



6409 81<sup>st</sup> Street  
Cabin John, MD 20818  
571-348-0800  
www.nexus338.com

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## **FORM ADV PART 2A DISCLOSURE BROCHURE**

*This disclosure brochure provides clients with information about the qualifications and business practices of Nexus338, LLC, a registered investment adviser. It also describes the services Nexus338, LLC provides as well as background information on those individuals who provide investment advisory services on behalf of Nexus338, LLC. Please contact Nexus338, LLC at 571-348-0800 if you have any questions about the contents of this disclosure brochure.*

*The information in this disclosure brochure has not been approved or verified by the U.S. Securities and Exchange Commission or any state securities authority. Registration does not imply that Nexus338, LLC or any individual providing investment advisory services on behalf of Nexus338, LLC possess a certain level of skill or training.*

*Information on the disciplinary history and the registration of Nexus338, LLC and its associated persons is available on the Internet at [www.adviserinfo.sec.gov/IAPD/](http://www.adviserinfo.sec.gov/IAPD/). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Nexus338, LLC is 315250.*

## **Item 2 – Material Changes**

This item discusses specific material changes to the Nexus338, LLC disclosure brochure. Pursuant to current regulations, Nexus338, LLC will ensure that clients receive a summary of any material changes to this and subsequent disclosure brochures within 120 days of the close of its fiscal year which occurs at the end of the calendar year. Nexus338, LLC may further provide other ongoing disclosure information about material changes as necessary.

Nexus338, LLC will also provide clients with a new disclosure brochure as necessary based on changes or new information, at any time, without charge.

Since the initial filing of the Nexus338, LLC disclosure brochure (August 9, 2021), there are no material changes to disclose.

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## **Item 4 - Advisory Business**

### **A. The Company**

Nexus338, LLC (“Nexus338” or the “Firm”), a Virginia limited liability company founded in May 2021, has applied for registration with U.S. Securities and Exchange Commission (“SEC”) in June 2021.

The principal owner of Nexus338 is Philip S.L. Chao.

### **B. Advisory Services**

#### **Services for Qualified Retirement Plans**

Nexus338 exclusively provides investment services to qualified retirement plans that may or may not be subject to Employee Retirement Income Security Act of 1974 (ERISA). This disclosure brochure addresses the retirement plan services that Nexus338 offers as a fiduciary under section 3(38) of ERISA. Nexus338 offers investment advisory services to retirement plan (the “Plan”) sponsors and/or appointed committees and fiduciaries of account-based defined contribution retirement plans (collectively “Plan Sponsors” or “Plan Fiduciaries”). Under a qualified retirement plan, all Plan assets belong to the Plan and not to the Participants.

#### 3(38) Core Menu Service

Nexus338 is engaged in writing by the Plan Sponsor or Plan Fiduciaries of an account-based defined contribution retirement plan as a fiduciary investment manager. As the fiduciary investment manager, Nexus338 has the discretion to select and replace a core investment menu of investment options (often referred to as Designated Investment Alternatives or “DIAs”). Nexus338 also has the duty to provide ongoing monitoring of such investment options.

The 3(38) Core Menu Service is a turn-key service where Nexus338 serves in a discretionary fiduciary investment manager role to offer Plan Sponsors a varied menu of DIAs for their Plan participants (each a “Participant” and collectively, “Participants”) based on the plan’s investment policy. The investment menu is designed to allow eligible Participants and beneficiaries with differing risk and investment time horizon profiles to construct retirement portfolios to meet their goals and objectives along a risk-return continuum.

In selecting the investment menu, Nexus338 undertakes the following key objectives in the sole interest of Participants:

- Aligning investment selection and monitoring processes with the criteria set forth in the Plan’s investment policy;
- Providing adequate diversification opportunities within a portfolio;
- Offering investment choices that seek varying growth and capital preservation objectives;
- Controlling investment expenses; and
- Providing investment building blocks, in the aggregate, that are reasonable for long-term investment horizon.

