each service will apply.

Knight Nguyen or its management person does not receive compensation for the sale of securities.

See Item 12 Brokerage Practices for further information of brokerage and transaction costs.

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

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) or side-by-side management fees.

## **Item 7 - Types of Clients**

We provide our services to a number of Clients.

Individuals, including high net worth individuals Trusts and estates

Endowments, foundations, and other charitable organizations Partnerships and other business entities

Pension and profit sharing plans

The minimum initial investment is \$25,000 for management of accounts. The minimum assets needed for comprehensive financial planning involving trust protection is \$200,000. Fees and account sizes are subject to negotiation and may differ based on a number of factors. These factors may include the amount of assets and the number and range of supplemental advisory and client-related services.

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

---

**Texas Office** No. 888-894-3878|Web [www.knightinvestments.org](http://www.knightinvestments.org)|Email [info@knightinvestments.org](mailto:info@knightinvestments.org)  
1010 Southwest Freeway, Suite 400, Houston, Texas 77074 United States

Page 8





### *Methods of Analysis*

Knight Nguyen understands that investing in securities involves risk of loss that clients should be prepared to bear. At the same time, we utilize methods of security analysis which are attentive to risk factors that may impact the value of a security.

Research information is generated both internally and obtained from external sources. We carefully study this information and subject it to numerous quantitative and qualitative considerations. Our Chief Investment Officer manages the research and analysis function.

Below is a partial listing of external research sources we may utilize.

- Prospectuses and filings with the Securities and Exchange Commission including annual reports, 10Ks and 10Qs
- Corporate rating services
- Research materials prepared by others
- Company earnings announcements, news releases and websites Financial newspapers, magazines and industry publications
- Analyst conference calls
- Government and economic reports

Our primary method of analysis is fundamental which is supplemented on a limited basis with technical analysis techniques. Subsequent to a comprehensive research and analysis process, securities are presented to our Investment Committee (IC), which meets as often as necessary. During these meetings securities are subjected to further examination. The IC meetings include detailed discussions and presentations related to current economic, political, sector, industry, and company-specific issues. The IC determines the securities considered appropriate for inclusion in a client's portfolio.

Following is a description of fundamental and technical security analysis methods.

### *Fundamental Analysis*

Knight Nguyen employs a comprehensive, fundamental approach to security analysis. Fundamental analysis involves a bottom-up assessment of a company's potential for success in light of many factors including its financial condition, earnings outlook, strategy, management, industry position, and economic and market conditions. A primary objective of fundamental analysis is to determine a reasoned value for a security that can be



compared with its current market price. A decision to buy, sell or hold a particular security in a client's portfolio is directly influenced by our expectations of how fundamental factors are anticipated to impact its long-term valuation. Under this approach we routinely examine a company's financial statements and concurrently consider the impact that prevailing economic, political, and industry circumstances may have on its future value. After researching and analyzing relevant fundamental information, we develop an initial judgment of a security's investment potential.

### ***Technical Analysis***

Technical security analysis concentrates on historical trends and their relationships among and between various quantitative measures. These variables are typically displayed in charts and graphs and studied to determine if a particular pattern may be repeating, ongoing or non-existent. Minimal attention is given to a company's present earnings, strategy, products, services or other pertinent qualitative issues. In sum, this is a data, statistical, or quantitative only approach to security analysis. Examples of technical analysis factors include, but are not limited to, market trading volume, price levels, and price movements. Knight Nguyen employs technical security analysis on a limited basis and as a supplement to fundamental security analysis discussed above.

### ***Investment Strategies***

Knight Nguyen employs an investment philosophy emphasizing portfolio management that is custom tailored to the needs of each client. We begin the investment process by carefully listening to the client and gaining a thorough understanding of the client's unique goals, risk tolerance, time horizon, and other circumstances. We then determine an appropriate investment strategy for the client based on those understandings. For institutional clients this would be memorialized in the investment policy statement. Furthermore, customizing the portfolio takes into consideration individual client preferences such as social investing, concentrated positions, existing holdings, taxes, and other considerations.

