

## **Item 1    Cover Page**



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**April 25, 2024**

This Brochure provides information about the qualifications and business practices of Victory Financial Group (“Victory”, “VFG”, “us”, “we”, “our”). If you have any questions about the contents of this Brochure, please contact us at (512) 763-7671 or via email at [kyle@victoryfinancialgroup.com](mailto:kyle@victoryfinancialgroup.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Victory is also available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for Victory is 324943. The SEC’s web site also provides information about any persons affiliated with Victory who are registered, or are required to be registered, as Investment Adviser Representatives of Victory.

Victory is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information that you may use to determine whether to hire or retain them.

## **Item 2    Material Changes**

In this Item, VFG is required to discuss any material changes that have been made to the brochure since the last annual amendment. Since our most recent annual filing on March 21, 2024, the Firm has updated Item 10 to reflect our affiliation with Victory Insurance Services, LLC. There are no other material changes to disclose.

In the future, this section of the Brochure will discuss only the specific material changes that were made to the Brochure and will provide you with a summary of all material changes that have occurred since the last filing of this Brochure. This section will also identify the date of our last annual Brochure update.

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 end which is December 31<sup>st</sup>. We will provide other ongoing disclosure information about material changes as they occur. We will also provide you with information on how to obtain the complete brochure. Currently, our Brochure can be requested at any time, without charge, by contacting Kyle Wardlaw at (512) 763-7671.

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## Item 4 – Advisory Business Introduction

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### Our Advisory Business

VFG offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to VFG rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with VFG setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

VFG filed for registration as an investment adviser in January 2023 and is owned by Jeffrey W. Davidson. As of December 31, 2023, VFG had \$288,809,303 assets under management all of which were managed on a discretionary basis.

While this brochure generally describes the business of VFG, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or other persons who provide investment advice on VFG’s behalf and are subject to the Firm’s supervision or control.

### Financial Planning and Consulting

VFG offers clients a broad range of financial planning and consulting services, which include any or all of the following functions:

- |                             |                       |
|-----------------------------|-----------------------|
| • Business Planning         | • Insurance Planning  |
| • Cash Flow Forecasting     | • Retirement Planning |
| • Trust and Estate Planning | • Tax Planning        |
| • Investment Consulting     | • Education Planning  |

While each of these services is available on a stand-alone basis, certain of them can also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below).

In performing these services, VFG is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. VFG recommends certain clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage VFG or its affiliates to provide (or continue to provide) additional services for compensation, including investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by VFG under a financial planning or consulting engagement.

Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising VFG's recommendations and/or services.

## **Investment and Wealth Management Services**

VFG manages client investment portfolios on a discretionary basis. In addition, VFG provides certain clients with wealth management services which include a broad range of financial planning and consulting services as well as discretionary management of investment portfolios.

VFG primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, alternative investments, and independent investment managers ("Independent Managers") in accordance with their stated investment objectives.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios, but clients should not assume that these assets are being continuously monitored or otherwise advised on by the Firm unless specifically agreed upon. Clients can engage VFG to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, VFG directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

VFG tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. VFG consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify VFG if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if VFG determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

## **Use of Independent Managers**

As mentioned above, VFG selects certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager are set forth in a separate written agreement with the designated Independent Manager. That agreement can be between the Firm and the Independent Manager (often called a subadvisor) or the client and the Independent Manager (sometimes called a separate account manager). In addition to this brochure, clients will typically also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

VFG evaluates a variety of information about Independent Managers, which includes the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the

Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. VFG also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors

VFG continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. VFG seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

## **Item 5 – Fees and Compensation**

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VFG offers services on a fee basis, which includes fixed, as well as fees based upon assets under management or advisement. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, offer insurance products under a separate commission-based arrangement.

### **Financial Planning and Consulting Fees**

VFG charges a fixed fee for providing financial planning and consulting services under a stand-alone engagement. These fees are negotiable, but range from \$500 to \$10,000, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. The fee can be for a defined project, such as the delivery of a plan, or for ongoing services. If the client engages the Firm for additional investment advisory services, VFG can offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement. For project-based services VFG requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement. The outstanding balance is due upon delivery of the financial plan or completion of the agreed upon services. Ongoing services are charged as described in the investment management section, below. The Firm does not, however, take receipt of \$1,200 or more in prepaid fees, six or more months in advance of services rendered.