The Plan's DIA options may consist of exchange-traded funds (ETFs), Collective Investment Trusts (CITs), mutual funds, or other similar diversified investment vehicles that are made available on recordkeeping custodial platforms. Nexus338 will also set the Plan's qualified default investment alternative(s) ("QDIA") for Participants who are automatically enrolled in the Plan or who otherwise failed to make an affirmative written investment election. Based on the Plan's Investment Policy Statement ("IPS") or other guidelines established by the Plan, which could be prepared by Nexus338 or otherwise provided by the Plan Sponsor, Nexus338 periodically reviews each DIA selected for the Plan and provides ongoing monitoring and, if prudent, replaces any DIA with a new option when deemed prudent to do so

As a fiduciary to the Plan, the primary responsibilities of Nexus338 are:

- Deliver a new or maintain an existing IPS;
- Create and maintain an investment menu;
- Delivering quarterly plan investment monitoring report; and
- Conducting ongoing investment due diligence if an investment option is to be replaced.

Pursuant to the 3(38) Core Menu Service, Nexus338 accepts and acknowledges fiduciary status as an "Investment Manager" contemplated in Section 3(38) of ERISA in a written agreement with the Plan Sponsor that is subject to ERISA.

#### Glidepath Assessment Service

If not providing the 3(38) Core Menu Service, Nexus338 may serve as a 3(38) discretionary investment manager for the "managed account" option in a Plan. Nexus338 takes on the responsibility of selecting and monitoring asset allocation policy of the managed account option, which may be a Qualified Default Investment Alternative ("QDIA") as introduced under the Pension Protection Act of 2006. Nexus338 examines a third party portfolio allocation algorithm used in a Managed Account offering which customizes each participant's portfolio based on a unique set of individual factors for each Participant. Nexus338 will also select and apply DIAs as building blocks to express the individualized asset allocation algorithm for each participant.

Individual Participant accounts are designed to seek long-term retirement savings objectives through the investment of a mix of equity, fixed income and cash or cash equivalent exposures personalized to their age, gender, income level, target retirement date and deferral rates. Each Participant portfolio changes its asset allocation and associated risk levels over time based on the unique factors of the Participant. Individual Participant portfolios are structured in accordance with the managed account algorithm which is based on generally accepted investment theories and diversified so as to minimize the risk of large losses.

Pursuant to the 3(38) Glidepath Assessment Service, Nexus338 accepts and acknowledges fiduciary status as an "Investment Manager" contemplated in Section 3(38) of ERISA in a written agreement with the Plan Sponsor.

### Participant Account Service

Nexus338 will serve as an investment fiduciary on the Participant account level only when Nexus338 also provides the Glidepath Assessment Service to the plan. This is a regulatory requirement for a managed account to be considered a QDIA. Consistent with the portfolio allocation algorithm made available under the managed account option in a Plan, Nexus338 will in effect have full discretionary authority to allocate the assets in each Participant's account. There are two options for the allocation of Participant assets:

#### *Opt-Out Option*

In the case where a Participant has defaulted assets and contributions into a plan's QDIA where the managed account is the qualified option, all Participant assets would be invested in the managed account.

#### *Opt-In Option*

In the case where a Participant has affirmatively elected to place all or a portion of account assets and contributions into a managed account, then Nexus338 would only be responsible for using the algorithm to allocate that portion of the account assets and construct a personalized portfolio solely based on the managed account algorithm.

Under both opt-out and opt-in options, the discretionary authority includes the authority, without first consulting the Participant, to take all investment actions on the Participant's behalf that Nexus338 determines is consistent with the managed account allocation algorithm based on the unique factors of the Participant (such factors are derived from the Plan's recordkeeper.) This discretion includes the authority to buy, sell, select, remove and replace investment building blocks, such as mutual fund shares, ETFs, CITs and other investments authorized and approved by the Plan Sponsor or Plan Fiduciary for the Plan. Nexus338 will not have the authority to withdraw funds or securities from Participant's account other than for payment of quarterly management fees as agreed to in writing by the Plan Sponsor and so instructed to the Plan's recordkeeper to make such distributions.

Pursuant to the 3(38) Participant-Account Service, Nexus338 accepts and acknowledges fiduciary status as an "Investment Manager" contemplated in Section 3(38) of ERISA in a written agreement with the Plan Sponsor.

#### **iGPS®**

iGPS® (Individual Glide Path Solution) represents a proprietary lifetime portfolio management solution offered by Nexus338 that is individualized to each participant in a Plan. iGPS® is a managed account based in-Plan solution that leverages financial technology to deliver portfolio management personalized to each Participant. This can be accomplished without the Participant's active engagement. With permission from the Plan Sponsor, agreed to factors for each Participant are used to build individualized retirement portfolio from accumulation to de-risking and decumulation phase of each Participant's lifetime investment cycle.

