

**FIRM BROCHURE**  
**March 30, 2020**



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| <p><b>101 Old Gray Station Road</b><br/><b>Gray, Tennessee 37615</b></p> <p><b>Main Office</b></p> | <p><b>1007-B West Main Street</b><br/><b>Abingdon, Virginia 24210</b></p> <p><b>Branch Office</b></p> |
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**(877) 832-3847**

**Visit us on the Web at:**

**[www.valuesfirst.com](http://www.valuesfirst.com)**

This Brochure provides information about the qualifications and business practices of Values First Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at (877) 832-3847. **The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.**

Values First Advisors, Inc. is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Values First Advisors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 - MATERIAL CHANGES**

This Brochure is a document which Values First Advisors, Inc. provides to its clients as required by the SEC's rules.

The purpose of Item 2 of the Brochure is to provide clients with a summary of new and/or updated information that is contained in the remainder of the Brochure. The following material changes have been made to this Brochure since the filing of the previous annual amendment on March 22, 2019:

- Disclosure in Item 4 has been updated to reflect that Roy E. Nunn and L. Alex Ellis are the principal owners of Values First Advisors, Inc.

Please note that other changes were made to this Brochure, which are not discussed in this summary. Consequently, we encourage you to read this Brochure in its entirety.

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## **ITEM 4 - ADVISORY BUSINESS**

Values First Advisors, Inc. (herein “Values First”, “VFA”, the “firm” “we” “us” or “our”) is an independent SEC registered investment adviser founded in July 2009. The firm is wholly owned and managed by its principals: Roy E. Nunn and L. Alex Ellis.

VFA provides portfolio management and financial planning services to individuals, trusts, estates, retirement plans, and charitable organizations. We have no affiliated companies nor do we participate in any joint ventures. Our home office is located in Gray, Tennessee.

Portfolios consist primarily of individual stocks, bonds, bond funds, mutual funds, exchange traded funds (“ETFs”) and money market investments.

Customarily, we provide investment management services on a discretionary basis, in which case we have the authority to decide which securities to purchase and sell in the client’s account without obtaining the client’s prior approval on a trade by trade basis. In certain other arrangements, we manage accounts on a non-discretionary basis, in which case the client retains the responsibility for the final decision on all actions taken with respect to the account.

Each client is different. We understand that your investment objectives, risk tolerance and certain constraints are unique and we address them accordingly. Our recommendations or decisions with respect to the allocation and management of your portfolio will be based on information provided to us by you about your investment objectives, risk tolerance, financial circumstances, and if applicable, the strategy selected by you on your Exhibit A of the Agreement (as defined below). We collaborate with you, and your other professional advisors when requested to do so, to formulate a personalized investment plan within the context of your long- and short-term investment goals. It remains your responsibility to promptly notify us of any changes in your investment objectives or financial situation for the purpose of re-evaluating your investment plan.

While we don’t prohibit you from placing reasonable restrictions on a particular security or types of securities held in your account, we discourage this practice. Such restrictions will affect the overall composition and performance of your portfolio.

With respect to any account for which VFA meets the definition of a fiduciary under Department of Labor rules, VFA acknowledges that both VFA and its Related Persons are acting as fiduciaries.

Additional disclosure may be found elsewhere in this Brochure or in the written agreement between VFA and you.

### ***Financial Planning***

You may elect to retain VFA to prepare a financial plan as a stand-alone service or in conjunction with ongoing portfolio management.

Financial planning is the analysis of your current and future financial situation using current assumptions to predict future results in cash flow, retirement options, asset value and distribution planning.

Depending on the level of planning desired, VFA’s financial analysis may include, but is not limited to, some of the following areas, as applicable:



- **Personal / General Information:** In creating any sort of financial plan, it is critical to have as much applicable data as possible about you. We gather personal information such as birthdates, social security numbers, contact information for clients, parents, heirs; current contact information for other advisors, such as accountant, attorney, insurance agent; short-term and long-term financial planning goals. Periodically, this area includes cash flow management and budget planning.
- **Net-Worth Projection:** We believe that monitoring net worth is critical to financial planning, whether it is increasing, decreasing or we are merely monitoring all the assets and liabilities. An unaudited statement of net worth may be prepared annually if requested.
- **Retirement Planning:** It is our belief that you should have some sense of your retirement roadmap. We endeavor to project expenses including income taxes, capital gains taxes, social security benefits, mortgages, other types of loans, savings and general household maintenance expenses. We project income by including salary, social security, pensions, distributions from trusts, required minimum distributions from qualified plans and any other sources that you may have. Certain assumptions are utilized to project account growth. From this projection, you are able to see year-by-year how your income compares to your expenses.
- **Insurance Analysis:** Insurance analysis is best completed by insurance advisors and to be clear, we are not insurance advisors. Therefore, we typically ask only for a summary of insurance protection against the risks of health, disability, long term care and death.
- **Investment Planning:** We believe that thorough investment analysis is most valuable when coupled with financial planning. It is at this point in the financial planning process that we work through your investment analysis.
- **Tax Planning:** We do not prepare tax returns or offer tax advice. However, we believe that tax planning is critical to investment success. We work with you and your tax advisor(s) to understand your tax situation.
- **Estate Planning Summary:** We prepare a summary of beneficiaries, trusts and other estate details based upon what you share with us.

Clients are solely responsible for determining whether to follow any advice or recommendation given by VFA in the financial plan. Clients are also solely responsible for implementing any action upon such advice and for the selection of any service providers.