The investment strategy provides a framework for determining the asset allocation that properly balances risk and reward over a long-term time horizon. Asset allocation is the relative mix of cash, fixed income and equity securities suitable for a client's investment portfolio. Knight Nguyen believes investment risk is lessened when a portfolio is diversified. Diversification is a disciplined long-term investment strategy that helps prevent overexposure to asset classes or specific securities or identify a fitting time when exposure to an undervalued asset class or security may be present. We combine asset allocation with diversification to ensure a client's portfolio will be managed in a prudent manner. We then implement the strategy to achieve the client's investment objectives. Although strategies may be changed if necessary, adhering to the asset allocation over the determined time horizon seeks to provide enhanced portfolio returns with reduced volatility.



We use a dynamic and disciplined investment approach in selecting individual equity and fixed income securities. This approach allows for greater flexibility, greater efficiencies, and lower expenses. In general, Knight Nguyen does not utilize mutual funds to avoid inefficiencies and additional layers of fees. If it is determined after consultation with a Client that mutual funds are the most appropriate choice than Knight Nguyen may recommend the purchase of these securities.

Our security selection process seeks to maximize growth while remaining within the risk tolerance level of each client. Capital preservation, however, is also an important consideration of our investment philosophy. We believe it is inappropriate to take unwarranted risk in both portfolio structure and individual securities. Portfolio turnover is minimal; however, we continuously review investment alternatives and implement changes when more appealing and suitable opportunities become available to maximize total return.

As appropriate, we will invest in public companies that are expected to benefit from movements in commodity prices without exposing a portfolio to the volatility of derivatives that is inherent with futures and options contracts. We may also invest in real estate via publicly traded real estate investment trusts (REITs). We believe these non-traditional asset classes further diversify the portfolio and reduce risk. In both cases, we select highly liquid investments.

We do periodically review opportunities for investment into Small Partnership Offerings (SCOR), Rule 147 Offerings, and Regulation A Offerings. These offerings are public offerings that carry certain exemptions with being listed on nationally recognized exchanges. The objective of these smaller offerings is to review smaller companies that may be willing to pay a higher fixed income dividend or bond coupons. By allocating a responsible portion to this asset class it may provide a more aggressive return for investors.

We will also review Direct Participation Programs (DPP) and Private Placements Memorandums (PPM) that are done in compliance with the appropriate State Securities & Federal Securities Laws. These types of investments will always be centered on real estate opportunities that are judged to be legally sound by outside legal parties. Knight Nguyen will require attorney opinion letters on each Private Placement Memorandum opportunity or Direct Participation Program opportunity.

All of these programs are heavily scrutinized by our IC and done in conjunction with legal firms to ensure proper due diligence. These securities also carry a higher inherent risk of loss than conventional securities. We do not allocate any more than twenty percent of all available funds into these opportunities (in principle). In some cases



we will not allocate any investment into these asset classes if it is determined that these are not suitable investments for our clients.

### ***Fixed Income - Principal Investment Strategy***

Client assets allocated to fixed income securities are primarily invested in a diversified portfolio of publicly traded corporate bonds, government securities, agency securities and municipal bonds. Fixed income investments are managed to generate income as well as add stability to our clients' portfolios with the key focus being safety. A substantial majority of fixed income investments are in domestic corporate securities rated investment-grade or better at the time of purchase by Standard and Poor's or Moody's. We tend to favor the allocation of a responsible portion to non rated bonds and or unrated preferred equities in order to achieve a better fixed payment rate than the market offers. Investment-grade securities include all types of fixed income debt instruments that are considered to be of medium or higher quality. Diversification is enhanced by investing in a variety of issuers, in different sectors and industries. To lessen the impact of changing interest rates and inflation, portfolios are comprised of holdings having assorted maturity dates usually ranging from 1 to 10 years. We plan to hold bonds until maturity, which results in lower turnover and costs to our clients and a more predictable income stream. We continually monitor our fixed income holdings, interest rates and market conditions for circumstances which may require an action prior to a bond's maturity.