### **Investment Management or Wealth Management Fees**

VFG offers investment management and wealth management services for an annual fee based on the amount of assets under the Firm's management. This fee varies between 50 and 150 basis points (0.50% – 1.50%), depending upon the size and composition of a client's portfolio, the type and amount of services rendered. In addition, the Firm's investment adviser representatives ("IAR") determine the fee charged to the client, so clients can pay a higher fee than another IAR would charge under similar circumstances.

The annual fee is prorated and charged quarterly, in advance or arrears as indicated in your advisory agreement, based upon the market value of the assets being managed by VFG on the last day of the previous billing period as determined by a party independent from the Firm (including the client's custodian or another third-party).

The Firm includes cash in a client's account in determining the valuation for billing purposes. The Firm may, in its sole discretion, not include cash in determining the fee, especially where a client has a high percentage of cash for reasons other than the Firm's investment management decision.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is not adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a pro rata basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), VFG can negotiate a fee rate that differs from the range set forth above. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage VFG for additional services for compensation, including rolling over retirement accounts or moving other assets to the Firm's management. Clients retain absolute discretion over all decisions regarding engaging the Firm and are under no obligation to act upon any of the recommendations.

## **Fee Discretion**

VFG may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention, pro bono activities, or competitive purposes.

## **Direct Fee Debit**

Clients provide VFG and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to VFG.

## **Use of Margin**

VFG can recommend that certain clients utilize margin in the client's investment portfolio or other borrowing. VFG only recommends such borrowing for non-investment needs, such as bridge loans and other financing needs. The Firm's fees are determined based upon the value of the assets being managed gross of any margin or borrowing.

## **Account Additions and Withdrawals**

Clients can make additions to and withdrawals from their account at any time, subject to VFG's right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients can withdraw account assets on notice to VFG, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments and the

withdrawal of assets may impair the achievement of a client's investment objectives. VFG may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

## **Commissions and Sales Charges for Recommendations of Securities**

Clients can engage certain persons associated with VFG (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with VFG.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), can provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons are entitled to a portion of the brokerage commissions paid to PKS, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. VFG can also recommend no-load or load-waived funds, where no sales charges are assessed, but where the Supervised Person receives other forms of compensation. Prior to effecting any transactions, clients are required to enter into a separate account agreement with PKS.

## **Item 6 – Performance Based Fee and Side by Side Management**

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We do not charge any performance-based fees. These are fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7 – Types of Client(s)**

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We provide investment advisory services to individuals, high net worth individuals, trusts, estates, charitable organizations, corporations, and small businesses.

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

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### **Methods of Analysis**

VFG utilizes a combination of fundamental, cyclical and behavioral finance methods of analysis while employing an asset allocation strategy based on a derivative of Modern Portfolio Theory ("MPT"). Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For VFG, this process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A



substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (entire market or economy) or micro (company specific) level, rather than focusing on the overall fundamental analysis of the health of the particular company that VFG is recommending. The risks with cyclical analysis are similar to those of technical analysis.

Behavioral finance analysis involves an examination of conventional economics as well as behavioral and cognitive psychological factors. Behavioral finance methodology seeks to combine a qualitative and quantitative approach to provide explanations for why individuals may, at times, make irrational financial decisions. Where conventional financial theories have failed to explain certain patterns, the behavioral finance methodology investigates the underlying reasons and biases that cause some people to behave against their best interests. The risks relating to behavior finance analysis are that it relies on spotting trends in human behavior that may not predict future trends.

Modern Portfolio Theory ("MPT") is a mathematical based investment discipline that seeks to quantify expected portfolio returns in relation to corresponding portfolio risk. The basic premise of MPT is that the risk of a particular holding is to be assessed by comparing its price variations against those of the market portfolio. However, MPT disregards certain investment considerations and is based on a series of assumptions that may not necessarily reflect actual market conditions. As such, the factors for which MPT does not account (e.g., tax implications, regulatory constraints and brokerage costs) may negate the upside or add to the actual risk of a particular allocation. Nevertheless, VFG's investment process is structured in such a way to integrate those assumptions and real-life considerations for which MPT analytics do not account.

## **Investment Strategies**

VFG offers various advisory services to clients. However, it is important to understand that the Firm enables its financial advisors, which are sometimes referred to as investment adviser representatives ("IARs"), to provide customized advice to their clients. These IARs are permitted great latitude in selecting investments, investment strategies and delivering investment advice to clients, which remains subject to the supervision of the Firm's compliance department.