### ***Core Asset Allocation Services***

The first step in effectively managing the wealth you have worked so hard to accumulate is to determine what types of investments are appropriate for you. In this area, we address fundamental questions like: How much should you keep in cash? When will you need access to this money to help provide for your living expenses? Which asset classes and sectors of the market are appropriate to help you meet your goals? Allocating your investable assets among appropriate asset classes and sectors of the market, including a suitable level of diversification, is a crucial component of your overall financial plan.

### ***Sub-Advisers***

Once the asset allocation plan has been determined, it needs to be effectively implemented. This means selecting the specific securities in which to invest your money.



At VFA we can manage your entire account directly, or we can select from among a variety of sub-advisers on which we have performed due diligence to (i) manage portions of your account on a discretionary basis; (ii) make recommendations to us for allocations among asset classes and investment managers and for investments with respect to portions of your account on a non-discretionary basis; and (iii) provide one or more model portfolios on a non-discretionary basis to be employed by us at our discretion with respect to portions of your account. If the use of sub-advisers is chosen, VFA can also serve as one of the sub-advisers and thus become a component of a stable of money managers that work on your behalf. Once the investments and/or sub-advisers are selected, we strategically rebalance your portfolio as conditions warrant.

#### *Non-discretionary, Non-supervisory Advice and Consultations*

Values First also offers the option of meeting with clients intermittently, whenever the client has a question or would like for us to review the investment portfolio. This allows you to determine just how much involvement you want VFA to have with each financial decision you make. You can consult with us as frequently, or as infrequently, as you like. These services are offered on a non-discretionary and non-supervisory basis. So, while we can place trades in your accounts for you, we do not execute any trades or initiate any activity without your specific direction.

#### *Assets Under Management*

As of December 31, 2019, VFA managed client assets valued at approximately \$120,000,000 on a discretionary basis and approximately \$3,000,000 on a non-discretionary basis.

### **ITEM 5 - FEES AND COMPENSATION**

#### *Financial Planning Fees*

Fees for services outside of portfolio management and model management are negotiated separately at the time of the engagement and are customarily based on a fixed or hourly basis and on the scope of services requested.

#### *Core Asset Allocation Fee*

The specific manner in which Values First's Core Asset Allocation Fee (the "Allocation Fee") is charged on your account is established in your *Investment Advisory Agreement* (the "Agreement"). You have the right to terminate the Agreement without penalty within five business days after entering into the Agreement.

The Allocation Fee is payable monthly in arrears. Depending upon the custodian of the account, the fee is calculated either on the value of the account at the end of the month or on the average daily balance of the account. The fee is calculated based on the market value of all assets in the account, including accrued interest and cash, and amounts payable and receivable for securities transactions (trade date purchases and sales). If VFA's management begins after the first day of the month, fees are prorated based on the number of days that the account was open. The Allocation Fee is debited directly from your account unless other arrangements are mutually agreed upon.

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<sup>1</sup> Currently, Folio Investments, Inc. is the only custodian utilized by VFA clients using the average daily balance calculation.



The annualized fee schedule for Values First's *Allocation Fee* is set forth as follows:

| Value of Account(s)                       | Annualized Allocation Fee |
|---|---------------------------|
| Less than \$500,000                       | 1.25%                     |
| \$500,001 - \$999,999                     | 1.00%                     |
| Greater than \$1,000,000                  | 0.70%                     |
| Minimum Allocation Fee of \$100 per month |                           |

Your account will be assessed the Annualized Allocation Fee or the Minimum Allocation Fee of \$100 per month, whichever is greater.

Depending upon unique circumstances such as other account relationships, expected growth in account value, special conditions or unique portfolio guidelines, fees may be subject to negotiation.

### *Sub-adviser Fees*

Once an asset allocation plan is established, Values First may sub-advise a portion of or the entire portfolio "in-house" and may also recommend the use of one or more third-party model managers (together with VFA, the "Sub-advisers") under certain model management parameters. It should be noted here that VFA has the authority under the Agreement to make such decisions relating to which Sub-advisers are utilized by the account. Since VFA serves as one of the Sub-advisers, this creates a potential conflict of interest because VFA could allocate a greater portion of the account to be sub-advised by VFA. In the case of an account custodied at TD Ameritrade, Inc. ("TD Ameritrade"); Fidelity Brokerage Services LLC, National Financial Services LLC and other Fidelity affiliates (collectively, "Fidelity"); or Charles Schwab & Co., Inc. ("Schwab"), VFA could recommend that the client transfer to Folio Investments, Inc. ("Folio") and allocate all or a portion of the account to be sub-advised by VFA. Either situation could result in increased total fees paid to VFA.

In addition to the Allocation Fee, for an account custodied at Folio the client pays any Sub-advisers who provide services to a portion of the account a sub-advisory fee (the "Sub-Advisory Fee", and collectively the "Sub-Advisory Fees") monthly in arrears. When the services of a Sub-adviser are utilized, both brokerage expenses and the Sub-Advisory Fee will be charged in addition to VFA's Allocation Fee.

### *About Our Sub-advisers*

*Values First Advisors, Inc. (our firm)* is a Registered Investment Adviser headquartered in Gray, Tennessee. The founding partners created this company with the goal in mind of helping people across America to enhance their investments while aligning them with enduring values. VFA manages the Fixed Income, REIT, Alternative Investments, Small Cap and some other models within our portfolios. VFA charges an annualized 60 basis points on the portion of the account that it sub-advises. If your account assets are over \$1,000,000, then you may be eligible for a reduced annualized fee of 30 basis points on the portion of the account that it sub-advises. More information about VFA is available at: [www.valuesfirst.com](http://www.valuesfirst.com).

