

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. There are no material changes to report since the last delivery of the Brochure in March, 2021.

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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 rely primarily on 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 FeeX 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

The Kinloch Capital Wrap Program (the “Program”) is a wrap fee program sponsored by Kinloch Capital.

Kinloch Capital’s wrap fee program is only offered to clients who have their assets managed on a discretionary basis. For those clients, Kinloch Capital includes certain transactional costs in the client’s management fee. This arrangement is referred to a “Wrap Program”. Fees included in the wrap fee include transaction fees for the purchase or sale of securities, but do not include expenses related to the use of margin, wire transfer fees, the fees charged to shareholders of mutual funds or ETFs, mark-ups and mark-downs, spreads, odd-lot differentials, fees charged by regulatory agencies, and any transaction fees for securities trades executed by a broker-dealer other than Schwab.

Kinloch Capital does not engage other portfolio managers to manage assets within the wrap fee program. Kinloch Capital is the sole portfolio manager in the wrap program, which means that Kinloch Capital receives a portion of the wrap fee for our services. Transaction fees are paid to various broker-dealers, mutual funds and ETFs. The remainder of the wrap fee is the management fee payable to Kinloch Capital.

Kinloch Capital will receive no additional compensation for offering the wrap fee program.

Please see the separate Wrap Fee Brochure for a more complete description of the Wrap 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

#### Assets under Management

As of February 28, 2021, Kinloch Capital manages approximately \$165,808,406 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%

Ongoing financial planning services are included in the above fees for asset management clients whose financial plans are to be created by Kinloch Capital.

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. FeeX, Inc. does not have trading authority on the held away account and will be paid by Kinloch Capital directly. FeeX 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 \$195 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 \$195 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 or exchange traded fund, or commissions for the purchase or sale of a stock. To the extent you participate in Kinloch Capital's Wrap Program, you will not be responsible for these fees, as they will be paid by Kinloch Capital as part of your management fee. 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.

Effective October 7, 2019, Schwab has eliminated commissions for online trades of U.S. equities, ETFs and options (subject to \$0.65 per contract fee). We encourage you to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap arrangement.



You will still incur commissions and fees for certain types of transactions in a non-wrap fee arrangement. To see what you would pay for transactions in a non-wrap account please refer to Schwab's most recent pricing schedules available at [www.schwab.com/aspricingguide](http://www.schwab.com/aspricingguide)

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.

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## ITEM 6: PERFORMANCE-BASED FEES

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Kinloch Capital will not charge performance based fees.

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## 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.

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## 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 two positions: An S&P 500 index fund, and a broad-based 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.

**American Momentum:** The objective of this portfolio is long-term growth. American Momentum is so named due to its exclusive use of mutual funds from the American Funds fund family. American Funds has approximately 25 different funds, not all of which are performing equally well at the same time. Point & Figure (a type of technical charting) analysis is used to determine which funds are doing best based upon trend and relative strength. The model then typically owns the top quintile of funds at any point in time. This portfolio is adjusted on a monthly basis. Because mutual funds make year-end distributions that can cause unintended tax issues, this model is best and most often used in qualified accounts that renders these distributions moot. This is the only model that combines fundamental and technical analysis: Fundamental based upon the analysis of the stocks/bonds included in the mutual fund itself, technical based upon which funds to own in any given month.

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.

**Charting:** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse.

### 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.
- **Margin Risk.** "Margin" is a tool used to maximize returns on a given investment by using securities in a client account as collateral for a loan from the custodian to the client. The proceeds of that loan are then used to buy more securities. In a positive result, the additional securities provide additional return on the same initial investment. In a negative result, the additional securities provide additional losses. Margin, therefore, carries a higher degree of risk than investing without margin. Any client account that will use margin will do so in accordance with Regulation T. Kinloch Capital may utilize margin on a limited basis for clients with higher risk tolerances.
- **Short Sales.** "Short sales" are a way to implement a trade in a security Kinloch Capital feels is overvalued. In a "long" trade, the investor is hoping the security increases in price. Thus in a long trade, the amount of the investor's loss (without margin) is the amount paid for the security. In a short sale, the investor is hoping the security decreases in price. However, unlike a long trade where the price of the security can only go from the purchase price to zero, in a short sale, the price of the security can go infinitely upwards. Thus in a short sale, the potential for loss is unlimited and unknown, where the potential for loss in a long trade is limited and knowable. Kinloch Capital utilizes short sales only when the client's risk tolerances permit.
- **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.

