

**Item 1: Cover Page**

**Appendix 1 of Part 2A**  
**Virtue Capital Management, LLC**  
**Wrap Fee Program Brochure**  
September 4, 2018

**Virtue Capital Management, LLC**  
SEC File No. 801-79938

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This wrap fee program brochure provides information about the qualifications and business practices of Virtue Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 615-340-0801 or via email to [asheffield@virtuecm.com](mailto:asheffield@virtuecm.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Virtue Capital Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Please use the firm's SEC File No. 801-79938 in the applicable search field.

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Effective December 15, 2017, the firm moved its office from 22 Century Blvd., Suite 455, Nashville, TN 37214 to 6 Cadillac Dr., Suite 310, Brentwood, TN 37027.

In February 2018, Anthony Sheffield became the Chief Compliance Officer at Virtue Capital Management.

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## Item 4: Services, Fees and Compensation

Virtue Capital Management, LLC ("VCM") is a Limited Liability Company organized in the state of Tennessee. Virtue Financial Holdings, LLC ("VFH"), which own 100% of Virtue Capital Management, LLC, is owned by Jeremy Rettich and Matthew Rettich. Jeremy Rettich and Matthew Rettich are the control persons of VFH. VCM has been offering investment advisory services since October 2013.

### A. VCM Wrap Fee Program

#### A.1. Investment Supervisory Services

VCM will not assume any responsibility for the accuracy of the information provided by the client. VCM is not obligated to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Under all circumstances, clients are responsible for promptly notifying VCM in writing of any material changes to the client's financial situation, investment objectives, time horizon, or risk tolerance. In the event that a client notifies VCM of changes in the client's financial circumstances, the firm will review such changes and recommend any necessary revisions to the client's portfolio. VCM offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. VCM may provide investment advice to clients as to the proper allocation and selection of investments made available through the 529 plan. Please be advised that our advice is limited to those funds available within the 529 plan. VCM may provide investment advice to clients as to the proper allocation and selection of investments made available through a fee-based variable annuity product. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Asset selection
- Regular portfolio monitoring

VCM offers clients the following portfolios in its wrap fee program, which are managed by separate account managers or through a sub-adviser that VCM engages on its behalf and are further described in Item 6.C.5 of this brochure:

- **Alpha Investment Management**
  - Mid-Cap Power Index
- **Clark Capital Management**
  - Navigator Fixed Income Total Return
- **CMG**
  - Opportunistic All Asset
- **CMS**

- Bull Calendar
- Sector Rotation
- **Hanseatic Management Services**
  - Hanseatic All Cap Tax Efficient Strategy
- **Howard Capital Management**
  - ALP Balanced
  - ALP Conservative
  - ALP Growth
  - Horizon Bond
- **Julex Capital Management**
  - Dynamic Income
- **Martin Investment Management**
  - U.S. Equity "Best Ideas" Growth
- **Morningstar**
  - Dividend Select Stock Basket
  - Hare Select Stock Basket
  - Tortoise Select Stock Basket
- **Navellier & Associates INC**
  - Libertas 30
  - U.S. Equity Sector Plus Featuring AlphaDex
- **Newfound Research**
  - Multi-Asset Income
  - Risk Managed Global Sectors
- **Optimus Advisory Group**
  - Bond Rotation
  - Global Advantage All Asset
  - Tactical High Yield
- **Summit Capital Solutions**
  - Dual Momentum Sector Strength Aggressive
  - Dual Momentum Sector Strength Balanced
  - Dual Momentum Sector Strength Conservative
- **Taiber Kosmala & Associates**
  - Enhanced Yield Growth and Income
  - Opportunistic Municipal Bond
  - Hanseatic All Cap Tax Efficient Strategy with VCM Overlay
  - Zacks Dividend Large Cap Value Stock Strategy with VCM Overlay

- **Texas Elite Advisors**
  - Elite Relative Value Strategy
- **W.E. Donoghue and Company**
  - Power Dividend Index
  - Power Dividend International Index
- **Zacks Investment Management**
  - Zacks Dividend Large Cap Value Stock Strategy
- **Zega Financial**
  - Buy and Hedge Classic
  - Buy & Hedge Retirement
  - HiPOS Aggressive
  - HiPOS Income
  - HiPOS Moderate
  - Internet Advantage Strategy Best Long/Short
  - Internet Advantage Strategy Equity Best Picks

VCM evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the Risk Profile Questionnaire, to the extent one is utilized for a particular client. For its discretionary asset management services, VCM receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 6.C.7 of this brochure. VCM generally limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, REITs, insurance products including annuities, and government securities. VCM may use other securities as well to help diversify a portfolio when applicable.

In addition to providing VCM with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with prompt notice of any changes in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. On a quarterly basis, VCM's reports to clients will remind clients of their obligation to inform the firm of any such changes. VCM will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

#### **A.2. Selection of Other Advisers**

VCM may utilize sub-advisers or recommend clients utilize third-party money managers which clients will engage directly. VCM will be compensated via a fee share from the advisors to which it directs those clients. The fees shared will not exceed any limit imposed by any regulatory agency. Before recommending other advisors for clients, VCM will always ensure those other advisors are properly licensed or registered as investment advisor.

### A.3. Fee Schedule

The advisor's fee for the services is an asset-based fee calculated as a percentage of the value of the managed assets, calculated according to the following fee schedule, which represents the advisor's maximum fees for individual services. Please note that the client may be able to obtain comparable services elsewhere at more favorable pricing. All fees are negotiable.

#### Fee Schedule I

This fee schedule is for the following portfolios (break points are per household):

<b>Alpha Investment Management:</b>	<b>Morningstar:</b>
Mid-Cap Power Index	Dividend Select Stock Stock Basket
<b>Clark Capital Management:</b>	Hare Select Stock Basket
Navigator Fixed Income Total Return	Tortoise Select Stock Basket
<b>CMG Wealth:</b>	<b>Navellier &amp; Associates, Inc.</b>
Opportunistic All Asset	Libertas 30
<b>Capital Management Services:</b>	U.S. Equity Sector Plus Featuring AlphaDex
Bull Calendar	<b>Newfound Research</b>
Sector Rotation	Risk Managed Global Sectors
<b>Hanseatic Management Services:</b>	Multi-Asset Income
Hanseatic All Cap Tax Efficient Stock Strategy	<b>Optimus Advisory Group:</b>
<b>Howard Capital Management:</b>	Bond Rotation
Howard Capital ALP Conservative	Global Advantage All Asset
Howard Capital ALP Balanced	Tactical High Yield
Howard Capital Horizon Bond	<b>Summit Capital Solutions:</b>
Howard Capital ALP Growth	Dual Momentum Sector Strength Conservative
Dividend Income Conservative	Dual Momentum Sector Strength Balanced
Dividend Income Balanced	Dual Momentum Sector Strength Aggressive
Dividend Income Growth	<b>Taiber Komala &amp; Associates:</b>
<b>Julex Capital Management:</b>	Enhanced Yield Growth and Income
Dynamic Income	Opportunistic Municipal Bond
<b>Martin Investment Management:</b>	Hanseatic All Cap Tax Efficient Stock Strategy w/ VCM Overlay
U.S. Equity "Best Ideas" Growth	Zacks Dividend Large Cap Value Stock Strategy w/ VCM Overlay
<b>Texas Elite Advisors:</b>	<b>Zega Financial:</b>
Elite Relative Value Strategy	HiPOS Income
<b>W.E. Donoghue and Company:</b>	HiPOS Moderate
Power Dividend International Index	HiPOS Aggressive

Power Dividend Index	Buy & Hedge Retirement
<b>Zacks Investment Management:</b>	<b>Zega Financial (Continued):</b>
Zacks Dividend Large Cap Value Stock Strategy	<b>ALPHA DNA...</b> Internet Advantage Strategy Equity Long/Short
	<b>ALPHA DNA...</b> Internet Advantage Strategy Equity Best Picks

#### Annualized Wrap Fee's Schedule I

	Up to 500,000	Next 500,000	1 MM+
<b>VCM Annual Fee</b>	0.95%	0.90%	0.75%
<b>Advisor Annual Fee</b>	1.00%	0.85%	0.75%
<b>Total Annual Fee</b>	1.95%	1.75%	1.50%

These fees include charges for all trading transaction costs and commissions on purchases and sales of securities affected on behalf of the wrap fee account owner as it relates to the buying and selling of securities held within the account. Except as provided, the client will incur no trading charges or advisor fees other than the advisor's fee pursuant to the above fee schedule in connection with the maintenance of and activity in the client's account. There may be internal expenses for the actual investment you own that would not be reflected in the above advisor fee schedules.