*Eventide Asset Management, LLC* is a financial investment advisory firm headquartered in Boston, Massachusetts serving investors who seek companies that are socially responsible, morally responsible and faith-based. Finny Kuruvilla, MD, PhD acts as the portfolio manager for Eventide. He received his MD from Harvard Medical School, his PhD from Harvard University, his master's degree from MIT, and his bachelor's degree from Caltech. Eventide manages the Mid-Cap, Healthcare and Income & Growth models for VFA. Eventide charges an annualized 60 basis points on the portion of the account that it sub-advises. If your account assets are over \$1,000,000, then you may be eligible for a reduced annualized fee of 30 basis points on the portion of the account that it sub-advises. More information about Eventide is available at: [www.eventidefunds.com](http://www.eventidefunds.com).



*American Values Investments, Inc.*, established in 1996, is a Registered Investment Advisory Firm located in Bristol, Virginia. It serves as a third party money manager providing "American Hero" stock portfolios to financial service providers and institutions. Carter LeCraw, CEO and Chairman, founded American Values Investments. American Values manages two All-Cap Growth models for VFA. American Values charges an annualized 60 basis points on the portion of the account that it sub-advises. If your account assets are over \$1,000,000, then you may be eligible for a reduced annualized fee of 30 basis points on the portion of the account that it sub-advises. More information is available about American Values at: [www.americanvalues.com](http://www.americanvalues.com).

The annualized fee schedule for accounts held in custody at Folio utilizing the services of Sub-advisers under the model management parameters is set forth as follows:

|   |       |
|---|-------|
| <b>Allocation Fee</b>   |       |
| Less Than \$500,000   | 1.25% |
| \$500,001 - \$999,999   | 1.00% |
| Greater Than \$1,000,000  | 0.70% |
| Minimum Allocation Fee \$100 per month  |       |
|   |       |
| <b>Sub-Advisory Fee:</b> (for each manager used) <sup>2</sup>   | 0.60% |
| (0.30% for new accounts opened and funded on the Folio High Net Worth platform, if account exceeds \$1,000,000) |       |
|   |       |
| <b>(Continued on next page)</b>   |       |
|   |       |
| <b>Folio Brokerage / Custodial Fees:</b>  |       |

<sup>2</sup> For any portion of the portfolio that is managed by VFA (funds allocated to a strategy with the name beginning with "VFA"), a separate fee of 0.60% annually will be paid to VFA. In order to receive the lower fee of 0.30% per year, the Client must open a new account(s) on the Folio High Net Worth platform and maintain a value in excess of \$1,000,000 in the new account(s). For the avoidance of doubt, any account(s) owned by the Client that is on any other Folio Platform will not receive the lower fee of 0.30%. This fee is not included in VFA's Core Asset Allocation Fee. A potential conflict of interest exists since VFA has authority to allocate, under the terms of the Investment Advisory Agreement, any portion of the portfolio to VFA's in-house management, resulting in increased fees paid to VFA.

<sup>3</sup> The fee is assessed by Folio. Clients who elect to hold accounts at an alternate custodian are subject to that custodian's fee schedule. In order to receive the lower Folio fee of 0.10%, client must open an account on the Folio High Net Worth ("HNW") platform and transfer assets in excess of \$1,000,000 to the new account. Account value must remain above \$1,000,000 to remain on the HNW platform; for the avoidance of doubt, any account(s) owned by the client that is on any other Folio platform will not receive the lower fee of 0.10%. Clients should also note that trades placed outside of specific times designated by Folio (trade windows) will be assessed additional transaction fees by Folio.



|  |           |              |
|--|-----------|--------------|
| On the First   | \$500,000 | 0.18%        |
| On Any Balance Above   | \$500,000 | 0.15%        |
| (The fee will be only 0.10% for new accounts opened on the Folio High Net Worth platform and the balance remains above \$1,000,000.) |           |              |
| <b>Maximum Total<sup>45</sup></b>  |           | <b>2.03%</b> |

Folio applies an annual cap on their asset based fees in order to limit the fees you pay them per account. If your account is on the main Folio platform, then the maximum asset based fee is \$1,000 per year. If your account in on the high net worth Folio platform, then the maximum asset based fee is \$1,250.

For accounts custodied at TD Ameritrade, Fidelity or Schwab, the Sub-Advisory Fee and asset based Brokerage/Custodial Fee listed in the table above *do not apply*.

The Allocation Fee does not include Sub-Advisory Fees, brokerage commissions, transaction fees, custodial charges, wire transfer and electronic fund fees, and other miscellaneous fees on brokerage accounts and securities transactions. Mutual funds and ETFs also charge internal management fees, paid by the fund but ultimately borne by the investor, which are disclosed in a fund's prospectus. If the fund also imposes a sales charge, you could pay an initial or deferred sales charge. Other than VFA's Allocation Fee and Sub-Advisory Fee (as applicable), VFA does not receive any portion of these commissions, fees and costs. You should review all fees charged by mutual funds, VFA and others to fully understand the total amount of fees incurred.

If your account holds only cash or cash equivalents (*i.e.*, money market funds) for a period that exceeds 60 days, no Allocation Fee will be assessed to that account from the end of the 60-day period until the account is reinvested. There is no intention on the part of VFA to charge a fee for core asset allocation or advisory services on accounts that remain in cash or cash equivalent positions for a period that exceeds 60 days unless certain circumstances warrant. If your account is held in custody at Folio and it becomes part of your strategy to hold only cash in your account, then Folio might not be the best choice as custodian because their asset-based custodial and brokerage fees will continue to be charged on the cash balance. The decision to remain with Folio under these circumstances is entirely up to you.