- **MLPs.** Kinloch Capital may recommend that portions of client portfolios be allocated to master limited partnerships, otherwise known as “MLPs”. An MLP is a publicly traded entity that is designed to provide tax benefits for the investor. In order to preserve these benefits, the MLP must derive most, if not all, of its income from real estate, natural resources and commodities. While MLPs may add diversification and tax favored treatment to a client’s portfolio, they also carry significant risks beyond more traditional investments such as stocks, bonds and mutual funds. One such risk is management risk-the success of the MLP is dependent upon the manager’s experience and judgment in selecting investments for the MLP. Another risk is the governance structure, which means the rules under which the entity is run. The investors are the limited partners of the MLP, with an affiliate of the manager typically the general partner. This means the manager has all of the control in running the entity, as opposed to an equity investment where shareholders vote on such matters as board composition. There is also a significant amount of risk with the underlying real estate, resources or commodities investments. Clients should ask Kinloch Capital any questions regarding the role of MLPs in their portfolio.

- **Hedge Funds of Funds.** A hedge fund of funds is an investment vehicle whereby the investments are made into hedge funds (generally private placements) instead of directly into other securities such as stocks, bonds, and ETFs. Specific risks associated with hedge fund of funds include enhanced liquidity risk, in that the contractual liquidity terms available to the hedge fund of funds may be suspended, thus making it harder for the holder of an interest in a hedge fund of funds to access his or her own investment; enhanced manager risk, in that the fund is relying upon the management of the underlying funds (which is not known to the hedge fund of funds investor at the time of investment) as well as the hedge fund of funds manager; transparency risk, in that the fund of hedge funds manager may not be aware of all of the underlying holdings in each investee fund, and thereby be unaware of concentrations or exposures that may be excessive, or of specific positions that may be volatile. Additional risks exist, and for a complete list, any investor should carefully review the fund of hedge funds placement memorandum.

- **BDCs (Business Development Companies).** Business Development Companies (BDCs) are a specific subset of investment companies that receive preferential tax treatment provided they meet certain investment restrictions and other regulatory requirements. Because BDCs are managed by third parties, and are frequently chosen for the perceived strength of their managers, the investment thesis, and tax treatment, the risks associated with a BDC investment generally follow directly from the manager, in that the manager ultimately controls the investments, and can adversely impact the tax treatment of the vehicle. Additional risks exist, and may be specific to the particular BDC. Accordingly, investors should carefully review the BDC’s prospectus and any addendums thereto.

- **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.

## 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

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 and Kincap Manchester Park, 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

This item is not applicable.

**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").

Effective October 7, 2019, Schwab has eliminated commissions for online trades of U.S. equities, ETFs and options (subject to \$0.65 per contract fee). We encourage you to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap arrangement. You will still incur commissions and fees for certain types of transactions in a non-wrap fee arrangement. To see what you would pay for transactions in a non-wrap account please refer to Schwab's most recent pricing schedules available at [www.schwab.com/aspricingguide](http://www.schwab.com/aspricingguide)

## **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. 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.

The annual report in writing provided by Kinloch Capital is intended to review the client's strategy and any adjustments that may have been made or became necessary. 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.

**WRAP FEE PROGRAM**



**KINLOCH CAPITAL, LLC**

4801 COX ROAD, SUITE 200  
GLEN ALLEN, VA 23060  
804-956-4550

December 7, 2021

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This wrap fee program 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: MATERIAL CHANGES**

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Kinloch Capital Asset Management LLC is required to include in this Item 2 any material changes to this Wrap Brochure. There are no material changes to report.