The trading cost components of the above-mentioned advisory fees are estimated to range from \$0 to \$720 per account per year. The remainder of the advisory fee, as detailed in the above-mentioned fee schedule, is attributed to VCM investment management.

Asset-based fees are always subject to the investment advisory agreement between the client and VCM. Such fees are payable monthly in arrears and are based on the average daily balance of the account during the month. Related accounts may be combined for fee paying purposes. We combine the account valuations to assist you in meeting fee breakpoints and therefore lowering the overall fee level. This option is extended to all accounts residing in the same household and certain members of the same family. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month.

VCM may use third-party money managers as sub-advisers or direct clients to third-party money managers. VCM will be compensated via a fee share from these advisers and this relationship will be memorialized in each contract between VCM and each third-party adviser. The fees shared will not exceed any limit imposed by any regulatory agency. The payment of fees for third-party investment advisers will depend on the specific sub-adviser/third-party adviser selected. Clients may terminate the contract without penalty, for full refund, within five business days of signing the contract. Thereafter, clients may terminate the contract at any time. If a client invests with a few days left in the month, they would be billed for the actual days in which they are invested in the models. In addition, if they are in a non-wrap account, they would be responsible for any trading costs incurred.



The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. VCM may modify the fee at any time upon 30 days' written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

A client investment advisory agreement may be canceled at any time by the client or by VCM with 30 days' prior written notice to the client. Upon termination, any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

#### **A.1.a. Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under this arrangement we can access certain investment programs offered by our custodian that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

***Limitation on Mutual Fund Universe for Custodian Investment Programs:*** Please note that as a matter of policy we prohibit the receipt of revenue share fees from any mutual funds utilized for our advisory clients' portfolios. Nonetheless, if the firm decides to take these 12b-1 fees in the future, please note the following: There are certain programs offered by our custodian in which the firm participates that limit the types of mutual funds and mutual fund share classes to those in which our custodian has negotiated the receipt of 12b-1 and/or other revenue sharing fee payments from the mutual fund issuer or sponsor. As such, a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client. Such fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances (i) where our adviser representative is also licensed as a registered representative of a broker-dealer and receives a portion of 12b-1 and or revenue sharing fees as compensation – such compensation creates an incentive for the investment adviser representative to use programs which utilize funds that pay such additional compensation; and (ii) where the broker-dealer receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of

benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

***Additional Disclosure Concerning Wrap Programs:*** In addition, our custodian offers certain wrap fee programs that (i) allow our investment adviser representatives to select mutual fund classes that either have no transaction fee costs associated with them but include embedded 12b-1 fees that lower the investor's return ("sometimes referred to as "A-Shares," depending on the mutual fund issuer), or (ii) allow the use of mutual fund classes that have transaction fees associated with them but do not carry embedded 12b-1 fees (sometimes referred to as "I-Shares," depending on the mutual fund sponsor). Our wrap fee programs offer investment services and related transaction services for one all-inclusive fee (except as may be described elsewhere in this Brochure). The trading costs are typically absorbed by the firm and/or the investment representative. If a client's account holds A-Shares within a wrap fee program, the firm and/or its investment adviser representative avoids paying the transaction fees charged by other mutual fund classes, which in effect decreases the firm's costs and increases its revenues from the account. Effectively the cost is transferred to the client from the firm in the form of a lower rate of return on the specific mutual fund. This creates an incentive for the firm or investment adviser to utilize such funds as opposed to those funds that may be equally appropriate for a client but do not carry the additional cost of 12b-1 fees borne by the client. As a policy matter, the firm does not allow funds that impose 12b-1 or revenue sharing fees on the client's investment within its wrap fee programs. Should a client prefer an A-Share class or mutual fund share class that has embedded 12b-1 and/or revenue sharing fees, then the utilization of such funds within the wrap fee program requires specific written client consent acknowledging the conflict. Clients should understand and discuss with their investment adviser representative the types of mutual fund share classes available in the wrap fee program and the basis for using one share class over another in accordance with their individual circumstances and priorities.

## **B. Disclosure of Cost Difference if Services Purchased Separately**

Depending on a number of factors, such as the number, size, and nature of the securities transactions in an advisory account, the overall fees and charges borne by the client over time could be more or less than what these fees and charges would be if the same services were provided on a separate basis. Bundled fees generally provide an economic incentive for the advisory firm to select investments and strategies that minimize trading costs. Frequent trading in an account, where transactions fees are included as part of the overall advisory fee to the client, drive trading costs higher and reduce the overall fee revenue to the advisor. As a result, higher trading costs in a bundled fee account have a negative impact on the advisory firm's profitability.

## **C. Additional Client Fees and Terms of Payment**

### **C.1. Client Payment of Fees**

VCM requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

VCM will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

### **C.2. Prepayment of Client Fees**

VCM does not require the prepayment of its investment supervisory fees. VCM's fees will either be paid directly by the client or disbursed to VCM by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account. A client investment advisory agreement may be canceled at any time by the client, or by VCM with 30 days' prior written notice to the client. Upon termination, any earned, unpaid fees will be immediately due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

### **C.3. Additional Fees**

All fees paid to VCM for investment advisory services are separate and distinct from the fees and expenses charged by Mutual Funds, Exchange Traded Funds (ETFs), Variable Annuities, and other Investment Managers, broker/dealers and custodians retained by clients, if any. Such fees and expenses are described in each Mutual Fund's and Variable Annuity's prospectus, each Manager's Form ADV Part 2A, Wrap Brochure or similar disclosure statement, and by any broker/dealer or custodian retained by a client. Mutual Fund, Variable Annuities, and Manager fees generally include a management fee, fund expenses, and related fees. If a Mutual Fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the Fund's prospectus. Refer to the Mutual Fund or Variable Annuity prospectus for a complete description of fees and services.

Additionally, each household will be charged a monthly \$12 technology fee, subject to change based on the terms, conditions, and fees of providers. The technology fee will be billed and deducted each month from the largest valued household account from the date the household account is initially established with VCM. These fees will be deducted automatically from client accounts and shall be used by VCM to utilize software allowing the firm and its IARs to consolidate all accounts through a portfolio accounting system and create

consolidated, on-demand performance reports. Moreover, clients will have the capability to create an online profile allowing them to login to VCM's portfolio accounting system and view their own account in "real time" on a consolidated basis.

Certain ETFs pay advisory fees to their investment advisors, which reduces the net asset value of the fund. Some ETFs are organized as unit investment trusts and do not have an investment advisor. However, all ETFs do incur expenses related to their management and administration that are analogous to an investment advisor's management fee. These expenses affect the value of the investment.

Furthermore, clients may incur brokerage commissions and other execution costs charged by the custodian or executing broker/dealer in connection with transactions for a client's account. Clients should further understand that all custodial fees and any other charges, fees and commissions incurred in connection with transactions for a client's account will be paid out of the assets in the account.

Please refer to the Brokerage Practices section (Items 9.B. and 9.B.) for additional important information about the brokerage and transactional practices of VCM. Accordingly, the client should review both the fees charged by the product sponsor and the fees charged by VCM to fully understand the total fees to be paid.

#### **D. Compensation for Recommending the Virtue Capital Management, LLC, Wrap Fee Program**

VCM's wrap fee program is a proprietary product offered exclusively through VCM. As such, there are no conflicts of interest in that there are no commissions paid for selling the VCM wrap fee program.