### ***Description of Principal Security Types***

Equity securities represent an ownership interest, or the right to acquire an ownership interest, in an issuer. Different types of equity securities provide different voting and dividend rights and priority in the event of the bankruptcy of the issuer. Equity securities include common stocks, preferred stocks, convertible securities, and warrants. Equity investments in client portfolios are substantially in common stocks.

Fixed income (debt) securities are used by issuers to borrow money. The issuer usually pays a fixed, variable, or floating rate of interest, and must repay the amount borrowed, usually at the maturity of the security. Some debt securities, such as zero coupon bonds, do not pay current interest but are sold at a discount from their face values. Fixed income securities include corporate bonds, government securities, mortgage and other asset-backed securities.

### ***Risk of Loss***

Investing in securities involves risk of loss that clients should be prepared to bear. Security markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory,



market, or economic developments. When securities are sold they may be worth more or less than what they were purchased for, which means that you could lose money. If you have any portion of your money invested into non rated bonds or equities there may be no secondary market; this means you may not be able to sell it when you want to. This is especially important if you have any of your money invested into private offerings or small partnership offerings. These types of securities may never develop a secondary market and you may be required to hold your security for an indefinite amount of time. Small partnership offerings and private offerings should always be viewed as speculative that may yield better than market returns but may yield none or a complete loss.

In the normal course of managing client equity and fixed income portfolios, Knight Nguyen does not:

1. buy or sell futures or options contracts,
2. conduct short-selling trading activities,
3. utilize market timing strategies,
4. directly own commodities, precious metals or natural resources, or
5. use any leveraging methods.

### ***Principal Investment Risks***

Many factors affect portfolio performance. Portfolio values change daily based on changes in market conditions and interest rates and in response to other economic, political, or financial developments. A portfolio's reaction to these events will be influenced by the types of securities it holds, the issuer's underlying financial condition, industry and economic sector matters along with the geographic location of an issuer, and the relative level of an investment in the securities. The following factors can significantly affect a portfolio's performance.

*Market Volatility:* The value of equity and fixed income securities fluctuate in response to issuer, political, market, and economic developments. Fluctuations can be acute over the short as well as long term. Several parts of the market and different types of securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Events can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. The financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. In small offerings or private offerings a significant downturn in the market may mean that there may be little to no marketability of that type of security.

*Interest Rate Changes:* Fixed income (debt) securities have varying levels of sensitivity to changes in interest



rates. In general, the price of a debt security can fall when interest rates rise and can rise when interest rates fall. Securities with longer maturities and mortgage securities can be more sensitive to interest rate changes.

*Foreign Exposure:* Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

*Issuer-Specific Change:* Changes in the financial condition of an issuer, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer, which can affect a security's or instrument's credit quality or value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Lower-quality debt securities (those of less than investment-grade quality) and certain types of other securities tend to be particularly sensitive to these changes.

## **Item 9 - Disciplinary Information**

Clients should be aware that Knight Nguyen has not had any legal or disciplinary events, currently or in the past. The Firm's management person was named in a civil complaint, docket #6:15-CV-00205-ACC-TBS only as a result of employment with another firm. The matter is now settled under a confidentially agreements. Any client questions should be directed to Mr. Christopher Lopez.

Forrest Jones was named in a civil complaint, as a result of employment with another firm. The nature of the civil complaint did not relate to investments or investment advice in any way. A civil judgment / lien of \$550 was levied against Mr. Jones. The judgment of \$550 has been satisfied by Mr. Jones. Mr. Jones also settled a financial obligation under a Direct Payment Procedure as a form of compromise. The matter is now settled under a confidentially agreements. Any client questions should be directed to Mr. Forrest Jones.



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

Knight Nguyen is not a broker-dealer nor is its management person a registered representative of a broker-dealer.

Knight Nguyen does not have an application pending as a futures commission merchant, commodity pool operator or a commodity trading advisor, or as an associated person of the foregoing entities.