Under iGPS®, Nexus338 serves as an ERISA 3(38) fiduciary investment manager and identifies and selects:

1. Third-party (typically other asset managers) Base Portfolios and the associated allocation algorithm that customizes the Base Portfolios to individual Participants;

2. A set of DIA options which could include annuities to serve as building blocks for individual portfolio construction; and
3. A financial technology provider to express the allocation algorithm and to digitally connect to retirement plan recordkeeper platforms so that Plans may participate in the iGPS® offering for their Participants.

iGPS® can serve as a stand-alone solution on either an opt-out or opt-in basis. iGPS® is eligible as a QDIA in an opt-out arrangement where Participants not willing or able to make investment decision would be defaulted into the solution. With access to individual factors from the recordkeeper, an individualized portfolio is created for each defaulted Participant.

iGPS® can also serve as a stand-alone opt-in arrangement selected by a Participant and possibly provide additional factors that would further customize portfolio construction.

iGPS® can be viewed as an investment offering similar to other DIA on a plan's core menu. The Plan Sponsor or Plan Fiduciary would have to first select iGPS® as a Plan investment option under a written agreement. Thereafter, Nexus338 will serve as the ERISA 3(38) fiduciary investment management for the iGPS® solution on the allocation algorithm and individual participant level.

### **C. Client Tailored Services and Client Imposed Restrictions**

#### 3(38) Core Menu Service

Nexus338 has the discretion to select the core menu of investment options, including Qualified Default Investment Alternatives (QDIA), as Designated Investment Alternatives (DIA) for the Plan based on the selection guidance, limitations and terms specified in the Plan's investment policy statement.

#### Glidepath Assessment Service

Acting as an independent investment expert, Nexus338 reviews the capital market assumptions for return and risk and asset correlation for the algorithm created by a third party manager which forms the basis in constructing portfolios along a foundational glidepath as well as the process by which the glidepath “de-risks” over time. The asset allocation algorithm informs the basic portfolio construction process within a managed account offering. A number of factors (e.g., age, gender, income, account size, contribution and state of residence, etc.) are made available as additional inputs to tailor portfolio construction to individual participants under the Plan. Nexus338 reviews how the asset allocation changes based on changes in one or more inputs (“Reaction Functions”). On a case-by-case basis, Nexus338 may use the Plan's DIA or new DIA, after approval by the Plan fiduciary, as building blocks to fully express the portfolios along a personalized glidepath.

#### Participant Account Service

When a managed account is selected as a QDIA under a Plan where Nexus338 is the Glidepath-Level 3(38) Investment Manager, Nexus 338 will automatically serve as the Participant-Level 3(38) Investment Manager. As a QDIA, the individual glidepath sets the asset allocation of each participant's retirement portfolio and how asset allocation would respond to the Reaction Functions. Portfolio construction and the changing asset allocation over time are solely based on the third party manager's algorithm without the active investment decision by participants. The factors used as inputs are specific to each participant.

#### **D. Wrap Fee Programs**

Nexus338 does not offer or participate in wrap fee programs.

#### **E. Assets Under Management**

Nexus338 does not currently have any assets under management.

### **Item 5 - Fees And Compensation**

#### **A. Advisory Fees**

##### 3(38) Core Menu Service

The fee for the 3(38) Core Menu Service is a fixed fee paid quarterly in arrears that ranges from \$20,000 to \$200,000. The fixed fee amount is based on a variety of factors, including and not limited to the number of DIAs, the Plan asset size and Plan history, the requirement to write or update the IPS, and overall complexity of the client's situation, reporting requirements, etc.

##### Glidepath Assessment Service and Participant Account Service

This fee is an annualized asset-based fee, paid quarterly in arrears, that ranges from 0.02% to 0.05% of the assets maintained under the Glidepath Assessment Service and Participant Account Service as of the last day of the quarter. The actual fee agreed upon will be based on, but not limited to, the size of the Plan assets, number of Participants, Plan history and Plan complexity. In the case of where the Participant has opted-out, "assets" would mean all defaulted assets and in the case of where the Participant has opted-in, "assets" would mean only those assets that the Participant elected to have managed.

##### Hourly Fee

An hourly fee between \$500 to \$700 would be charged for additional services that were not originally contemplated or requested under the fixed or asset-based fee arrangements described above. The hourly fee will be billed monthly in arrears.