#### **E. External Compensation for the Sale of Securities to Clients**

VCM's advisory professionals are compensated primarily by VCM in the form of a percentage of fees they collect for the assets they attract to VCM available investment models. VCM's advisory professionals may be paid sales, service or administrative fees for the sale of mutual funds or other investment products. VCM's advisory professionals may receive commission-based compensation for the sale of securities and insurance products. Investment adviser representatives, in their capacity as a Producers Equity Group registered representative, are prohibited from earning an advisory fee on the securities value transferred from an advisory client's Producers Equity Group brokerage account unless commissions earned on such securities transactions occurred at least a 12–18 months prior to the transfer. Please Item 9.A.2.c. of this brochure for additional information on conflicts associated with the receipt of commission based compensation.

In addition, from time to time, VCM may initiate incentive programs for IARs. These programs may compensate them for attracting new assets and clients promoting investment advisory services. VCM may also initiate programs that reward IARs who meet total production criteria,

participate in advanced training and/or improve client service. IARs who participate in these incentive programs may be rewarded with cash and/or non-cash compensation, such as deferred compensation, bonuses, training symposiums, marketing assistance and recognition trips. These incentive programs are paid for by VCM and do not affect fees paid by the client.

VCM may pay bonuses to prospective investment adviser representatives to entice them to join VCM and transition their current clients. Prospective clients should be aware this practice may constitute a conflict of interest in that the recommendation to transition their advisory relationship to VCM may be viewed as being in the best interest of VCM and its investment adviser representative as opposed to the client's.

## **F. Client Assets Under Management**

As of December 31, 2017, VCM had \$340,358,488 in discretionary and \$0 in non-discretionary assets under management.

## Item 5: Account Requirements and Types of Clients

VCM generally provides investment advice and/or management supervisory services to the following types of clients:

- **Individuals**
- **High-net-worth individuals**
- **Banks and thrift institutions**
- **Pension and profit sharing plans**
- **Trusts, estates, or charitable organizations**
- **Other investment advisers**

Virtue requires a minimum of \$1,000 to open and maintain an advisory account or in certain circumstances an account can be established with less than \$1,000. Certain third-party money managers have higher minimum investment amounts than \$1,000 to open and maintain an advisory account.

## Item 6: Portfolio Manager Selection and Evaluation

### A. Portfolio Manager Selection and Review

VCM is the sole sponsor and sole portfolio manager for the VCM wrap fee program.

### B. Participation in Wrap Fee Programs

VCM offers only its proprietary wrap fee program. The firm does not participate in any third-party wrap fee programs.

### C. VCM Acts as Both a Wrap Fee Sponsor and Portfolio Manager

VCM's wrap fee program is a proprietary product offered exclusively through VCM. VCM does not participate in any other wrap fee programs.

#### C.1. VCM's Wrap Fee Services

VCM offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset selection
- Asset allocation
- Regular portfolio monitoring
- Risk tolerance

VCM offers clients the following portfolios in its wrap fee program, which are managed by separate account managers or through a sub-adviser that VCM engages on its behalf and are further described in Item 6.C.5 of this brochure:

- **Alpha Investment Management**
  - Mid-Cap Power Index
- **Clark Capital Management**
  - Navigator Fixed Income Total Return
- **CMG**
  - Opportunistic All Asset
- **CMS**
  - Bull Calendar
  - Sector Rotation
- **Hanseatic Management Services**
  - Hanseatic All Cap Tax Efficient Strategy
- **Howard Capital Management**
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  - ALP Conservative

- ALP Growth
  - Horizon Bond
- **Julex Capital Management**
  - Dynamic Income
- **Martin Investment Management**
  - U.S. Equity "Best Ideas" Growth
- **Morningstar**
  - Dividend Select Stock Basket
  - Hare Select Stock Basket
  - Tortoise Select Stock Basket
- **Navellier & Associates INC**
  - Libertas 30
  - U.S. Equity Sector Plus Featuring AlphaDex
- **Newfound Research**
  - Multi-Asset Income
  - Risk Managed Global Sectors
- **Optimus Advisory Group**
  - Bond Rotation
  - Global Advantage All Asset
  - Tactical High Yield
- **Summit Capital Solutions**
  - Dual Momentum Sector Strength Aggressive
  - Dual Momentum Sector Strength Balanced
  - Dual Momentum Sector Strength Conservative
- **Taiber Kosmala & Associates**
  - Enhanced Yield Growth and Income
  - Opportunistic Municipal Bond
  - Hanseatic All Cap Tax Efficient Strategy with VCM Overlay
  - Zacks Dividend Large Cap Value Stock Strategy with VCM Overlay
- **Texas Elite Advisors**
  - Elite Relative Value Strategy
- **W.E. Donoghue and Company**
  - Power Dividend Index
  - Power Dividend International Index
- **Zacks Investment Management**
  - Zacks Dividend Large Cap Value Stock Strategy



- **Zega Financial**

- Buy and Hedge Classic
- Buy & Hedge Retirement
- HiPOS Aggressive
- HiPOS Income
- HiPOS Moderate
- ALPHA DNA...Internet Advantage Strategy Best Long/Short
- ALPHA DNA...Internet Advantage Strategy Equity Best Picks

VCM evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the Risk Profile Questionnaire, to the extent one is utilized for a particular client. For its discretionary asset management services, VCM receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 6.C.7 of this brochure. VCM generally limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, real estate, hedge funds, REITs, insurance products including annuities, and government securities. VCM may use other securities as well to help diversify a portfolio when applicable.

#### **C.1.a. Changes in Clients' Financial Circumstances**

In addition to providing VCM with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to promptly notify the firm of any changes in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. On a quarterly basis, VCM's downloadable performance reports to clients will remind clients of their obligation to inform the firm of any such changes. VCM will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

#### **C.2. Client-Tailored Services**

Each client's account will be managed on the basis of the client's financial situation and investment objectives.

#### **C.3. Management of Wrap Fee Program**

VCM manages the investments in the wrap fee program.

#### **C.4. Performance-Based Fees and Side-by-Side Management**

VFH, the parent company of VCM, has an economic interest in Tucker Asset Management. To the extent there are disparate fee structures between VCM and Tucker Asset Management, VCM and/or its affiliate may have an economic incentive to recommend Tucker Asset Management over VCM or vice versa depending on which advisory firm has a higher fee structure. This practice may constitute a conflict of interest of which prospective clients should be aware.

## C.5. Methods of Analysis, Investment Strategies and Risk of Loss

### C.5.a. Methods of Analysis and Investment Strategies

VCM will offer clients the following portfolios in its wrap fee program:

- **ALPHA DNA...**
- **Alpha Investment Management**
  - Mid-Cap Power Index – The Alpha Investment Mid-Cap Power Index Management Portfolio is an actively managed portfolio that seeks above average market returns by focusing on seasonal influences in the stock market. Leverage ETFs are used in this portfolio. During the fourth quarter of each year, the strategy raises the beta of the mid-cap index fund by 50% during three “power period” trades totaling 20 days. These three sub-periods are influenced by end-of-month and holiday seasonal forces which are particularly robust in small and mid-cap stocks.
- **Capital Management Services**
  - Bull/Calendar Model – The Bull/Calendar Model uses the Bull/Bear Model strategy during Bull Markets and the Calendar Effects Model strategy during Bear Markets. Bull and Bear Markets are determined by the Bull-Bear Indicator. The goal of this Model is to be fully invested in equities during Bull Markets, and only exposed to the relatively few days with the highest probability of profit during Bear Markets.
  - Sector Rotation – The Sector Rotation Model is a risk-managed model which invests either monthly; when invested in Bond Sectors, a reallocation of the portfolio in high-ranked US Equity Sectors, or in high-ranked Bond Sectors. At the start of each quarter a risk measurement is made to determine whether the Model will invest in Equity Sectors or in Bond Sectors during that quarter. When invested in Equity Sectors, a reallocation of the portfolio is made monthly; when invested in Bond Sectors, a reallocation of the portfolio is made quarterly. This Model uses both Equity and Bond Sectors, and is in one or the other at all times. When risk is high in the Equity market, the Model switches to Bond Sectors. This ProFund version uses 1.5x leverage when in Equities.
- **Clark Capital Management**
  - Navigator Fixed Income Total Return – The model is seeking to maximize the potential for income while minimizing downside risk. An important characteristic of the strategy is the ability to shift out of lower quality arrears when needed and invest in higher quality debt and/or cash.
- **CMG Wealth**
  - Opportunistic All Asset Strategy – This model uses a process that evaluates a global universe of investment options to select a portfolio of up to 11 mutual fund positions. The tactical long only model will then rank each investment based solely on the price data of each asset. Those funds with the highest probabilities for success will be chosen and then re-evaluated after a set time

period to see if they are still exhibiting market leadership. The strategy seeks to adjust allocations within the portfolio to capitalize on changing opportunities across global equity and fixed income markets.