Knight Nguyen does have personnel that are in partnership with a Master Financial Planner (MFP) as designated by the American Academy of Finance Management. The scope of this partnership is specifically to trust creation with a focus on Irrevocable Life Insurance Trusts (ILIT). The relationship is with a Texas General Partnership called Knight Advisory & Planning in which the principal partners, including Christopher Knight Lopez are equal partners. Mr. Lopez is the owner of Knight Nguyen Investments. To the extent clients of Knight Nguyen are solicited for services of Knight Advisory & Planning, a conflict of interest exists as Mr. Lopez may receive compensation from his interest in both entities. To mitigate this conflict, clients are made aware of the fees associated with the services of Knight Advisory & Planning in advance of services being rendered.

Christopher Knight Lopez sits on the Board of Trustees for Knight Investments. Knight Investments is a family trust. Advisory clients of Knight Nguyen are not solicited for investment or services related to this entity. Therefore, no conflict of interest exists. Mr. Lopez spends approximately 6 hours per week, on activities related to the trust.

Forrest Jones is also licensed and registered as an insurance agent to sell life, accident and other lines of insurance for various insurance companies. Therefore, he will be able to purchase insurance products for any client in need of such services and will receive separate, yet typical compensation in the form of commissions for the purchase of insurance products. This creates a conflict of interest. A conflict of interest exists because of the receipt of additional compensation by Mr. Jones. Clients are not obligated to use Knight Nguyen or Mr. Jones for insurance products services. However, in such instances, there is no advisory fee associated with these insurance products. Mr. Jones is also the owner of Grace Wealth Advisory. Therefore, he will be able to offer consulting plan products for any client in need of such services and will receive separate, yet typical compensation in the form of standard consultation for non securities and investment advice related activities. This creates a conflict of interest. A conflict of interest exists because of the receipt of additional compensation by Mr. Jones. Clients are not





obligated to use Grace Wealth Advisory or Mr. Jones for consultation products services. However, in such instances, there is no advisory fee associated with these consultation products. Grace Wealth Advisory is not a registered investment advisor firm.

## **Item 11 - Code of Ethics**

Knight Nguyen has adopted a Code of Ethics for all supervised persons of the Firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Knight Nguyen must acknowledge the terms of the Code of Ethics annually, or as amended.

Knight Nguyen anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Knight Nguyen has management authority to effect, and may recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Knight Nguyen, its affiliates and/or clients, directly or indirectly, may have a position of interest. Knight Nguyen's employees and persons associated with Knight Nguyen are required to follow the Firm's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Knight Nguyen and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for the Firm's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Knight Nguyen will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Knight Nguyen's clients. In addition, the Code requires pre-clearance of many transactions and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Knight Nguyen and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Knight Nguyen's obligation of best execution. Knight Nguyen will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the





aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially-filled orders will be allocated on a pro-rata basis. Any exceptions will be documented.

It is Knight Nguyen's policy that the Firm will not affect any principal transactions for client accounts. Knight Nguyen will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client.

Knight Nguyen's clients or prospective clients may request a copy of the Firm's Code of Ethics by contacting the Firm.

## **Item 12 - Brokerage Practices**

We will supervise and direct the investments of the client accounts subject to such limitations as the client may impose in writing. Knight Nguyen, with respect to the client's account and without prior consultation with the client, may (a) direct the purchase, sale, exchange, conversion, and otherwise trade in stocks, bonds and other securities including money market instruments, (b) direct the amount of securities purchased, sold, exchanged, and otherwise traded; and (c) place orders for the execution of such securities transactions.

All client assets are held by third-party custodians. Knight Nguyen may suggest brokers or dealers to be used based on execution and custodial services offered, cost, quality of service and industry reputation. We will consider factors such as commission price, speed and quality of execution, client management tools, and convenience of access for both the Advisor and client in making its suggestion.

When we determine suitability for clients willing to allocate a portion of their investment to small offerings, and private placements we typically recommend ELP Global PLLC to retain custody. ELP Global PLLC is a full service law firm providing custodial account arrangements on small offerings and private placements as it pertains to suitability of real estate investments.