#### **B. Payment Method**

Depending on the written service agreement entered into with the Plan Sponsor or Plan Fiduciary, Nexus338 can be paid directly from the Plan Sponsor's own assets, from the Plan assets, or from the investment building blocks within iGPS®. No fees will be automatically deducted from the Plan Sponsor or the Plan by Nexus338.

#### **C. Additional Information**

##### Fees Negotiable

The asset-based and fixed fees are negotiable.

### Additional Fees

The Plan Sponsor or Plan assets may be subject to the following (and not limited to) fees and charges as a function of participating in a qualified retirement plan that may be assessable in addition to fees and compensation payable to Nexus338:

1. Investment fees – Collective Investment Trust, mutual fund, separate account, variable insurance account, ETF or other packaged investment expenses;
2. Custodian and directed trustee fee;
3. Recordkeeping and Third Party Administrator (TPA) fee;
4. Annual audit and filing fees;
5. Participant account level fees and expenses (e.g. distribution, loan, QDRO, etc.);
6. Brokerage window transaction fee;
7. Legal and non-investment consulting fees; and/or
8. ERISA bond premium.

Nexus338 works with the Plan’s recordkeeper, custodian and/or directed trustee to effect all Plan- or Participant-level transactions. Nexus338 does not have the authority to select or recommend brokerage or custodian services to plan fiduciaries.

### **D. Termination and Refunds**

A client has the right to terminate their investment advisory relationship with Nexus338 without penalty within five (5) business days after entering into an agreement with Nexus338. In addition, a client has the right to cancel their advisory agreement at any time and for any reason upon ninety (90) days’ prior written notice to Nexus338. If an account is terminated during a calendar quarter, fees will be adjusted *pro rata* based upon the number of calendar days in the calendar quarter that the investment management agreement was effective. Because fees are charged in arrears, the client will not be due a refund.

### **E. Additional Compensation**

Except as set forth above, when serving as a 3(38) fiduciary investment manager, neither Nexus338 nor any of its associated persons accept commissions or compensation from any other source (e.g., mutual funds, insurance products or any other investment product) and does not charge a mark-up on clients’ securities transactions. Neither Nexus338 nor any of its associated persons receive “trailer” or 12b-1 fees from an investment company.

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

Nexus338 does not accept performance-based fees or engage in side-by-side management. Nexus338’s fees are calculated as described above in Item 5 - Fees and Compensation - and are not charged on the basis of a share of the capital gains upon, or capital appreciation of, the funds in a client’s account.

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

### **A. Clients**

Nexus338 provides investment advisory services exclusively to Plan Fiduciaries, Plan Sponsors or appointed committees and fiduciaries of account based-defined contribution retirement plans. Nexus338 does not provide advisory services to individuals and families outside a retirement plan.

### **B. Engaging the Services of Nexus338**

A written agreement is required between Nexus338 and the Plan sponsor or Plan Fiduciary for each of the following services: 3(38) Core Menu Service, Glidepath Assessment Services and Participant Account Service and iGPS®.

Glidepath Assessment Services and Participant Account Service must be offered together and cannot be separated or selected in isolation of each other. The two services are dependent on each other.

The executed agreement for Glidepath Assessment Services and Participant Account Service and iGPS® must also be acknowledged by and lodged with the recordkeeper.

It is important to note that the 3(38) Core Menu Service is a standalone service and cannot be combined with the remaining services offered by Nexus338. Allowing Nexus338 to have discretion over selecting investment options for the core menu and at the same time have the ability to self-select any other service would create a conflict of interest.

### **C. Conditions for Managing Accounts**

Services are exclusive to Plan Sponsors for qualified defined contribution retirement plans.

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

### **A. Methods of Analysis and Investment Strategies**

#### Methods of Analysis

Nexus338 provides due diligence services on a third-party strategic asset allocation models identified by Nexus338 and the underlying assumptions that form the baseline Base Portfolios. Further, Nexus338 examines the portfolio allocation algorithms which customizes Base Portfolios when a unique set of individual Participant factors (which may include, but not be limited to, date of birth, gender, salary, deferral rates and account value) are introduced.

Nexus338 does not design or create asset allocation models for Base Portfolios nor develop or create mathematical algorithms to adjust such Base Portfolios in accordance with or responding to individual factors.