In the event of termination, any fees paid to VFA but not yet earned are promptly refunded to you. Any fees due to VFA are invoiced or deducted from your account prior to termination.

The following example illustrates how Sub-Advisory Fees are calculated for an account custodied at Folio:

| Model | Average Daily | No. | Annual | Fee for |
|-------|---------------|-----|--------|---------|
| <hr/> |               |     |        |         |

<sup>4</sup> If a client's total managed assets for any month is less than \$96,000, then the Minimum Allocation Fee of \$100 per month will result in an Allocation Fee greater than 1.25%; and if this client has an account custodied at Folio, then the maximum total fee for that account will be greater than 2.03%.

<sup>5</sup> Folio is a separate entity from VFA, and they can assess transactional or other additional fees to your account based upon your agreement with them and cause the maximum total fee for that account to be greater than 2.03%.



| Sub-adviser                       | Label                 | Value               | Days | Fee Rate | Month \$       |
|-----------------------------------|-----------------------|---------------------|------|----------|----------------|
| American Values Investments, Inc. | American Hero Equity  | \$25,000.00         | 31   | 0.6%     | \$12.74        |
| Eventide Asset Management, LLC    | Eventide Healthcare   | 9,000.00            | 31   | 0.6%     | 4.59           |
| Eventide Asset Management, LLC    | Eventide Mid Cap      | 11,000.00           | 31   | 0.6%     | 5.60           |
| Values First Advisors, Inc        | VFA Total Return (FI) | 40,000.00           | 31   | 0.6%     | 20.38          |
| Values First Advisors, Inc        | VFA REIT              | 10,000.00           | 31   | 0.6%     | 5.10           |
| Values First Advisors, Inc        | VFA Small Cap         | 5,000.00            | 31   | 0.6%     | 2.55           |
| <b>TOTAL ACCOUNT VALUE</b>        |                       | <b>\$100,000.00</b> |      |          | <b>\$50.96</b> |

Note: Sub-Advisory Fees are calculated based on the average daily balance of the assets in the model during the applicable month, multiplied by the annual fee rate, divided by 365 (days per year), then multiplied by the number of days in the applicable month. For example, June's fee would be multiplied by 30 whereas July's fee would be multiplied by 31.

The Agreement will continue in effect until terminated by VFA upon thirty (30) days' prior written notice to you. In addition, you may elect to terminate the Agreement by directly contacting the custodian requesting that the account be closed or transferred out. Termination of the Agreement will not affect (i) the validity of any action previously taken by VFA under the Agreement; (ii) liabilities or obligations of the parties from transactions initiated before termination of the Agreement; or (iii) VFA's obligation to refund any portion of advisory fees collected in the month prior to termination (pro-rated through the date of termination). Upon the termination of the Agreement, VFA will have no obligation to recommend or take any action with regard to the securities, cash or other investments in the client's account(s). Neither VFA nor you are permitted to assign the Agreement to another adviser without the prior written consent of the other party.



### *Fees for Non-discretionary, Non-supervisory Advice and Consultations*

Fees for this service include a retainer fee of \$50 assessed for each calendar year or portion thereof on a yearly basis in advance and is non-refundable to the client. In addition, hourly fees are assessed monthly in arrears at a rate equal to \$225 per hour for all time spent by our firm dedicated to work on the client's behalf; provided, however, that the hourly fees are at a rate equal to \$60 per hour for time spent by our firm's administrative staff dedicated to work on the client's behalf.

### *Other Compensation*

Certain principals and employees of VFA maintain licenses with various life and disability insurance companies in order to offer such insurance products to clients as a convenience to those clients with insurance needs. As such, they will likely receive compensation based on insurance sales. Appropriate state or other regulatory agency registrations and filings are properly maintained.

## **ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

VFA does not have any performance-based fee arrangements. "Side-by-side management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because VFA has no performance-based fee accounts, it has no side-by-side management.

## **ITEM 7 - TYPES OF CLIENTS**

VFA provides investment management services to individuals, trusts, estates, charitable organizations and retirement plans. The efficiencies of money management work most effectively at or above certain asset levels. It can be more of a challenge to adequately diversify portfolios with a lower account size. Depending upon unique circumstances such as other account relationships, expected significant growth in account value and other special conditions, minimum account size is subject to negotiation and will be reviewed by the firm's principals on a case-by-case basis.

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

### *Method of Analysis and Investment Strategies*

Values First believes the philosophy behind our investment strategy is sensible and sustainable: we strive to buy shares of good companies at reasonable prices that also align with our faith-based investment philosophy.

In evaluating securities, VFA generally focuses on traditional fundamental analysis including, without limitation:

- Financial strength ratios
- Price/earnings ratios
- Dividend yields

VFA may incorporate other methods of analysis, such as technical analysis, which includes the review of past price patterns and trends in the financial markets that may help predict the direction of both the overall market and specific stocks.



In addition, when selecting investments, we may consider eliminating a company from our universe based on characteristics that we feel may be undesirable, preferring to focus on companies that possess positive attributes.

In accordance with the investment plan tailored to your specific risk tolerance, time-horizon and investment objectives, VFA may invest in some combination of common stocks, ETFs, mutual funds, corporate bonds, treasuries, or various other investments, factoring in and being sensitive to transaction costs and funds' internal management fees.