- **Hanseatic Management Services**

- Hanseatic All Cap Tax Efficient Stock Strategy - Hanseatic believes that it is ideal to buy a stock when it emerges from a cyclical or secular decline, or a sideways consolidation, and is in the beginning of a positive price trend. Hanseatic utilizes quantitative modeling called the Q Score Process to screen for these stocks, combined with an ironclad, biasfree sell discipline to minimize portfolio risk. The Q Score is a dynamic algorithm based analytic for identifying strong market performers over an investment time horizon. The Q score input is a time series of stock price. Through model factors calculated from the time series, which include the exponential moving average of price, a proprietary oscillator, and other trend measures over multiple time dimensions, each stock is ranked and the output produces a buy list.

- **Howard Capital Management**

- Horizon Bond – The Horizon Bond strategy invests using the Proactive Sector Rotation methodology. This program typically seeks to participate in sectors using a strategy that rotates among various types and durations of bonds.
- ALP Conservative – The ALP Conservative strategy invests in a 30% equities/70% bonds, which may vary based on the manager's discretion. The program seeks to participate in all markets and sectors using varying indices and methodologies.
- ALP Balanced – The ALP balanced strategy invests in a 50% equities/50% bonds, which may vary based on the manager's discretion. The program seeks to participate in all markets and sectors using varying indices and methodologies.
- ALP Growth – The ALP Growth strategy invests in a 70% equities/30% bonds, which may vary based on the manager's discretion. The program seeks to participate in all markets and sectors using varying indices and methodologies.

- **Julex Capital Management**

- Dynamic Income – The model is seeking to maximize the potential for income while minimizing downside risk. The strategy seeks to outperform Barclays US Aggregate Bond Index with a similar risk profile over a full market cycle.

- **Martin Investment Management**

- U.S. Equity "Best Ideas" Growth - The core "Best Ideas" strategy for Martin Investment Management, LLC is actively managed with a focused portfolio of approximately 25 to 30 large capitalization U.S. domestic equities and international ADRs. We invest in stocks that we view as high quality with above average growth rates that are purchased at favorable price/earnings ratios. Our firm believes that holding a focused portfolio of approximately 25 to 30 stocks over a long-term horizon improves the portfolio's Active Share and the probability of outperforming the market over time. Growth with a Value

Discipline has a quality emphasis and is based on fundamental valuation methods.

- **Morningstar**

- Dividend Stock Portfolio – The model invests in dividend-paying stocks that are generally higher-quality in nature, with most boasting durable competitive advantages of some kind, such as economies of scale, patent protection, or iconic brand-names.
- Hare Portfolio – The model seeks to outperform the S&P 500 index and to generate positive returns regardless of the broad market environment. Companies in this strategy tend to be either small or fast growing, or have a high risk/return proposition. Importantly, these stocks are selling at reasonable prices, not nosebleed multiples of price/earnings. In addition, they are generally higher-quality in nature, with most boasting durable competitive advantages of some kind, such as high customer switching cost, powerful network effects, or cost advantages.
- Tortoise Portfolio – The model seeks to outperform the S&P 500 index and to generate positive returns regardless of the broad market environment. Companies in this portfolio tend to be large, moderate to low levels of risk. Those these firms aren't typically growing at a fast clip, they are normally profitable, cash-generating companies with solid balance sheets. Most stocks in the model boast durable competitive advantages of some kind, such as economies of scale, patent protection, or iconic brand names.

- **Navellier & Associates**

- Libertas 30 – A diversified portfolio including domestic equity, international, alternative, and fixed income components. ETF universe is ranked using a quantitative system based on market price anomalies and the direction of the market based on risk/return characteristics. The portfolio may be less defensive than other similar portfolios. Uses a sine wave overlay to signal when to increase and decrease ETF and cash positions.
- U.S. Equity Sector Plus Featuring AlphaDex - A diversified portfolio including domestic equity and fixed income components using iShares® and PowerShares ETFs. Uses NO shorting, leverage, inverse ETFs, or exotic derivative investments. Focuses primarily on downside risk management, especially in weak markets. Under extreme market conditions, the portfolio can build and hold substantial defensive positions to avoid losses.

- **Newfound Research**

- Risk Managed Global Sectors – This strategy aims to provide access to global equities with an embedded, disciplined risk management process. The strategy uses the eleven global sector ETFs. Each of these ETFs invests in global equities (U.S., Foreign Developed and Emerging Markets) of companies operating in a specific sector. The strategy has the ability to add a position in cash equivalents to protect capital in declining market environments.

- Multi-Asset Income – This strategy aims to provide access to alternative income generating vehicles in a risk-managed framework, the strategy operated under the guiding philosophy that long-term income generation depends on both yield and capital protection. The strategy invests in global high-income assets classes through ETFs including both equity (MLPs, REITs, preferreds, dividend equities, etc.) and fixed income (bank loans, high yield EM bonds, etc.) exposure.
- **Optimus Advisory Group**
  - Bond Rotation Strategy – The Optimus Bond Rotation Strategy seeks to provide total return while maintaining the ability to move between various durations and bond categories. Optimus Separately Managed Accounts – are tactical and alternative investment strategies based on proprietary mathematical algorithms. Assets are invested in mutual funds and/or ETFs. Some Optimus SMAs are not diversified and all Optimus SMAs experience frequent trading. Leveraged inverse mutual funds are used in some Optimus SMAs.
  - Global Advantage All Asset – Seeks to provide investors with an opportunity for gains during U.S. equities, foreign equities, and U.S. Govt. bond market declines. Our goal is to offer very strong results during most significant market declines while also providing solid returns during extended bull markets. Optimus Separately Managed Accounts – are tactical and alternative investment strategies based on proprietary mathematical algorithms. Assets are invested in mutual funds and/or ETFs. Some Optimus SMAs are not diversified and all Optimus SMAs experience frequent trading. Leveraged inverse mutual funds are used in some Optimus SMAs.
  - Tactical High Yield – Seeks to provide investors with the total return normally associated with High Yield Bonds, while using optimal exit techniques for downside risk reduction. Optimus Separately Managed Accounts – are tactical and alternative investment strategies based on proprietary mathematical algorithms. Assets are invested in mutual funds and/or ETFs. Some Optimus SMAs are not diversified and all Optimus SMAs experience frequent trading. Leveraged inverse mutual funds are used in some Optimus SMAs.
- **Summit Capital Solutions**
  - Dual Momentum Sector Strength Conservative – This model seeks to provide exposure to up to 4 top-ranked broad U.S. economic sectors based upon SCS raking methodology. The strategy seeks to capitalize on historical tendencies of sectors to diverge from one another during the course of a major market cycle. Cash can represent up to 50% of this portfolio.
  - Dual Momentum Sector Strength Balanced – This model seeks to provide exposure to up to 4 top-ranked broad U.S. economic sectors based upon SCS raking methodology. The strategy seeks to capitalize on historical tendencies of sectors to diverge from one another during the course of a major market cycle. Cash can represent up to 75% of this portfolio.