A set of broad based market indexes (such as the S&P 500, Russell 2000, MSCI EAFE, Bloomberg Barclays Capital Aggregate Bond, etc.) representing asset classes are selected as expressions of the investment universe to be used for constructing Base Portfolios. A set of third party mathematical calculations that rest on the Modern Portfolio Theory (MPT) would

produce a series of Base Portfolios (efficient portfolios) along a continuum of risk and return tradeoffs (efficient frontier).

The expected return of each Base Portfolio is calculated as a weighted sum of all expected individual asset class returns which are subjectively assigned by a third party (a.k.a. Capital Market Assumptions). Additionally, each Base Portfolio's risk (i.e. the variances of each asset included and the correlations between each pair of assets) is also subjectively assigned by a third party.

A Monte Carlo simulation is then conducted to offer a range of possible return outcomes and helps to minimize uncertainty. The Monte Carlo simulation allows risk assumption variation under observable parameters and thus model a range of possible outcomes. Through this probabilistic approach, multiple future outcomes can be compared and efficient Base Portfolios that have the likelihood of reaching the expected returns at the assigned portfolio risk levels would be finalized.

A continuum of Base Portfolios are connected together to form a glidepath that begins at the highest expected return and risk level to the lowest expected return and risk level over a 50 year period. Thereafter, the third party portfolio algorithm is used to individualize the Participant's account by adjusting a Base Portfolio subject to the personal factors of the Participant.

Nexus338 also evaluates and selects the underlying investment options as building blocks to each individual portfolios. This analysis takes into consideration the following factors for each investment option:

- Historical return against benchmark index
- Historical return against peer group universe (e.g. Morningstar Category)
- Historical risk (standard deviation and beta) against the benchmark index risk
- Historical risk adjusted measured (e.g. Sharpe ratio, information ratio, alpha, etc.)
- Investment expense against peer group universe
- Manager tenure
- Investment style drift (R2, return based style analysis, etc.)
- Asset manager stability and process

### Investment Strategies

Nexus338 relies on the selected third party's MPT based methodologies with Monte Carlo simulation to develop a group of Base Portfolios that give rise to a lifetime investment glidepath. Nexus further relies on the same third party's allocation algorithm to individualize Participant portfolios.

Nexus338's role is to understand and, if agree, consent to the third party assumptions and methodologies for individual Participant portfolio construction and allocation as an ERISA 3(38) fiduciary investment manager.

### Types of Investments

Nexus338 evaluates and selects individual investment options (ETFs, mutual funds, variable insurance or separate managed accounts, or CITs) to be used as portfolio construction building blocks for each Participant portfolio. These investment, approved by the Plan Sponsor, can be index tracking or factor based quantitative options, or, can be actively

managed options. Regardless of investment structure or style, all investment options are diversified.

### Sources of Information

In conducting its security analysis, Nexus338 may obtain and utilize information and data from a wide variety of public sources. Neither Nexus338 nor its adviser representatives will independently verify or guarantee such information and data. Neither Nexus338 nor its adviser representatives shall be liable for any misstatement or omission contained in the information from these sources, or any loss, liability, claim, damage or expense, incurred, arising out of, or attributable to such misstatement or omission.

### Investing Involves Risk

Investing in securities involves risk of loss that each Participant should be prepared to bear. The value of a Participant's account may be affected by one or more of the following risks, any of which could cause a client's portfolio return, the price of the portfolio's shares or the portfolio's yield to fluctuate:

- *Market Risk.* The value of portfolio assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- *Interest Rate Risk.* Changes in interest rates will affect the value of a portfolio's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.
- *Credit Risk.* An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.
- *Allocation Risk.* The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client's portfolio may incur significant losses.
- *Foreign (Non-U.S.) Risk.* A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- *Emerging Markets Risk.* Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may

entail special risks relating to the potential for social instability and the risks of expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.

- *Currency Risk.* Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns.
- *Derivatives Risk.* Certain strategies involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.
- *Capitalization Risk.* Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.
- *Liquidity Risk.* Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing an investment manager from selling out of such illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk also tend to involve greater liquidity risk.
- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.
- *Concentrated Portfolios Risk.* Certain investment strategies focus on particular asset classes, countries, regions, industries, sectors or types of investments. Concentrated portfolios are an aggressive and highly volatile approach to trading and investing. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic price swings. In addition, the rise or drop in price of any given holding is likely to have a larger impact on portfolio performance than a more broadly diversified portfolio.
- *Legal or Legislative Risk.* Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.