The selection of mutual funds or ETFs allows us to obtain broad diversification in certain segments of the portfolio. (We generally do not purchase mutual funds for clients who select Folio as their custodian.) They are evaluated on a variety of factors including, but not limited to past performance, fee structure, portfolio manager, fund sponsor, and overall ratings for safety and returns.

Fixed income investments (*e.g.*, bonds, bond mutual funds, bond ETFs) may be used as a strategic investment, as an instrument to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. They might act as a “shock absorber” during the inevitable periods of stock market weakness. The selection of individual bonds, bond ETFs or bond funds are based on a number of factors including, but not limited to, credit quality from rating agencies, yield and duration.

Specific investments are selected by VFA under its own in-house model management platforms, when appropriate to meet investment objectives, or VFA may recommend the use of one or more Sub-adviser(s). When selecting Sub-advisers, VFA considers their performance and how well VFA believes they align with the same overall faith-based philosophy of VFA.

VFA seeks to make socially responsible investments on behalf of its clients. Socially responsible investing considers both financial return and “social good” when evaluating an investment. Our approach to socially responsible investing include reducing or avoiding investment in companies that we believe are harmful to society and seeking out companies engaged in life-enhancing products/services and/or support of Christian ministries. VFA also strives to reduce portfolio risk through diversification of investments. Where deemed appropriate, to increase diversification and/or reduce transaction costs in a client portfolio, VFA may also purchase bond funds, bond ETFs, equity funds, equity ETFs and other types of funds or pooled investments that are tied to market indexes. Social screening is not typically available for these investments.

Values First is generally a long-term investor, meaning that securities are normally purchased with the expectation that the value of those securities will grow over a relatively long period of time – usually greater than one year. However, if appropriate for your portfolio and in light of specific market conditions or volatility, it may be necessary to employ a short-term strategy. Accordingly, securities may be purchased with the expectation of being sold within a relatively short period of time – usually less than one year – to maximize short-term price fluctuations.

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

All investing and trading activities risk the loss of capital. Although we will attempt to moderate these risks, no assurance can be given that the investment activities of an account we advise will achieve the investment objectives of such account or avoid losses. Direct and indirect investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance. It is



important that you understand the risks associated with investing in the types of investments and strategies listed in this Brochure.

Except as may otherwise be provided by law, we are not liable to clients for:

- Any loss that you may suffer by reason of any investment decision made or other action taken or omitted by us in good faith;
- Any loss arising from our adherence to your instructions or the disregard of our recommendations made to you; or
- Any act or failure to act by a custodian or other third party to your account.

The information included in this Brochure does not include every potential risk associated with an investment strategy, technique or type of security applicable to a particular client account. You are encouraged to ask questions regarding risks applicable to a particular strategy or investment product and read all product-specific risk disclosures. It is your responsibility to give us complete information and to notify us of any changes in financial circumstances or goals.

Having been through a number of ups and downs of various market cycles, we have learned that emotional responses to the daily gyrations of the stock market and economic news are not conducive to long-term investment success. We purposely design our investment process to give us the flexibility to migrate to the areas of the market that offer the most attractive risk-reward tradeoff, within the asset allocation guidelines that you have provided to us.

A portfolio made up of a mixture of stocks and bonds – or funds consisting of stocks and bonds – might mitigate the risk inherent in all stock market investments. By simultaneously investing in different types of securities in several sectors of the economy, you can reduce your risk of industry-specific downturns that would otherwise have a more negative effect on your total investment portfolio. Please remember that past performance of any given investment is no guarantee of future results.

There are certain additional risks associated when investing in securities; including, but not limited to:

*Management Risks:* While VFA manages investment portfolios based on our experience, research and proprietary methods, the value of your portfolio will change daily based on the performance of the underlying securities contained in the account. Therefore, investment portfolios are subject to the risk that VFA allocates client assets to various individual securities and/or asset classes that may be adversely affected by unanticipated market movements and the risk that VFA's specific investment choices could underperform their relevant benchmark indexes.

*Legal and Regulatory Risks:* The regulation of the U.S. and non-U.S. securities and futures markets investment funds has undergone substantial change in recent years and such change may continue. The effect of such regulatory change on the accounts and/or the underlying investment funds, while impossible to predict, could be substantial and adverse.

*Inflation Risk:* When inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation. The firm's portfolios face inflation risk, which results from the variation in the value of cash flows from a financial instrument due to inflation, as measured in terms of purchasing power.

*Risks Associated with Socially Responsible Investing:* Through our selection of Sub-advisers, VFA seeks to invest in companies whose values closely align with the values of our firm. When selecting Sub-advisers, VFA seeks firms that also share these values, although each Sub-adviser utilizes its own specific parameters



and filters. These vary somewhat from those utilized by VFA, but do have significant commonality. While our Sub-advisers are committed to using certain social screening techniques in evaluating these types of companies in the effort to reduce or avoid exposure in the portfolio, there certainly can be no guarantee that all negative factors can be avoided. Additionally, it is important to point out that investing in this style has the effect of limiting the field of possible investment alternatives.