## **ITEM 3: TABLE OF CONTENTS**

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WRAP FEE PROGRAM  
KINLOCH CAPITAL ASSET MANAGEMENT LLC

**ITEM 4: SERVICES, FEES, AND COMPENSATION**

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The Kinloch Capital Wrap Program (the “Program”) is a wrap fee program sponsored by Kinloch Capital, LLC (“Kinloch Capital”) which has been in business since 2019. Peter Walls is the firm’s only principal owner.

Kinloch Capital provides personalized investment management and financial planning services. The firm provides financial advice to individuals, families, trusts, charitable organizations and foundations, pensions and corporations.

As of February 28, 2021, Kinloch Capital manages approximately \$165,808,406 all on a discretionary basis.

**A. Description of the Program**

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*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 above.

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 rely primarily on 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.

*Schwab’s Brokerage Services.*

In addition to the foregoing portfolio management and other services, the Program includes the brokerage services of Charles Schwab & Co. (“Schwab”) a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. Kinloch Capital is an independently owned and operated and not affiliated with Schwab. Schwab will act solely as a broker-dealer and not as an investment advisor to you. It will have no discretion over your account and will act solely on instructions it receives from us [or you]. Schwab has no responsibility for our services and undertakes no duty to you to monitor our management of your account or other services we provide to you. Schwab will hold your assets in a brokerage account and buy and sell securities and execute other transactions when we [or you]



instruct them to. While we require that you use Schwab as custodian/broker to participate in our program, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. If you do not wish to place your assets with Schwab, then we cannot manage your account in the program. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account, as described below.

## **Fees and Compensation**

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### *Fees Charged*

All clients will be required to execute a written agreement that will describe the type of services to be provided and the fees, among other items.

### *Our Wrap Fees*

Generally, our wrap fees range between 0.35% to 2.00% per annum of the market value of a client's assets managed by Kinloch Capital. The fees stated are a guide. Fees are negotiable and may be higher or lower than the above range, based on the nature of the account. Factors affecting fee percentages include the size of the account, complexity of asset structures, and other factors.

Because our wrap fees are not tied to an account's frequency of trading and apply generally to all assets in the account, this fee arrangement is not appropriate for all accounts. For example, a wrap fee arrangement would not be appropriate for an account that holds primarily cash and cash equivalents, fixed income securities or no-transaction-fee mutual funds for a substantial period of time. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we are charged for executed trades.

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 ending 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. No adjustments are made to the advisory fee for inflows or outflows made during a billing month. 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. 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. The client will also receive a statement from their account custodian showing all transactions in their account, including the fee.

### **Fees We Pay Schwab.**

In addition to compensating us for our portfolio management, other investment advisory, and other services to you, the wrap fees you pay us also allow us to pay Schwab for the brokerage

services it provides to you, as described above, as well as additional services Schwab provides us, as described below.

We pay Schwab certain other fees that it would otherwise charge you. These fees may include (a) flat dollar per trade fees for Schwab's prime brokerage and trade away services (through which we can have trades for your account at Schwab executed by broker-dealers other than Schwab), (b) transaction-based fees imposed on Schwab by regulatory organizations and exchanges and fees to offset processing costs incurred by Schwab for the exchange of securities for equity, options, or other covered security sell transactions (sometimes referred to as Exchange Process Fees), and (c) short-term redemption fees on mutual funds (including, but not limited to, those available through Schwab's Mutual Fund OneSource®).

Effective October 7, 2019, Schwab has eliminated commissions for online trades of U.S. equities, ETFs and options (subject to \$0.65 per contract fee). We encourage you to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap arrangement. You will still incur commissions and fees for certain types of transactions in a non-wrap fee arrangement. To see what you would pay for transactions in a non-wrap account please refer to Schwab's most recent pricing schedules available at [www.schwab.com/aspricingguide](http://www.schwab.com/aspricingguide)

#### **Relative Cost of Our Wrap Fee Program to You.**

The program may cost you more or less than purchasing our investment advice and Schwab's brokerage services separately. The relative cost of our wrap fee program to you is influenced by various factors, including the cost of our investment advice and Schwab's brokerage services if you purchased them separately, the types of investments held in your account, and the frequency and size of trades we make for your account. For example, if the number of transactions in your account is low enough, the wrap fee you pay us may exceed the stand alone investment advisory fee and separate brokerage commissions that you otherwise would have paid.