## **B. Risks Associated with Investment Strategies and Methods of Analysis**

### *Risks Associated with Investment Strategies*

The primary method for risk mitigation is through multi-asset diversification. In order for diversification to achieve its intended benefit requires a stable correlation among every pair of asset classes. For example, the historical neutral to negative correlation between stocks and core bonds. However, there are periods where the two asset classes are more positively correlated and thus reduces the desired benefit of diversification.

Long-term capital market assumptions of individual asset risk (volatility) and expected return are foundational inputs to the managed account engine. Although such assumptions are reset each year, the actual return and risk can deviate from the assumptions during any period of time and the actual return can be much lower with a larger than estimated or projected downside risk.

Black Swan risk or extreme left tail risks are the down side risk factors that cannot be known or expected. Events such as COVID and the mortgage induced global financial crisis are extreme events that were unknowable in advance and can cause significant destruction to an otherwise well diversified or well-planned portfolio.

Over-diversification is a risk of a portfolio's low return over an extended period of time. This is caused by muting risk so significantly that return is also muted as a result.

#### *Risk Associated with Methods of Analysis*

There is no active management risk in analysis when conducted on an index replicating investment. The passively managed investment to be considered must have the size, scale and demonstrated consistency and experience to replicate the intended benchmark index. With the exception of beta (market) risk associated with the underlying index, securities lending, cash drag (i.e. not investing new cash investments immediately) and fee drag, a passive, index tracking and replicating investment should perform consistently with the index by which the investment intends to replicate.

Active manager risk is always present. Unlike passively managed index tracking investments, active manager must invest differently than the benchmark index the manager intends to out-perform on a risk adjusted or absolute basis. This deviation from the underlying index could cause underperformance against the benchmark for a period of time. When selecting a managed investment, one uses ex post data to evaluate the manager. But this is backward looking. There is no certainty that the manager would continue to deliver going forward. In fact, superior performance may be due to the manager's investment style being in favor over the examination period or luck. This could change in the future and causing the manager's performance to trail the benchmark by which the manager is judged on an absolute or risk adjusted basis.

### **C. Risks Associated with Specific Securities Utilized**

#### Exchange Traded Funds (ETFs)

An ETF holds a portfolio of securities designed to track a particular market segment or index. Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV.

ETFs are subject to risks similar to those of open end or closed end mutual funds. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client's portfolio. ETFs

may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### Mutual Funds - Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries.

In addition, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client's portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

#### Mutual Funds - Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also have the following risks;

- *Interest Rate Risk.* The risk that the value of the fixed-income holding will decrease because of an increase in interest rates.
- *Liquidity Risk.* The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (*e.g.*, corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also the risk of not being able to purchase a particular issue at the desired price.
- *Credit Risk.* The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as "default risk." Credit risk may also occur when an issuer's ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments.
- *Reinvestment Risk.* With declining interest rates, investors may have to reinvest income or principal at a lower rate.
- *Duration Risk.* Duration is a measure of a bond's volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

### Mutual Funds - Index Funds

Index Funds have the potential to be affected by “tracking error risk” which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a “sample index” that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are assets classes within these funds or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of a fund’s portfolio, may be considered “non-qualified” under certain tax code provisions.

**Note that there may be other circumstances not described here that could adversely affect a client’s investment and prevent their portfolio from reaching its objective.**

### Collective Investment Trusts (CITs)

CITs are a versatile, cost-effective and competitive alternative to mutual funds for defined contribution retirement plans. CITs are tax-exempt, pooled investment vehicles held by a trust company or bank —available only to defined contribution and other ERISA-qualified plans. CITs are funds not regulated by the Securities Exchange Commission (SEC) or the Investment Act of 1940 but operate instead under the regulatory authority of the Office of the Comptroller of the Currency (OCC). A CIT can invest in just about any kind of asset including stocks, bonds commodities, derivatives, and even mutual funds.

## **Item 9 - Disciplinary History**

Neither Nexus 338 nor its management personnel have any reportable disciplinary history.

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

### **A. Broker-Dealer Registration and Registered Representatives**

Nexus338 is not registered, nor does it have an application pending to register, as a broker-dealer. No management person is registered, nor does any management person have an application pending to register, as a registered representative of a broker-dealer.