- Dual Momentum Sector Strength Aggressive - This model seeks to provide exposure to up to 4 top-ranked broad U.S. economic sectors based upon SCS ranking methodology. The strategy seeks to capitalize on historical tendencies of sectors to diverge from one another during the course of a major market cycle. Cash can represent up to 100% of this portfolio.
- **Taiber Kosmala & Associates**
  - Enhanced Yield Growth and Income ETF - The Enhanced Yield Growth and Income Portfolio seek to provide above market income with capital appreciation as a secondary goal.
  - Opportunistic Municipal Bond – This model makes use of both open-end and closed end investments vehicles to mitigate cost and enhance portfolio yield. The primary objective of the model is to distribute tax-exempt market income while maintaining high average credit quality. The model is positioned to protect capital in a rising rate environment. Capital appreciation is intended as a secondary goal by realizing discount normalization through market demand of closed-end investments.
  - Hanseatic All Cap Tax Efficient Stock Strategy with VCM Overlay - There are two components of the strategy: the technical overlay and the underlying portfolio. The technical overlay is a combination of the mathematics, the technical indicators employed, and the data series utilized to execute the strategy. The technical overlay identifies inflection points and “triggers” the risk-on/risk-off posture of the portfolio. The underlying portfolio is the actively managed equity portfolio to which the risk-on/risk-off positioning is applied. When the technical overlay indicates a risk-on posture, the strategy is invested in the underlying equity portfolio. When the technical overlay indicates a risk-off posture, the strategy is invested in iShares Core US Aggregate Bond ETF ticker symbol “AGG”. Hanseatic believes that it is ideal to buy a stock when it emerges from a cyclical or secular decline, or a sideways consolidation, and is in the beginning of a positive price trend. Hanseatic utilizes quantitative modeling called the Q Score Process to screen for these stocks, combined with an ironclad, biasfree sell discipline to minimize portfolio risk. The Q Score is a dynamic algorithm based analytic for identifying strong market performers over an investment time horizon. The Q score input is a time series of stock price. Through model factors calculated from the time series, which include the exponential moving average of price, a proprietary oscillator, and other trend measures over multiple time dimensions, each stock is ranked and the output produces a buy list.
  - Zacks Dividend Large Cap Value Stock Strategy with VCM Overlay - There are two components of the strategy: the technical overlay and the underlying portfolio. The technical overlay is a combination of the mathematics, the technical indicators employed, and the data series utilized to execute the strategy. The technical overlay identifies inflection points and “triggers” the risk-on/risk-off posture of the portfolio. The underlying portfolio is the actively managed equity portfolio to which the risk-on/risk-off positioning is applied. When the technical

overlay indicates a risk-on posture, the strategy is invested in the underlying equity portfolio. When the technical overlay indicates a risk-off posture, the strategy is invested in iShares Core US Aggregate Bond ETF ticker symbol "AGG". Zacks proprietary Risk Managed Dividend Strategy seeks total returns from both capital appreciation and dividend payments. The strategy emphasizes stocks with attractive valuations, strong dividends, and low risk characteristics. The approach uses a stock selection model that forms the quantitative basis for the buy/sell discipline as stocks with low rankings are sold during portfolio rebalancing and are replaced by stocks with more favorable rankings. Additionally, qualitative considerations are used by the portfolio manager; examples of these include the verifying the accuracy of each stock's factor exposures, which may be adversely impacted by possible lags in updates from the data feeds, and very recent corporate news that is not yet reflected in the data.

- **Texas Elite Advisors**

- Elite Relative Value Strategy - The portfolio's strategy was designed to provide competitive investment returns while attempting to manage volatility utilizing price timing to switch positions within a select basket of U.S. Large Cap equities. In general, the portfolio maintains long investment positions in five to ten companies using a combination of common stock.

- **Zacks Investment Management**

- Zacks Dividend Large Cap Value Stock Strategy - Zacks proprietary Risk Managed Dividend Strategy seeks total returns from both capital appreciation and dividend payments. The strategy emphasizes stocks with attractive valuations, strong dividends, and low risk characteristics. The approach uses a stock selection model that forms the quantitative basis for the buy/sell discipline as stocks with low rankings are sold during portfolio rebalancing and are replaced by stocks with more favorable rankings. Additionally, qualitative considerations are used by the portfolio manager; examples of these include the verifying the accuracy of each stock's factor exposures, which may be adversely impacted by possible lags in updates from the data feeds, and very recent corporate news that is not yet reflected in the data.

- **Zega Financial**

- HiPOS Income – This model seeks to provide an alternative investment strategy as a complement or replacement for existing fixed income allocations. The model generates returns by selling credit spreads, which is a two-legged option strategy. This model may produce positive returns in up or down markets and has little historic correlation to interest rate sensitive markets. Maximum 20% allocation.
  - HiPOS Moderate – This model seeks to provide an alternative investment strategy as a complement or replacement for existing fixed income allocations. The model generates returns by selling credit spreads, which is a two-legged option



strategy. This model may produce positive returns in up or down markets and has little historic correlation to interest rate sensitive markets. Maximum 50% allocation.

- HiPOS Aggressive – This model seeks to provide an alternative investment strategy as a complement or replacement for existing fixed income allocations. The model generates returns by selling credit spreads, which is a two-legged option strategy. This model may produce positive returns in up or down markets and has little historic correlation to interest rate sensitive markets. Maximum 100% allocation.
- IAS Equity Long/Short - From the 2200 research signals produced every month, ZEGA scores S&P sector ETFs based on the actual weighted holdings of the ETFs. This produces overall buy/sell scores at the ETF level. The portfolio excludes the lowest ranked sector ETFs from the S&P 500 and overweights to the highest ranked sectors. The mid-ranked sectors are allocated according to their actual weight of the S&P 500.
- IAS Equity Best Picks - This strategy is the Long only portion of the Equity Market Neutral portfolio. It represents the best equity picks from the universe of over 2200 stocks covered. It includes positions from Large Cap, Mid cap, and small cap. It is re-balanced monthly.
- Buy and Hedge – This strategy is designed to provide broad market exposure while limiting the downside risk in the event of a material market correction. It is offered in two versions. Classic looks to create hedges around the 10% level and utilizes a combination of a core ETF position paired with a protective put. ZEGA then uses proprietary algorithms to reduce the cost of hedges by selling other volatility where appropriate. The Retirement version provides more at-the-money hedges but still allows the investor to have long term market exposure in equity markets but attempts to reduce the downside risk by limiting the actual capital invested in equity positions. Positions are created by using a combination of options to build synthetic exposure as well as holding ETF shares for growth and income.

VCM uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

VCM and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.



- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, VCM reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. VCM may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. There is no guarantee that any specific investment or strategy will be profitable for a particular client.**

### **C.6. Investment Strategy, Method of Analysis and Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

#### **C.6.a. Margin Leverage**

Although VCM, as a general business practice, does not utilize leverage, please be advised that if a client instructs VCM to utilize margin leverage please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment.

Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition,

when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

#### **C.6.b. Short-Term Trading**

Although VCM, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

#### **C.6.c. Short Selling**

VCM generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is affected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be affected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

#### **C.6.d. Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance. Please be advised that investing involves risk and that no particular investment strategy can guarantee against losses. . In particular, stop loss/buy orders do not guarantee securities will be sold/bought at a particular price. Stop loss/buy orders are generally converted to market orders at the specified price, and may be executed at a lower/higher price do to liquidity and current demand for the security. In addition, stop loss/buy orders may increase trading cost which could lower the portfolio's rate of return.

All market timing strategies that are employed are designed to be reactive indicators and therefor are not designed to avoid all losses.