Our fees for stand-alone investment advisory services that are comparable to those we provide as part of the program fall in the same range as fees for account in the Program.

We have agreed with Schwab that the wrap fee we charge you will not be more than the transaction-based fees we pay Schwab plus the stand alone investment advisory fee we would otherwise separately charge you (i.e., we don't markup Schwab's fees).

#### **B, C Additional Fees and Costs You May Pay.**

Our wrap fee does not cover the fees and costs listed below, which may apply to assets in your enrolled accounts to which our wrap fee also applies, and to transactions in your accounts.

- Commissions and other fees for services provided by broker-dealers other than Schwab for transactions executed or effected by or through them that settle into or from your account at Schwab such as through our use of Schwab's Prime Brokerage or Trade Away Services. You will be responsible for paying any commissions and other fees or compensation charged by broker-dealers other than Schwab. Because you will pay our wrap fee in addition to any commissions and/or other charges paid to broker-dealers other than Schwab who execute transactions for your account, we may have an incentive to

execute transactions for your accounts through Schwab, and this incentive could, in some circumstances, conflict with our duty to seek best execution.

- Markups and markdowns, bid-ask spreads, selling concessions and the like received by Schwab in connection with transactions it executes as principal by selling or buying securities to or from you for its own account. Principal transactions contrast with those in which Schwab acts as your agent in effecting trades between you and a third party. Schwab may make a profit or incur a loss on trades in which it acts as principal. Markups and markdowns and bid-ask spreads are not separate fees, but rather are reflected in the net price at which a trade order is executed.
- Transfer taxes, odd-lot differentials, certificate delivery fees, reorganization fees, fees required by law, and any other fees or charges similar to those described above.
- Custody, trading and setup fees for alternative assets (such as non-standard assets, non-publicly traded limited partnership interests, foreign securities, non-marketable securities, etc.).

A complete list of Schwab's charges and fees is contained in the Charles Schwab Pricing Guide, which you will receive promptly following the opening of your account with Schwab.

#### 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.

## **ITEM 5: ACCOUNT REQUIREMENT AND TYPE 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 6: PORTFOLIO MANAGER SELECTION AND EVALUATION**

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The wrap fee program offered by Kinloch Capital is sponsored by the firm, and Kinloch Capital is the only portfolio manager. The only fees covered under the wrap fee program are transaction fees associated with the purchase and sale of securities in an account managed by Kinloch Capital. All client accounts managed by Kinloch Capital, including wrap fee program clients, are managed with similar processes, although account recommendations may differ.

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

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.**

Please refer to Item 8 of Kinloch Capital's Informational Brochure, incorporated into this brochure, for a complete description of Kinloch Capital's methods of analysis and investment strategies.

#### Performance-Based Fees

Kinloch Capital will not charge performance based fees.

#### Voting Client Securities

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 7: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

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Please see response to Item 6, above.

### **ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGERS**

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Clients may contact Kinloch Capital, the only portfolio manager, at any time.

### **ITEM 9: ADDITIONAL INFORMATION**

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#### **Disciplinary Information**

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Neither the firm nor any of its employees or principals has any disciplinary information to report.

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

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##### 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.

##### Futures Commission Merchant/Commodity Trading Advisor

Neither members of management, 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.

#### *Relationship with Related Persons*

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 and Kincap Manchester Park, 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.

#### *Recommendations of other Advisers*

This item is not applicable.

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

- 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. Not applicable. Kinloch Capital does not recommend to clients that they invest in any security in which Kinloch Capital or any principal thereof has any financial interest.
- 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.

## **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. 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.

## **Client Referrals and Other Compensation**

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### **A. Other Products and Services Available to Us from Schwab.**

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage – 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 us manage or administer our clients' accounts while others help us manage and grow our business. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Here 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 some 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; and
- 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
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

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.

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.

### **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. 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.

**Financial Information**

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Kinloch Capital does not require the prepayment of fees 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.