### **B. Futures and Commodity Registration**

Nexus338 is not registered, nor does it have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor. No management person is registered, nor does any management person have an application pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.

### **C. Financial Industry Affiliations**

Nexus338, through the common ownership of Philip S.L. Chao, the Managing Member and sole owner of Nexus338, is affiliated with Experiential Wealth, Inc. (“Experiential”), an investment adviser registered with the SEC. Nexus338 and Experiential share office space

and certain back office functions. In addition, Philip S.L. Chao, the sole investment adviser representative of Nexus338 is also the sole investment adviser representative of Experiential. This relationship does not present a conflict of interest because Nexus338 and Experiential offer different services to different target audience and thus, there is no overlap of advisory services. There is no cross selling of services among the two companies.

Through the common ownership of Philip S.L. Chao, Nexus338 is affiliated with Independent Fiduciary Services, LLC, an independent directed trustee to health & welfare trusts associated with health & welfare plans covered under the McNamara O'Hara Service Contract Act of 1965, as amended. Independent Fiduciary Services, LLC does not provide services to clients of Nexus338 and Nexus338's clients are not solicited to use the services of Independent Fiduciary Services, LLC.

Philip Chao is also a majority owner and managing member of Syngularity, LLC., a Virginia limited liability company. Syngularity is a Pooled Plan Provider registered with the Internal Revenue Service and the Department of Labor. Syngularity does not offer any investment advisory or management services but would engage Nexus338 to provide discretionary investment management services. This does not present a conflict of interest because under this arrangement, Nexus338 will waive its fees completely.

#### **D. Selection of Other Advisers**

Nexus338 does not receive, directly or indirectly, compensation from other investment advisers that it recommends or selects for its clients.

### **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Clients of Nexus338 are sponsors or appointed committees and fiduciaries of account based defined contribution retirement plans. Nexus338 does not have nor intend to have any individual clients. Further, individual securities (equities or fixed income) are not used as investment options in retirement plans. Typically, pooled investment vehicles (mutual funds, ETFs and CITs) are used as investment options.

Retirement plan fiduciaries also must comply with ERISA fiduciary responsibility requirements. Under 29 USC § 1104(a)(1) a fiduciary shall discharge its duties with respect to a Plan solely in the interest of the participants and beneficiaries and for the exclusive purpose of (i) providing benefits to participants and their beneficiaries; and (ii) defraying reasonable expenses of administering the Plan. Moreover the fiduciary must act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Finally the fiduciary must also act in accordance with the documents and instruments governing the Plan insofar as such documents and instruments are consistent with ERISA.

#### **A. Code of Ethics**

Nexus338 must meet ERISA fiduciary standard when serving as a fiduciary investment manager for a Plan. Nexus338 has also adopted a Code of Ethics pursuant to SEC Rule 204A-1 that obligates Nexus338 and its associated persons to put the interests of Nexus338's clients before their own interests and to act honestly and fairly in all respects in dealings

with clients. All of Nexus338's personnel are also required to comply with applicable federal securities laws.

Nexus338's Code of Ethics describes the Firm's fiduciary duties and responsibilities to its clients and sets forth our practice of supervising the personal securities transactions of Nexus338's associated persons with access to client information. Nexus338's associated persons may buy or sell securities for their personal accounts identical to or different from those recommended to clients. It is Nexus338's expressed policy that Nexus338's associated persons must put the interests Nexus338's clients ahead of their personal interests.

To supervise compliance with Nexus338's Code of Ethics, Nexus338 requires that anyone associated with Nexus338 and has access to advisory recommendations provide annual securities holdings reports and quarterly transaction reports to the Firm's Assistant Compliance Officer. Nexus338 requires such associated persons to also receive approval from the Assistant Compliance Officer prior to investing in any initial public offerings (IPOs) or private placements (limited offerings). Nexus338's Code of Ethics further includes Nexus338's policy prohibiting the use of material non-public information.

Any individual not in observance of the above may be subject to discipline.

Nexus338 will provide a complete copy of Nexus338's Code of Ethics to any client upon request to the Assistant Compliance Officer at 571-348-0800 or by making a written request to Nexus338's principal address as set forth on the cover page to this disclosure brochure.

#### **B. Recommendations Involving Material Financial Interests**

Nexus338 has no affiliation with any individual or institution that carries a material financial interest. Further, Nexus338 does not buy or sell securities of any kind for the Firm's own account for the purpose of reselling to clients. Nexus338 does not conduct any trades between its own account and a client account.