**C.6.e. Concentrated Risk**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

**C.7. Material Risks of Investment Instruments**

VCM typically invests in open-end mutual funds and exchange-traded funds for the vast majority of its clients. However, for certain clients, VCM may effect transactions in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- Corporate debt obligations
- Variable annuities
- Real Estate Investment Trusts ("REITs")
- Physical Gold and Silver
- American Fund 529 Plans
- Jefferson National Monument Advisor Variable Annuity

**C.7.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

**C.7.b. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund 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, mutual funds tend to be

tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **C.7.c. Exchange-Traded Funds (“ETFs”)**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> (“QQQs<sup>SM</sup>”) iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company’s advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF’s underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **C.7.d. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company’s ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **C.7.e. Corporate Debt, Commercial Paper and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company’s ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **C.7.f. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **C.7.g. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

#### **C.7.h. Variable Annuities**

VCM offers a variable annuity model through Jefferson National. The investment selections for the variable annuity may be limited to the choices offered through the specific product. Specifics regarding the annuity are found in the annuity prospectus and application documents. Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges, and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

#### **C.7.i. Non-Traded Real Estate Investment Trusts ("REITs")**

A REIT is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate. Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations which can significantly reduce or eliminate corporate income taxes. In order to qualify as a REIT and for these special tax considerations, REITs are required by law to

distribute 90% of their taxable income to investors. REITs can be traded on a public exchange like a stock, or be offered as a non-traded REIT. REITs, both public exchange-traded and non-traded, are subject to risks including volatile fluctuations in real estate prices, as well as fluctuations in the costs of operating or managing investment properties, which can be substantial. Many REITs obtain management and operational services from companies and service providers which are directly or indirectly related to the sponsor of the REIT, which presents a potential conflict of interest that can impact returns on investments.

Non-traded REITs include: (i) A REIT that is registered with the Securities and Exchange Commission (SEC) but is not listed on an exchange or over-the-counter market (non-exchange traded REIT); or, (i) a REIT that is sold pursuant to an exemption to registration (Private REIT). Non-traded REITs are generally blind pool investment vehicles. Blind pools are limited partnerships which do not explicitly state their future investments prior to beginning their capital-raising phase. During this period of capital-raising, non-traded REITs often pay distributions to their investors.

The risks of non-traded REITs are varied and significant. Because they are not exchange-traded investments, they are often lack a developed secondary market, thus making them illiquid investments. As blind pool investment vehicles, non-traded REITs' initial share prices are not related to the underlying value of the properties. This is because non-traded REITs begin and continue to purchase new properties as new capital is raised. Thus, one risk for non-traded REITs is the possibility that the blind pool will be unable to raise enough capital to carry out its investment plan. After the capital raising phase is complete, non-traded REIT shares are infrequently re-valued and thus may not reflect the true net asset value of the underlying real estate investments. Non-traded REITs often offer investors a redemption program where the shares can be sold back to the sponsor, however, those redemption programs are often subject to restrictions and may be suspended at the sponsor's discretion. While non-traded REITs may pay distributions to investors at a stated target rate during the capital-raising phases, the funds used to pay such distributions may be obtained from sources other than cash flow from operations, and such financing can increase operating costs.

#### **C.7.j. Physical Gold and Silver**

Buying gold and silver bars and coins exposes the investor to the risk of loss and theft. Costs are involved to mitigate this risk such as transportation and storage which will result in additional expense which serves to reduce any potential gains. Gold and silver prices are volatile and subject to market risk, inflation risk, currency risk, and political risk (government could nationalize mines, fix prices or create regulatory impediments that could have a material impact on prices).

#### **C.7.k Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow

investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

VCM as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading

#### **C.7.i Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### **C.7.m Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **C.7.n Long Put Option Purchases**

Long put option purchases allow the option holder to sell or "put" the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **C.7.o Option Spreading**

Call option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder "locks in" a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. This is a long call spread position that represents a bullish posture on the underlying security.



Put option spreading usually involves the purchase of a put option and the sale of a put option at a lower contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to purchase protection on the underlying security and to partially offset the cost by selling the put option with a lower contract strike price. In this type of transaction, the spread holder has protection on the underlying that goes in to the money at the higher strike and provides protection all the way down to the lower strike. This is a long put spread position that represents a bearish posture on the underlying security.

Short Options spreads involve the sale of a call or put and the purchase of a corresponding call or put at a strike price that is further from the money than the call or put that was sold, both having the same expiration month. This transaction is called a 'credit spread' because it produces a net credit to the account of the investor. The maximum profit is the credit that was collected by the investor. The maximum loss is the difference in contract prices reduced by the net proceeds collected by the investor when implementing the spread. This is a bullish position when selling a spread with puts and a bearish position when selling a spread with calls.

There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

#### **C.6.p. Inverse Funds**

An inverse ETF is an exchange-traded fund (ETF) or Mutual Fund (MF) that is constructed by using various derivatives for the purpose of profiting from a decline in the value of an underlying benchmark. Investing in these ETFs and or MF is similar to holding various short positions or using a combination of advanced investment strategies to profit from falling prices. Most leveraged and/or inverse ETFs and mutual funds "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis. Their performance over longer periods of time—over weeks or months or years—can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets. There is always a risk that not every leveraged and/or inverse ETF or mutual fund will meet its stated objective on any given trading day. Leveraged and/or inverse ETFs and mutual funds may be more costly than traditional ETFs and mutual funds, and may be less tax-efficient than traditional ETFs and mutual funds, in part because daily resets can cause the ETF or mutual fund to realize significant short-term capital gains that may not be offset by a loss. Be sure to check with your tax advisor about the consequences of investing in a leveraged and/or inverse ETF or mutual fund.

#### **C.8. Investment Discretion**

Clients may grant a limited power of attorney to VCM with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, VCM will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions. Investment limitations may be designated by



the client as outlined in the investment advisory agreement. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

### **C.9. Proxy Voting**

VCM does not take discretion with respect to voting proxies on behalf of its clients. VCM will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of VCM supervised and/or managed assets. In no event will VCM take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, VCM will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. VCM has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. VCM also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, VCM has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where VCM receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 7: Client Information Provided to Portfolio Managers**

VCM is the sole portfolio manager in its wrap fee program and does not share any personal information it collects from its clients other than as required by law or regulatory mandate. VCM collects the following information in order to formulate its investment recommendations to clients:

- Income
- Employment and residential information
- Social security number
- Cash balance
- Security balances
- Transaction detail history
- Investment objectives, goals and risk tolerance

The following are the major factors VCM considers when recommending and implementing investment recommendations:

- Sources of wealth and/or deposits
- Risk assessment
- Investment time horizon
- Income and liquidity needs
- Asset allocation
- Restrictions on management of account

Sources of information used to develop investment recommendations may include, but are not limited to, the following:

- Client questionnaire(s) and interview(s)
- Review of client's current portfolio
- Analysis of historical risk/return characteristics of various asset classes
- Analysis of the long-term outlook for global financial markets
- Analysis of the long-term global economic and political environments

## **Item 8: Client Contact with Portfolio Managers**

VCM encourages communication with its clients and does not limit or condition the amount of time clients can spend with VCM advisory professionals.

## Item 9: Additional Information

### A. Disciplinary and Other Financial Activities and Affiliations

#### A.1. Disciplinary

There are no current or pending disclosure items to report on behalf of VCM.

##### A.1.a. Criminal or Civil Actions

There is nothing to report for this item.

##### A.1.b. Administrative Enforcement Proceedings

There is nothing to report for this item.

##### A.1.c. Self-Regulatory Organization Enforcement Proceedings

There is nothing to report for this item.

### A.2. Other Financial Activities and Affiliations

#### A.2.a. Broker-Dealer or Representative Registration

Matthew and Jeremy Rettich are 85% owners of Producers Equity Group, which owns 49% of Center Street Holdings, which owns 100% of Center Street Securities, a FINRA registered broker-dealer and member SIPC, and Center Street Advisors, Inc., a registered investment adviser. To the extent that any securities transactions may have to be performed for a client, the firm has an economic interest in recommending those transactions be placed through Center Street Securities. We manage this conflict by disclosing the conflict and ensuring that any recommendations are in the client's best interest by taking into account their personal financial situations and objectives.

#### A.2.b. Futures or Commodity Registration

Neither VCM nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

##### A.2.b.1. Physical Gold and Silver

VCM will assist clients in purchasing physical gold and silver through a third party tangible asset dealer and may receive commission compensation which could influence their recommendations to clients. Clients are not required to purchase physical gold or silver through VCM or any of its affiliates.