*Risks of Investing in Mutual Funds, Exchange Traded Funds (ETFs) and Other Investment Pools:* As noted previously, VFA may invest your portfolio in mutual funds, ETFs and other pooled investment funds. Because of their diversified portfolios, investing in pooled investment funds generally poses less of a risk than investing in individual securities. However, these types of investments are still subject to risks associated with the markets and the underlying securities in which the funds invest. Additionally, the success of any pooled investment fund will be related to the skills of their respective managers and associated performance. While these investments generally provide diversification there are some risks involved especially if the fund is concentrated in a particular sector of the market, uses leverage, or concentrates in a certain type of security (e.g. foreign equities). Pooled investment funds are subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940. In some cases, the firm recommends mutual funds. There are several risks involved with these funds. These funds have portfolio managers that trade the fund's investments in agreement with the fund's objective and in line with the fund prospectus. The returns on mutual funds can be reduced by the costs to manage the funds. And the shares rise and fall in value according to the supply and demand. Open end funds may have a diluted effect on other investors' interest due to the structure of the fund while closed end funds have limited shares which rise and fall in value according to supply and demand in the market. In addition, closed end funds are priced daily and, as a result, they may trade differently than the daily net asset value (NAV). When investing in an ETF, mutual fund or other similar investment, a client will bear additional expenses based on the client's pro rata share of the fund's operating expenses, including the potential duplication of management fees. Clients will also incur brokerage costs.

*Equity Market Risks:* Portions of your portfolio may be invested directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As we stated above, while pooled investments have diversified portfolios that may mitigate some risk, they are nevertheless subject to the same risks of the stock market because of the underlying securities contained in the fund. Some of these risks include that stock values will decline due to the daily fluctuations in the markets and that stock values will decline over a longer cyclical period (e.g., "bear markets") due to general market declines in stock prices for all companies regardless of any individual security's prospects. Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

*Fixed Income Risks:* Portions of your portfolio may be invested directly into fixed income instruments (e.g., bonds, notes) or may be invested in pooled investment funds that invest in fixed income instruments. While investing in fixed income instruments, either directly or through funds, is generally less volatile than investing in the equity market, some risk does remain. For example, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers) or maturity risk (risks that bonds or notes will change value from the time of issuance until maturity). When investing in fixed income instruments such as bonds or notes, the issuer may default on the bond and be unable to make payments. Individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power.

*Foreign Securities Risks:* Portions of your portfolio may be invested in securities or pooled investment funds that invest internationally. While foreign investments may be important to the diversification of your portfolio, they carry risks that might differ from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. markets. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. Dollar (\$) and the security's underlying foreign currency, such as the Euro (€).

*Market or Interest Rate Risk:* The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the prices of fixed income securities fall. If the firm holds a fixed income security to maturity, the change in its price before maturity may have little impact on the firm portfolios' performance. However, if the firm determines to sell the fixed income security before the maturity date, or if the firm invests in fixed income mutual funds, ETFs or other pooled investments, an increase in interest rates could result in a loss.

*Market Volatility:* The profitability of the portfolios substantially depends upon the firm correctly assessing the future price movements of stocks, bonds, options on stocks and other securities and the movements of interest rates. The firm cannot guarantee that it will be successful in accurately predicting price and interest rate movements.

*Material Non-Public Information:* By reason of their responsibilities in connection with other activities of the firm and/or its principals or employees, certain principals or employees of the firm and/or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The firm will not be free to act upon any such information. Due to these restrictions, the firm may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

*Accuracy of Public Information:* The firm selects investments, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the firm by the issuers or through sources other than the issuers. Although the firm evaluates all such information and data and sometimes seeks independent corroboration when it's considered appropriate and reasonably available, the firm is not in a position to confirm the completeness, genuineness, or accuracy of such information and data. In some cases, complete and accurate information is not available.

*Trading Limitations:* For all securities, instruments and/or assets listed on an exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the account to loss. Also, such a suspension could render it impossible for the firm to liquidate positions and thereby expose the client account to potential losses.

*Firm's Investment Activities:* The firm's investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the firm. Such factors include a wide range of economic, political, competitive and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The markets may be volatile, which may adversely affect the ability of the firm to realize profits on behalf of its clients. As a result of the nature of the firm's investing activities, it is possible that the firm's results may fluctuate substantially from period to period.

*Company Risk:* When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention, the value of the company may be reduced.

*Options Risk:* Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

*Liquidity Risk:* Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

*Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to bonds.

*Call Risk:* Bonds that are callable carry an additional risk because they may be called prior to maturity depending on current interest rates thereby increasing the likelihood that reinvestment risk may be realized.

*Credit Risk:* The price of a bond depends on the issuer's credit rating, or perceived ability to pay its debt obligations. Consequently, increases in an issuer's credit risk, may negatively impact the value of a bond investment.

*Speculation Risk:* The securities markets are populated by traders whose primary interest is in making short-term profits by speculating whether the price of a security will go up or go down. The speculative actions of these traders may increase market volatility that could drive down the prices of securities.

*Geopolitical Risk:* The risk an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers or military control.

*Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

*Counterparty and Broker Credit Risk:* Certain assets will be exposed to the credit risk of the counterparties when engaging in exchange-traded or off-exchange transactions. There may be a risk of loss of assets on deposit with or in the custody of a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions, or the bankruptcy of an exchange clearinghouse.

## **ITEM 9 - DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of VFA or the integrity of VFA's management.



Neither VFA, as a firm, nor any of our investment personnel, has had any legal or disciplinary events in the history of the firm.

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

The primary business that VFA and its investment management personnel engage in is giving investment advice to our clients. We are not affiliated with a broker-dealer. When appropriate to implement a certain asset allocation strategy based upon information you provide to us, we may select or recommend other Sub-advisers for your account (See *Item 5 – Fees and Compensation* and *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* of this Brochure for additional information regarding our Sub-advisers). Because we are neither directly nor indirectly affiliated with, controlled by, or maintain control over other financial industry entities, we avoid conflicts of interest that may impair the objectivity of our investment advice.