All Plan assets are traded on an aggregated basis among many Plans by each Plan's custodian firms. Nexus338 has no access or control over the time, price or volume of transaction for any security. Mutual funds and CITs are prevalent investment vehicles in retirement plans.

#### **C. Investing in Same Securities as Clients**

Under Nexus338's 401(k) plan, employee participants are given the opportunity to self-direct investments into a group of ETFs. Individual employees may also, from time to time, own interests in mutual funds and ETVs that are also recommended to Nexus338's clients.)

Since mutual funds and ETVs are broadly diversified and Nexus338 and its employees have no direct control over the purchase or sale of any individual security thereunder, this is deemed to be free of conflict of interest for Nexus338's 401(k) plan and/or individual employees to purchase, hold or sell ETVs or mutual fund shares that have been recommended to Nexus338's clients or held by them. Due to the scale of an ETV or a mutual fund, the timing of the purchase or sale by Nexus338's 401(k) plan and/or employees will not in any manner affect the price of the mutual fund. Moreover, employee participant trading in the ETFs under the 401(k) plan is limited to once a day and each trade is bundled with others by the third party administrator to Nexus338's 401(k) plan and Nexus338's and employees have no control, influence or discretion regarding the timing of each trade.

## **Item 12 - Brokerage Practices**

Nexus338 does not engage in or direct security transactions for Plans or Participants and therefore does not have any best execution, soft dollar, directed brokerage, trade aggregation/allocation disclosures.

## **Item 13 - Review Of Accounts**

### **A. Periodic Reviews**

#### 3(38) Core Menu Service

Nexus338, as a part of its ongoing monitoring duties, shall review the performance of each Designated Investment Alternative (DIA) on a quarterly basis in a manner consistent with the option selection criteria.

#### Glidepath Assessment Service

On an ongoing basis, Nexus338 monitors the following:

- Changes to the glidepath or Base Portfolios;
- Changes in capital market assumptions annually;
- Changes in allocation within each Base Portfolio; and
- Changes to the allocation algorithm that determines the portfolio construction for Participants.

#### Participant Account Service

On an ongoing basis Nexus338 monitors the following quarterly:

- Performance of each underlying investment option deployed in iGPS; and
- Through sampling the recordkeeping system to audit a small group of participant accounts to confirm the algorithmic allocation instructions were followed for such accounts.

### **B. Other Reviews**

Not applicable.

### **C. Regular Reports**

#### 3(38) Core Menu Service

Nexus338, as a part of its ongoing monitoring duties, shall report in writing to the Plan Fiduciary the performance of each Designated Investment Alternative (DIA) on a quarterly basis.

### Managed Account and iGPS Services

Nexus will work in conjunction with the technology provider and recordkeeper to deliver plan level (aggregated data) reports on participant retirement outcome statistics.

It is the sole responsibility of the recordkeeper or its appointees to deliver online or hard copy statements, fund prospectus, regulatory or required notices to Plan Sponsors and Plan Participants.

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

### **A. Economic Benefits**

Nexus338 does not receive any economic benefits such as sales awards or other prizes from any non-client for providing investment advisory services to the firm's clients.

### **B. Client Referrals**

Neither Nexus338 nor any related person directly or indirectly compensates any person for client referrals.

## **Item 15 - Custody**

Nexus338 does not maintain custody of client assets.

## **Item 16 - Investment Discretion**

Nexus338 has the discretionary authority in written agreement to select the Glidepath provider along with their allocation algorithm, the underlying investment options or DIAs as building blocks for individual Participants and select the financial technology company that can express the Glidepath and algorithm for such individual Participants on an ongoing basis. Nexus338 does not have discretionary authority to manage securities accounts on behalf of retirement plan clients.

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

Nexus338 does not vote proxies on behalf of its clients nor will Nexus338 be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients may obtain information from the Plan's custodian and recordkeeper about how securities are voted.

## **Item 18 - Financial Information**

### **A. Prepayment of Fees**

Because Nexus338 does not require or accept prepayment of more than \$1,200 in fees six months or more in advance, Nexus338 is not required to include a balance sheet with this disclosure brochure.

**B. Financial Condition**

Nexus338 does not have any adverse financial conditions to disclose.

**C. Bankruptcy**

Nexus338 has never been the subject of a bankruptcy petition.