Prospective clients are hereby advised that lower brokerage fees and/or custodial fees for comparable services may be available from other sources. We have a duty to get best execution for our clients. Best execution is not only brokerage fees, but also involves price improvement and speed of execution. We periodically review our transaction costs in light of current market circumstances, available published statistical analysis as well as other relevant information. The duty of best execution is not eliminated by our prior participation or experience with



any of the above.

#### ***Research Services/Soft Dollars***

Knight Nguyen may receive proprietary research services or other products as a result of recommending a particular broker which may result in the client paying higher commissions than those obtainable through other brokers. If the Firm does receive such products or services, it will follow procedures which ensure compliance with Section 28(e) of the Securities Exchange Act of 1934 or applicable state securities rules.

The Firm seeks to obtain the most favorable net results for clients' price, execution quality, services and commissions. Although the Firm seeks competitive commission rates, it may pay commissions on behalf of clients which may be higher than those available from other brokers in order to receive other services. The Firm may enter into such transactions so long as it determines in good faith that the amount of commission paid was reasonable in relation to the value of the brokerage and research services provided by the broker. The services that may be considered in this determination of reasonableness may include (1) advice, either directly or through publications or writing, as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; (2) analysis and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; or (3) effecting securities transactions and performing functions incidental thereto. Such research furnished by broker-dealers may be used to service any or all of Knight Nguyen's clients and may be used in connection with accounts other than those that pay commissions to the broker-dealers providing the research. In particular, third-party research provided by broker-dealers may be used to benefit all of the firm's clients. This creates a conflict of interest in that the firm has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the clients' interest in receiving most favorable execution.

#### ***Brokerage for Client Referrals***

Knight Nguyen does not receive client referrals from any broker-dealer or third party as a result of the Firm selecting or recommending that broker-dealer to clients.

#### ***Directed Brokerage***

Knight Nguyen recommends that all clients use a particular broker-dealer for execution and/or custodial services. The broker-dealer is recommended based on criteria such as, but not limited to, reasonableness of commissions



charged to the client, tools and services made available to the client and the Firm, and convenience of access to the account trading and reporting. The client will provide authority to Knight Nguyen to direct all transactions through that broker-dealer in the investment advisory agreement.

With regard to client-directed brokerage, we are required to disclose that we may be unable to negotiate commissions, block or batch client orders or otherwise achieve the benefits described above, including best execution, if you limit our brokerage discretion. Directed brokerage commission rates may be higher than the rates we might pay for transactions in non-directed accounts. Also, clients that restrict our brokerage discretion may be disadvantaged in obtaining allocations of new issues of securities that we purchase or recommend for purchase in other clients' accounts. It is our policy that such accounts not participate in allocations of new issues of securities obtained through brokers and dealers other than those designated by the client. As a general rule, we encourage each client to compare the possible costs or disadvantages of directed brokerage against the value of the custodial or other services provided by the broker to the client in exchange for the directed broker designation.

#### *Allocation of Investment Opportunities and Orders*

We have adopted the following policies and procedures related to the fair allocation of investment opportunities. These policies are designed to help ensure that each client receives fair and equitable treatment in the investment process.

Investment ideas are equally disseminated among all appropriate investment professionals responsible for selecting investments.

Transactions in the same security on behalf of more than one client are aggregated, when possible, to facilitate best execution. This results in all clients within the aggregate receiving the same average share price on the transaction.

When orders cannot be aggregated, we employ a trading process that is fair among all clients, regardless of size.

IPOs are only allocated to accounts when the issuer meets the investment objectives of participating accounts as well as a review process for allocations.

We do not short sell securities.

Accounts in which our employees or affiliates have a beneficial interest, or in which Knight Nguyen has a conflict of interest, do not receive preferential treatment.



All clients receive fair and equitable treatment for investment opportunities that are too limited to be effectively allocated among all accounts.

When orders are generated, the decision on which accounts should participate, and in what amount, is based on the type of security or other asset, the present or desired structure of the various portfolios and the nature of the account's goals. Other factors include risk tolerance, tax status, permitted investment techniques and, for fixed-income accounts, the size of the account and other practical considerations. As a result, we may have different price limits for buying or selling a security in different accounts. Portfolio information systems, portfolio reports and quality control reports permit us to consider these factors as appropriate.