Certain principals and employees of VFA maintain licenses with various life and disability insurance companies. Occasionally, such personnel offer insurance products to certain clients with insurance needs.

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

We recognize the fiduciary responsibility that we owe you, including the avoidance of activities, interests, and relationships that run contrary, or appear to run contrary, to your best interests. We also believe that our firm's good name and reputation is a direct reflection on the conduct of each employee. Accordingly, Values First has adopted a Code of Ethics ("Code") for all supervised persons of the firm. All supervised persons must acknowledge and accept the terms of our Code annually, or as amended. The full text of our Code is available to you or any prospective client upon request.

Our Code includes the following:

- Requirements related to the confidentiality of your information
- Prohibitions on:
  - Insider trading (if we are in possession of material, non-public information)
  - The acceptance of gifts and entertainment that exceed our policy standards
- Any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility
- Reporting of gifts and business entertainment
- Pre-clearance of certain securities transactions in personal or firm related accounts
- Reporting on a quarterly basis all personal securities transactions
- On an annual basis, we require all employees to re-certify to our Code, identify members of their household and any account in which they have a beneficial ownership, securities held in certificate form and all securities they own at that time

The Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. As a professional investment manager, we believe in the advice we provide to clients. As a result, we often purchase or sell the same or similar securities recommended to you in our personal or firm related accounts, or securities that are suitable for an employee or related account but not suitable for you or any other client. The Code's specific guidelines regarding personal trading practices are designed to discourage and prohibit personal trading that would produce a conflict of interest or disadvantage clients. The Code also provides for disciplinary action as appropriate for violations to this policy. Your investment interests will always come before those of our firm or those of our employees.



The provisions of the Code are not all-inclusive. Rather, they set out basic principles to guide the day-to-day business activities of all personnel.

In addition to adherence to the Code, all employees are expected to comply with the letter of all applicable laws, regulations and firm policies and be sensitive to, and act appropriately in, situations that may give rise to conflicts of interest in direct violation of our Code. We expect our employees to conduct themselves in such a manner as to avoid or appropriately manage:

- Serving their own personal interests ahead of your interests
- Taking inappropriate advantage of their position with the firm
- Any conflicts of interest or any abuse of their position of trust and responsibility

## **ITEM 12 - BROKERAGE PRACTICES**

Under our Agreement with you, we generally seek specific directions from you regarding the placement of brokerage business. However, Values First makes the selection of the broker-dealers used to place trades in account(s) of its clients that did not make such a direction.

When selecting broker-dealers, Values First has a duty to make a good faith effort to “seek best execution” for all trades. In general, to “seek best execution” means to use a reasonable process in looking for the most favorable execution in terms that are realistically available for the trade, so that the total costs (when buying) or proceeds (when selling) for each transaction are the most favorable under the prevailing market conditions. Our selection of brokers is based upon a number of factors, such as:

- Reasonableness of commissions
- Ability to obtain a favorable price
- The broker’s reputation and integrity
- Trading expertise and responsiveness to trade orders
- Receipt of no-cost research
- Ability to provide economic and market data

Values First’s broker committee approves the selection of brokers and conducts periodic reviews and evaluations of the overall quality of trades affecting best execution. The custodian that you select for your account will influence our selection of broker-dealers for securities transactions (if we are, in fact, selecting the broker-dealer).

It is important that you notify us immediately if your custodian is not providing you with at least quarterly account statements including transactions and holdings for each of your accounts.

Consistent with certain regulatory rules of the Securities and Exchange Act of 1934, Values First is permitted to direct execution of trades to certain broker-dealers or third-party providers in exchange for investment research and other types of brokerage services. This practice is referred to as “soft dollar benefits.” As you might expect, commission rates for soft dollar brokerage benefits are for the most part higher than they would otherwise be for pure “discount” brokerage. Because it is the investor who bears the commission costs, we believe that soft dollar practices are not in your best interest. Therefore, it is our policy not to participate in any soft dollar brokerage arrangements.

VFA participates in the institutional service programs of Folio, Schwab, Fidelity and TD Ameritrade, (collectively, the “Brokers”), who also act as client account custodians. While there is no direct link between



the investment advice VFA provides and participation in the Brokers' programs, VFA receives certain economic benefits from the programs. These benefits often include software and other technology that provides access to client account data (such as trade confirmations and account statements), facilitates trade execution (and allocation of aggregated orders for multiple client accounts), provides research, pricing information and other market data, facilitates the payment of VFA's fees from its clients' accounts, and assists with back-office functions, recordkeeping and client reporting. Many of these services may be used to service all or a substantial number of VFA's accounts, including accounts not held at the Brokers. The Brokers may also make available to VFA other services intended to help VFA manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, the Brokers may make available, arrange and/or pay for these types of services to be rendered to VFA by independent third parties. The Brokers may discount or waive fees it would otherwise charge for some of these services, pay all or a part of the fees of a third-party providing these services to VFA, and/or the Brokers may pay for travel expenses relating to participation in such training.

Values First aggregates ("bundles") trading transactions when possible. Transactions, for example, may be aggregated when we make a decision to buy or sell the same security across multiple accounts at or near the same time. Before entering an aggregated trade order, Values First prepares a written statement ("Allocation Statement") specifying the participating client accounts and how it intends to allocate the order among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients accordingly. If the order is partially filled, it will generally be allocated pro-rata, based on the Allocation Statement, or randomly in certain circumstances.

In the event that you direct us to use a particular broker-dealer, please understand that best trade execution may not always be achieved.