#### A.2.c. Material Relationships Maintained by this Advisory Business and Conflicts of Interest

The following outside activities and affiliations create an additional conflict of interest in that VCM's President and IARs' obligations to these outside interests may either conflict with the

advisement provided by VCM or take up a substantial amount of their time and therefore the time spent on providing the advisory services described herein may be limited by virtue of their obligations to these outside interests. Although VCM's President and IARs will devote as much time to the business and affairs of VCM as is reasonably necessary to deliver the advisory services described herein, they may devote a significant portion of their time to the affairs of these other activities and affiliations.

VCM has adopted policies and procedures to address the conflicts presented by these relationships. For example, as part of the firm's fiduciary duty to its clients, VCM and its IARs will endeavor at all times to put the interest of its investment advisory clients first. Additionally, the conflicts presented by this practice are disclosed to clients at the time of entering into an advisory agreement. Please refer to Item 9.B.1 of this brochure titled Code of Ethics.

***A.2.c.1. Broker Dealer/Investment Adviser/Insurance Agency Affiliations***

Matthew and Jeremy Rettich are 85% owners of Producers Equity Group, which owns 49% of Center Street Holdings, which owns 100% of Center Street Securities, a FINRA registered broker-dealer and member SIPC, and Center Street Advisors, Inc., a registered investment adviser. To the extent that any securities transactions may have to be performed for a client, the firm has an economic interest in recommending those transactions be placed through Center Street Securities. We manage this conflict by disclosing the conflict and ensuring that any recommendations are in the client's best interest by taking into account their personal financial situations and objectives.

IARs of Virtue may also be agents/registered representatives of a non-affiliated firm such as a broker-dealer or insurance agency, engaging in the business of selling life, health, long-term care, disability, and annuity insurance products as well as securities. As registered representatives, associates may receive separate compensation in the form of commissions for the purchase of securities through their affiliated broker-dealer as well as for the sale of insurance products. The receipt of commission compensation creates an incentive to recommend products that may be viewed in the best economic interests of VCM and its professionals versus those of its clients. Clients may use the insurance provider of their choice.

***A.2.c.2. Cornerstone Retirement Group LLC***

Matthew John Rettich is a licensed insurance agent and CEO of Cornerstone Retirement Group LLC, a financial planning firm. From time to time he may offer clients advice, or recommend insurance products through Cornerstone Retirement Group LLC and receive a commission for doing so. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products. Please also be advised that VCM strives to put its clients' interests first and foremost. Clients are in no way required to implement a plan through any representative of VCM in their capacity as a registered investment adviser with another firm. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with VCM's employing broker-dealer.

**A.2.c.3. *Virtue Advisors***

Jeremy Matthew Rettich is a licensed insurance agent and President of Virtue Advisors, an insurance marketing firm. He may recommend insurance products offered through Virtue Advisors and receive a commission for doing so. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products. Please also be advised that VCM strives to put its clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with VCM's employing broker-dealer.

**A.2.c.4. *Virtue Financial Advisors***

Jeremy Matthew Rettich is President of Virtue Financial Advisors, a financial planning firm. From time to time, he will offer clients advice or products from this activity. VCM always acts in the best interest of the client. Clients are in no way required to implement a plan through any representative of VCM in their capacity as a registered investment adviser with another firm. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products. Please also be advised that VCM strives to put its clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with VCM's employing broker-dealer.

**A.2.c.5. *Tucker Asset Management, LLC***

Tucker Asset Management, LLC ("Tucker Asset Management") is a limited liability company organized in the State of Colorado. Karlan Tucker Trust owns 100% of the firm. The firm was formed to provide investment advisory services. Virtue Financial Holdings, LLC has been granted an economic interest in the firm and therefore may be in a position to influence the business of Tucker Asset Management. VCM may have a potential conflict of interest in that any recommendations of Tucker Asset Management may, depending on the fee structures of Tucker Asset Management and VCM, be viewed as being in the best interest Virtue Financial Holdings.

**A.2.c.6. *Virtue Financial Holdings, LLC***

Virtue Financial Holdings, LLC ("VFH") has acquired an economic interest in Tucker Asset Management, LLC, an investment adviser applicant with the state of Colorado and numerous other state jurisdictions. VFH is the parent company of VCM. VCM may have a potential conflict of interest in that any recommendations by its affiliate, VFH, of Tucker Asset Management may, depending on the fee structures of Tucker Asset Management and VCM, be viewed as being in the best interest of VCM's affiliate VFH.

**A.2.C.7. Fusion Capital Management**

VCM and Fusion Capital Management ("Fusion") have entered into an agreement whereby Fusion provides operational, billing and trading support for VCM's investment management services. Although Fusion is an investment adviser, it neither provides investment advice nor refers clients to VCM. However, VCM client confidential information may be provided to Fusion in order for them to fulfill their contractual obligations to VCM.

**A.2.C.8. Summit Capital Solutions, LLC**

VCM is affiliated with Summit Capital Solutions, LLC ("Summit Capital"), a registered investment adviser. Jeremy Rettich also has an ownership interest in Summit. Summit offers separate account management services directly to end clients and Summit Capital offers its services to clients of registered investment advisers under a sub-adviser relationship with various platforms. This creates a conflict of interest in that Jeremy Rettich has a financial incentive to promote a Summit advised investment, and to use them as part of Virtue's portfolios. Clients are under no obligation to invest in Summit advised investments and may choose a non-Summit advised investment solution.

**A.2.d. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

VCM may from time to time participate as a sub-advisor under other firms' advisory programs. A client of the other firm selects a registered investment advisor, such as VCM, from a list of approved advisors to provide investment management services. VCM receives a fee for account management services provided to clients of an outside firm as outlined in a sub-advisory agreement. This agreement may also outline items such as the advisory services to be provided, the responsibilities of VCM and the other firm, and the terms of engagement including fees and termination. Responsibilities such as collecting the client's investment objectives, determining the strategy best suited for the client, and communication with the client will be the responsibility of the outside firm. VCM has no responsibility to assess the value of services provided by the outside firm, therefore the client should evaluate whether such a program is suitable for their needs and objectives, and whether comparable or similar services are available at a lower cost elsewhere.

**B. Code of Ethics, Brokerage Trading Practices, Account Reviews, and Financial and Related Matters****B.1. Code of Ethics**

In accordance with the Advisers Act, VCM has adopted policies and procedures designed to detect and prevent insider trading. In addition, VCM has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of VCM's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of VCM. VCM will send clients a copy of its Code of Ethics upon written request.

VCM has policies and procedures in place to ensure that the interests of its clients are given preference over those of VCM, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

**B.1.a. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

VCM does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory, or buying stocks from advisory clients into a firm's inventory). In addition, VCM does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

**B.1.b. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

VCM, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which VCM specifically prohibits. VCM has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow VCM's procedures when purchasing or selling the same securities purchased or sold for the client.

**B.1.c. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

VCM, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that



differ from those recommended or affected for other VCM clients. VCM will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of VCM to place the client's interests above those of VCM and its employees.

## **B.2. Factors Used to Select Broker-Dealers for Client Transactions**

### **B.2.a. Custodian Recommendations**

For wrap fee accounts, VCM requires that clients establish brokerage accounts with TD Ameritrade Institutional, a division of TD Ameritrade, Inc., or Jefferson National ("custodian"), FINRA registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts. VCM is independently owned and operated and not affiliated with custodian. For VCM client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts. VCM may provide investment advice to clients as to the proper allocation and selection of investments made available through the 529 plan. Please be advised that our advice is limited to those funds available within the 529 plan. VCM may provide investment advice to clients as to the proper allocation and selection of investments made available through a fee-based variable annuity product.

VCM considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by VCM, VCM will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by VCM will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### ***B.2.a.1. Soft Dollar Arrangements***

VCM does not utilize soft dollar arrangements. VCM does not direct brokerage transactions to executing brokers for research and brokerage services.

***B.2.a.2. Institutional Trading and Custody Services***

The custodian provides VCM with access to their institutional trading and custody services, which are typically not available to custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

***B.2.a.3. Other Products and Services***

The custodian also makes available to VCM other products and services that benefit VCM but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of VCM's accounts, including accounts not maintained at the custodian. The custodian may also make available to VCM software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of VCM's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help VCM manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of VCM personnel. In evaluating whether to recommend that clients custody their assets at the custodian, VCM may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a conflict of interest. VCM mitigates this conflict by making custodian recommendations in conformity with the client's personal and financial circumstances and in the best interests of the client.