When our investment professionals decide to sell a security regardless of tax considerations, both taxable and tax-deferred accounts are eligible for sale simultaneously. In situations where tax gains influence the sale, securities in the tax-deferred accounts may be placed for sale first, as additional time is needed to consider the tax implications for each taxable account. Conversely, when tax losses influence the sale, we may prioritize taxable clients first, as the loss has a specific impact in a given year. In any event, the prioritization process is applied consistently over time.

### **Item 13 - Review of Accounts**

We regularly review client accounts on a daily, monthly, quarterly, semi-annual, and annual basis. While the nature of each review is somewhat different, they are purposefully designed to ensure each account is maintained in accordance with a client's goals and objectives or investment policy. When we have investment into private offerings or small partnership offerings we will rely upon third party generated reports. We will require that all reports be certified by an attorney (as true and accurate), and where applicable contain review letters by a certified public accountant. These reviews effectively identify any issues that may require immediate attention. Should such an instance occur, appropriate actions are taken as necessary. Accounts are reviewed by Christopher Knight Lopez, Partner and Chief Investment Officer/Chief Compliance Officer and Forrest Jones, Investment Advisor Representative.

#### Daily:

Confirm and reconcile all account activity between internal reporting system and custodian-reported transactions.

#### Monthly:



Compare asset allocation vs. target; reallocate as necessary

Identify concentrated positions; reduce as necessary

Identify large fluctuations in bond prices; take action as necessary

Reconcile any ending monthly balance differences between internal reporting system and custodian-reported amounts

Assess that an account's appreciation/depreciation is reasonable and in situations where it is not, identify reasons for deviation and take action as necessary

Verify all withdrawals are supported by client requests

#### Quarterly:

Evaluate performance vs. relevant benchmark(s), determine cause for deviations (positive or negative) and, as appropriate, develop internal recommendations for potential portfolio changes. We evaluate accounts in aggregate and the individual holdings for compliance with stated goals or Investment Policy Statements (IPS). Departures, if any, from the client's goals or IPS will be identified and a suitable recommendation to resolve the issue(s) implemented.

#### Semi-Annual/Annual:

This account review is an integrated and comprehensive evaluation of client portfolios. We consider the results of reviews conducted during the last month and quarter along with meetings and discussions with the client. With this information and the client's prospective needs understood, we carefully examine any pending or proposed strategic changes to the investment portfolio.

In addition to the reviews listed above, portfolio evaluations may also arise in response to changing client circumstances, goals and objectives or current market conditions.

We will furnish written reports to our clients on a quarterly basis. These reports include performance for the most recent quarter, YTD, trailing 12 months, 3 year, 5 year and since inception periods (as applicable). For comparison purposes, performance is reported along with relevant and appropriate benchmarks. Additionally, the reports include current data regarding client accounts as of the report date – asset allocation, diversification metrics, fixed income ratings, asset balances per account and in the aggregate, and aggregate quarterly account activity.



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

We are not presently participating in any referral programs.

#### **Item 15 - Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Any discrepancies should be immediately brought to the firm's attention. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Also, clients should be aware that Knight Nguyen will have custody of some of our client's cash and securities. Therefore, we have engaged the services of a Certified Public Accountant, Abraham Professional Services PC to perform an annual surprise exam of those client funds and securities over which the firm has custody.

#### **Item 16 - Investment Discretion**

##### ***Discretionary Management***

We receive discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Such authority is provided in our contract with each client. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Client investment guidelines may or may not limit the scope of potential investments. As a result, clients can impose restrictions on investing in certain securities or types of securities. When selecting securities, and determining amounts, we observe the investment policies, limitations and restrictions of the client. Investment guidelines and restrictions must be provided to us in writing.