### **ITEM 13 - REVIEW OF ACCOUNTS**

Our recommendations or decisions with respect to the allocation and management of your portfolio will be based on information provided to us by you about your investment objectives, risk tolerance, financial circumstances, and if applicable, the strategy selected by you on your Exhibit A of the Agreement. You must promptly notify us in writing of any changes in the information provided by you to us regarding your investment objectives.

Please contact Values First to schedule a time to talk with your advisor at least annually to review your account(s). Account reviews are designed to ensure that the securities purchased or held in your account(s) are consistent with your specific investment objectives. Your account should be reviewed at least annually, but we will be happy to conduct a special review of your account either upon request or if VFA deems it necessary or advisable or should unusual market occurrences prevail. Account reviews are conducted by the advisor assigned to your account and supervised by one or more of the firm's principals or managers.

Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions and current prices in each account as well as transactions in each account, and any fees paid from an account; however, in most instances, statements are delivered monthly. Account custodians also provide confirmation of all trading activity and year-end tax statements.

To better serve you in attaining your investment goals, we remind you that it is very important to advise us of any changes in your investment objectives or your financial situation. Based upon this information, we can better determine if your portfolio requires modification.



For those clients to whom Values First provides separate financial planning and/or consulting services, reviews are conducted on an as needed or agreed upon basis. Such reviews are conducted by Values First investment adviser representatives or principals.

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

VFA does not compensate any person or entity, either directly or indirectly, for client referrals, with the exception of VFA employees who may be compensated for new accounts referred to the firm by them. In addition, we also do not receive any economic benefit, including commissions, equipment or non-research services, from a non-client in connection with giving advice to clients.

#### **ITEM 15 – CUSTODY**

As a matter of policy and practice, VFA does not take custody of assets in your account(s). That means that we do not accept, or hold, directly or indirectly, your funds or securities, or have any authority to obtain possession of them, with the exception of debiting your account for advisory fees. Having authority to place trades in your account does not mean that we have custody of the account assets.

During the course of providing investment management services to you, should you wish to deposit securities or funds into your account, we will assist you in delivering those types of assets to your custodian. We respectfully request that you do not mail or deliver securities, checks or cash to us. Instead, please notify us that you need assistance in making delivery of assets to your custodian and we will provide you with appropriate forms, delivery instructions or other types of assistance that we are able to render. If we receive your assets inadvertently, we will return them promptly to you or notify you that we need your assistance in ensuring delivery to the custodian.

You must never make a check payable to VFA, our employees or contractors in an attempt to deposit funds into your account. Your check must be made payable only to your account custodian and include your account number and other identifying information, as applicable. In the unlikely event you are ever requested to do otherwise, we request you promptly notify our firm's chief compliance officer in writing by emailing [compliance@valuesfirstadvisors.com](mailto:compliance@valuesfirstadvisors.com) or by mailing to our main office address on the cover page of this Brochure.

It is important that you notify us immediately if your custodian is not providing you with at least quarterly account statements including transactions and holdings for each of your accounts. We urge you to review the account statements you receive from your custodian carefully and to notify VFA should you have any questions or concerns about your account. In addition, you will be able to review and monitor the amounts of advisory fees, model management fees, custodial fees and transaction fees deducted from your account by reviewing the custodian's statements.

If you do not receive statements from your custodian for each account held, please let us know at your earliest convenience so that we can check with your custodian and remedy the situation.

From time to time and in accordance with our Agreement, VFA may provide additional reports to you. The account balances reflected on these reports should be compared to balances shown on the custodial statements to ensure accuracy. There may be differences between our reports and custodial statements due to accounting procedures, reporting dates, or valuation differences for certain securities.



## **ITEM 16 - INVESTMENT DISCRETION**

As described in *Item 4 - Advisory Business*, VFA will accept clients on either a discretionary or non-discretionary basis.

For *discretionary accounts*, the client normally grants to VFA power and authority as the client's agent to carry out various activities in the account, generally including the following: trade execution; the ability to distribute funds to the client based on instructions from the client; and the withdrawal of advisory fees directly from the account. The client may limit the terms of such power and authority to the extent consistent with the client's investment advisory agreement with VFA and the requirements of the client's custodian. For more information, see the investment advisory agreement.

For *non-discretionary accounts*, the client normally instructs VFA to direct the assets in the account but only with the client's prior consent. VFA will normally carry out various activities in the account, generally including the following: trade execution; the ability to distribute funds to the client based on instructions from the client; and the withdrawal of advisory fees directly from the account. The client may limit the terms of such instructions to the extent consistent with the client's investment advisory agreement with VFA and the requirements of the client's custodian. For more information, see the investment advisory agreement.

## **ITEM 17 - VOTING CLIENT SECURITIES**

Because Values First operates in a fiduciary capacity for your account, we owe you a duty of good faith, loyalty, and full disclosure regarding our proxy voting practice. At the time of entering into an agreement with Values First, we explain to you that VFA does not vote proxies for your accounts. You will retain the authority to vote the proxy, or elect to *not vote* the proxy upon receiving a ballot, in your sole discretion. Some custodians provide methods for you to vote proxies electronically from their websites.

## **ITEM 18 - FINANCIAL INFORMATION**

As a registered investment adviser, we are required to provide you with certain financial information or disclosures about our financial condition. Values First has no financial commitment that impairs its ability to meet its contractual and fiduciary commitments and we have not been the subject of any bankruptcy proceeding. In addition, we do not require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered.

As a result, we are not required to include a financial statement with this Brochure.