***B.2.a.4. Independent Third Parties***

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to VCM. The custodian may discount or waive fees it would otherwise

charge for some of these services or all or a part of the fees of a third party providing these services to VCM.

***B.2.a.5. Additional Compensation Received from TDA Ameritrade***

VCM may participate in institutional customer programs sponsored by broker-dealers or custodians. VCM may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between VCM's participation in such programs and the investment advice it gives to its clients, although VCM receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving VCM participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to VCM by third-party vendors

The custodian may also pay for business consulting and professional services received by VCM's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for VCM's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit VCM but may not benefit its client accounts. These products or services may assist VCM in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help VCM manage and further develop its business enterprise. The benefits received by VCM or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

VCM also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require VCM to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, VCM will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by VCM's related persons, and reimbursement of expenses (including travel, lodging, meals and

entertainment expenses for VCM's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, VCM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by VCM or its related persons in and of itself creates a conflict of interest and may indirectly influence VCM's recommendation of broker-dealers such as TD Ameritrade for custody and brokerage services. VCM mitigates this conflict by disclosing the conflict and managing the account in conformity with the client's personal and financial circumstances and in the best interests of the client.

#### **B.2.b. Brokerage for Client Referrals**

VCM does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

#### **B.2.c. Directed Brokerage**

##### ***B.2.c.1 VCM Recommendations***

VCM typically recommends TD Ameritrade or Jefferson National as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

##### ***B.2.c.2. Client-Directed Brokerage***

Occasionally a client may direct VCM to use a particular broker-dealer to execute portfolio transactions. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage VCM derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. VCM loses the ability to aggregate trades with other VCM advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

### **B.3. Aggregating Securities Transactions for Client Accounts**

#### **B.3.a. Best Execution**

VCM, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. VCM recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. VCM will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- the financial strength, reputation, and stability of the broker
- the efficiency with which the transaction is effected
- the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)

- the availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- the efficiency of error resolution, clearance, and settlement
- block trading and positioning capabilities
- performance measurement
- online access to computerized data regarding customer accounts
- availability, comprehensiveness, and frequency of brokerage and research services
- commission rates
- the economic benefit to the client
- related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, VCM seeks to ensure that clients receive best execution with respect to the client's transactions by blocking client trades to reduce transactions costs. To the best of VCM's knowledge, these custodians provide high-quality trade execution, and VCM's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, VCM believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

#### **B.3.b. Security Allocation**

Since VCM may be managing accounts with similar investment objectives, VCM may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by VCM in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

VCM's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. VCM will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

VCM's advice to certain clients and entities and the action of VCM for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of VCM with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of VCM to or on behalf of other clients.

**B.3.c. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if VCM believes that a larger size block trade would lead to best overall price for the security being transacted.

**B.3.d. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

VCM acts in accordance with its duty to seek best price and execution and will not continue any arrangements if VCM determines that such arrangements are no longer in the best interest of its clients.

**B.3.e. Trade Error Policy**

The firm maintains policies and procedures for the disposition of trade errors. The firm's policy is as follows:

All trade errors must be reviewed and approved by a VCM Manager or the Chief Compliance Officer ("CCO") before a correction can be effected. It is the responsibility of the Manager and/or CCO, once the correcting trade has been effected, to memorialize the details of the error and correction, and if necessary, to work with the applicable service provider (most likely the custodian) to determine fault and how the corrected trade is to be reflected or corrected in the client's account. Errors resulting in losses of \$100 or less, irrespective of fault, will be absorbed either by the custodian or VCM. It is our goal that where applicable, the benefit of an error shall always go to the client. For example, if the firm failed to purchase a security for a client on a particular day and upon discovery of the error, the price of the stock was lower, the client would get the benefit of the lower price. There may be circumstances, for example, either for a buy or sell transaction, where the firm may be required to provide the price on the day the security transaction was to be effected in order to accommodate tax selling, avoid violating regulatory requirements for same day substitutions, and related circumstances. VCM

firm policy is that any gains generated from trade errors will be donated to a tax-exempt charity of VCM's choice.

#### **B.4. Review of Accounts**

##### **B.4.a. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Accounts are reviewed by the account's advisor and random accounts are reviewed by VCM's Chief Compliance Officer. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually by the account's advisor. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in corporate management, or changes in macro-economic climate.

Financial planning clients receive their financial plans and recommendations at the time service is completed. Financial plans are reviewed by the Chief Compliance Officer prior to delivery to clients. There are no post-plan reviews unless engaged to do so by the client.

##### **B.4.b. Review of Client Accounts on Non-Periodic Basis**

VCM may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or in how VCM formulates investment advice.

##### **B.4.c. Content of Client-Provided Reports and Frequency**

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any Orion statements or reports created on behalf of the client by VCM.

#### **B.5. Client Referrals and Other Compensation**

##### **B.5.a. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

VCM will enter into contractual agreements to act as a solicitor permitted by Rule 206(4)-3 of the Investment Advisers Act of 1940 ("Act"). Pursuant to these agreements, VCM receives compensation for referring prospective clients to third-party investment managers (The Pacific Financial Group and Howard Capital Management). Such arrangements will comply with the cash solicitation requirements under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with the referral partner. The solicitor must provide the client with a disclosure document describing the fees it receives from the referral partner, whether those fees represent an increase in fees that the referral partner would otherwise charge the client, and whether an affiliation exists between VCM and the referral partner. VCM will provide prospective clients with all applicable written disclosures



required by the Act or as otherwise required by state or federal securities regulatory authorities.

#### **B.5.b. Advisory Firm Payments for Client Referrals**

VCM may enter into agreements with solicitors who will refer prospective advisory clients to VCM in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with VCM. The solicitor must provide the client with a disclosure document describing the fees it receives from VCM, whether those fees represent an increase in fees that VCM would otherwise charge the client, and whether an affiliation exists between VCM and the solicitor.

Please be advised that the firm may employ internal and external recruiters ("Recruiters") whose primary responsibility is to recruit and employ qualified investment advisor representative candidates. In this regard the Recruiters are paid a percentage of the aggregate revenue generated by the recruit's advisory clients, provided such recruit (i) joins VCM as an investment advisor representative and (ii) the recruit's advisory clients establish an investment advisory relationship with VCM. Please note that recommendations by the Recruiters to qualified investment advisor representative candidates may entail the offer of economic benefits to entice the candidate to join VCM. This practice creates a conflict of interest in that any recommendations you receive to establish an investment advisory relationship with VCM may be motivated by investment advisor representative's economic self-interest rather than what may be in the best interest of the advisory client. Please note there is no additional fee paid by the client as a result of any fee paid to the Recruiters by VCM. We manage these conflicts by disclosing such conflict to our prospective clients and ensuring that all of our advice to clients is formulated with the clients' best interests in mind.

Please be advised that VCM has entered into a solicitor's arrangement with one of its investment advisory clients. In addition to the conflict where recommendations by the solicitor may be viewed as being in the best interests of the solicitor and VCM, there are additional conflicts that you should be made aware. The solicitor may receive (i) preference regarding trade allocation on block trades for several clients, (ii) preference regarding favorable investment opportunities, and (iii) receive disproportionate allocation of time by VCM and the servicing IAR. The one page solicitor disclosure statement will reflect these additional conflicts and are required to be acknowledged in writing by the prospective client.

#### **B.5.c. Expense Reimbursements**

VCM may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing, such as advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made



by those sponsors for whom sales have been made or it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is the in best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

## **B.6. Financial Information**

### **B.6.a. Balance Sheet**

VCM does not require the prepayment of fees of \$1,200 or more, six months or more in advance and as such is not required to file a balance sheet.

### **B.6.b. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

VCM does not have any financial issues that would impair its ability to provide services to clients.

### **B.6.c. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report for this item.