#### **Item 17 - Voting Client Securities**

It is our policy to vote proxies for all accounts for which we have voting authority in a manner in which we believe to be in the best interests of our clients. We recognize that in some instances, the interests of partnership management may not be consistent with what we view to be in the best interests of Knight Nguyen's clients. Therefore, in the absence of written voting instructions from a client, we have adopted the following voting guidelines.

1. Confidential Voting and Partner Actions: We believe that the proxy voting systems should



provide access to both management and partners. As such, we would tend to vote in favor of partner resolutions requesting that the partnership adopt policies that comprise both confidential voting and the use of independent inspectors of elections. We would also generally oppose any measures that would restrict the right of a partner to act by written consent or to call a special meeting of the partners.

2. Poison Pills and Golden Parachutes: We believe that the partners of a partnership should have the right to vote upon decisions in which there is a real or potential conflict between the interests of partners and those of management. Thus, we will vote in favor of partner proposals requesting that a partnership submit a “poison pill” for partner ratification. We will examine, on a case-by-case basis, partner proposals to redeem a “poison pill” and management proposals to ratify a “poison pill.” We will also vote in favor of proposals that “golden parachute” proposals be submitted for partner approval.
3. Election of Directors: We believe that one of the primary rights of a partner is the right to vote for the election of directors. Each director standing for election will be evaluated as to their desirability in providing proper partnership governance.
4. Voting Rights: We believe that each partner should have equal voting rights. We do not have minority partners who do not constitute an equal vote.
5. Fair Price Amendments: We believe that “fair price amendments” can protect partners from coercive and discriminatory tender offers on their partnership interest. We will generally vote in favor of fair price provisions and in favor of other measures which we feel will protect partners from coercive takeover bids which do not provide for fair and equal treatment.
6. Target Share Payments: We believe that partners should have the right to vote on the placement of blocks of a partnership’s interest in the hands of persons friendly to management. We will vote in favor of partner proposals which request that partnerships first obtain partner authorization before issuing any significant amount of partnership interest to any person or group. We believe that partners should have the right to vote on placements that could enable management of a partnership to defeat a tender offer that may be in the best interests of partners.
7. Tender Offers: We will consider tender offers on a case-by-case basis.
8. Other Issues: Notwithstanding the above guidelines, we will vote proxies in a manner we believe is in the best interest of our clients. We will promptly notify you in any partnership change and



request you approve our new partners that manage your account. If you do not approve of partnership changes or personnel you may request to cancel our arrangement at no penalty. Any portion of fees due refundable to you will be paid as well.

We recognize that proxy proposals may present a conflict between the interests of clients and those of the Firm. Therefore, we have adopted the following conflict procedures.

1. Identifying Conflicts: The person assigned responsibility for voting proxies shall, when reviewing proxy materials, identify conflicts of interest including, for example:
  - a. when we are managing, or are seeking to manage, a pension plan or provide other services to a company whose management is soliciting proxies or;
  - b. has business or personal relationships with participants in proxy contests, partnership directors or candidates for directorships.
2. Data for Identifying Conflicts: The person assigned responsibility for voting proxies shall advise management of companies soliciting proxies, and management shall advise if there are any known conflicts – including, in particular, the conflicts listed as examples in the preceding paragraph.
3. Disclose Conflicts: If a conflict is identified, the person assigned to vote proxies shall notify management as soon as possible so that a decision may be made in adequate time to vote the proxy in a timely manner.
4. Voting Decisions in Conflict Situations: If the matter to be voted on is covered above, the proxy shall be voted in accordance with the above-referenced procedures. If the matter is not specifically addressed by the above-referenced procedures and there is a conflict, management shall contact the client or client's designated representative for voting instructions.
5. Record of Voting Instructions: Management shall record, and the person responsible for voting proxies shall maintain, records reflecting client voting instructions on matters where there are conflicts.

If you would like to know how we voted any proxy in your account, please contact our office and the information will be provided. You may also request a complete copy of our written proxy voting procedures by contacting us.

## **Item 18 - Financial Information**





Knight Nguyen Investments does not have any financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. In addition, we do not require or solicit pre-payment of advisory fees in the amount of \$500 and six months or more in advance.