VFG's investment philosophy is centered on the concept of disciplined long-term diversified asset allocation. VFG believes that markets are mostly efficient, therefore, its portfolios are based on Modern Portfolio Theory and are designed to optimize return based on a client's stated level of risk in alignment with their investment goals. VFG has constructed a group of model portfolios for both qualified and non-qualified assets ranging across various categories of risk from conservative to aggressive. These models contain exposure to several asset classes including, but not limited to, foreign and domestic small/mid/large cap equities, various fixed income investments, specialty sectors, etc.

VFG's model portfolios contain a mix of both ETFs and mutual funds which are selected based on a number of different filtering criteria. VFG generally believes that the risk contained within an individual stock

holding is not worth the tradeoff of adjusted return. Therefore, the Firm's model portfolios do not contain individual stock positions at this time.

Here are the primary filtering categories for funds selected by the Firm:

### **Ranking**

- Performance vs peers
- Performance vs category
- Risk versus peers
- Risk versus category
- Morningstar rating
- Management
- Manager tenure
- Number of holdings
- Turnover percentage
- Style drift
- Investment strategy/analysis style

### **Metrics**

- Expense ratio
- Dividend yield
- Standard deviation
- Sharpe ratio
- Alpha
- Upside/downside capture

The entirety of the categories listed above do not have to be superior to the ETF counterpart to be chosen. The investment team will have the ultimate decision on whether a mutual fund should be added over an ETF based on their best-efforts analysis.

The model portfolios are built to be used for the benefit of the majority of VFG's clients, but the Firm may also create customized portfolios when necessary. If a client has specialty needs based on their goals and financial situation, the Firm can construct a customized portfolio outside of our typical model.

VFG's Investment Team and the Firm's investment adviser representatives are responsible for the ongoing review and management of these model portfolios and client specific accounts. The Firm's investment adviser representatives will seek to schedule and execute quarterly reviews with each client to update their goals and assure proper investment portfolio alignment.

The Investment Team regularly meets to review current macroeconomic events including, but not limited to, global and domestic GDP numbers, interest rates/Federal Reserve activity, unemployment reports, geopolitical activity, etc. These regular meetings typically include a high-level review of the existing funds in our model portfolio to determine if any changes have been made which would cause the investment to fall outside our evaluation categories. These findings are communicated to the Firm's investment adviser representatives to inform their client reviews and to assist them in making customized rebalancing recommendations.

VFG believes in a long-term strategic management style with the ability to execute tactical changes based on these macroeconomic observations detailed above. VFG allows for an acceptable range of each asset class to deviate based on market fluctuation or based on a tactical rebalance recommended by the Investment Team throughout the year. This tactical rebalance must assure the overall portfolio remains in line with the long-term goals of the client within the appropriate risk category.

The Investment Team executes a model portfolio deep dive at least semi-annually. This deep dive will include a complete in-depth analysis of each fund to make sure the appropriate percent allocation is assigned as well as if the fund needs to be completely replaced.

Ultimately, it is VFG's belief that some of the greatest value the Firm can offer investors is acting as their empathetic behavior coach. The Firm will seek to help clients avoid emotional decisions to rebalance large percentages of their portfolio's based on temporary market declines which would expose them to the risk of being in a portfolio that doesn't match up with their long-term investment goals.

## **Risk of Loss**

We cannot guarantee our analysis methods will yield a return. In fact, a loss of principal is always a risk. Investing in securities involves a risk of loss that you should be prepared to bear. You need to understand that investment decisions made for your account by us are subject to various market, currency, economic, political and business risks. The investment decisions we make for you will not always be profitable nor can we guarantee any level of performance. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

## **Market Risks**

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of VFG's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that VFG will be able to predict these price movements accurately or capitalize on any such assumptions.

## **Volatility Risks**

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

## **Equity-Related Securities and Instruments**

The Firm may take long positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, midcapitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

## **Currency Risks**

An advisory account that holds investments denominated in currencies other than the currency in which the advisory account is denominated may be adversely affected by the volatility of currency exchange rates.

## **Fixed Income Securities**

While the Firm emphasizes risk-averse management and capital preservation in its fixed-income bond portfolios, clients who invest in this product can lose money, including losing a portion of their original investment. The prices of the securities in our portfolios fluctuate. The Firm does not guarantee any particular level of performance. Below is a representative list of the types of risks clients should consider before investing in this product.

- Interest rate risk. Prices of bonds tend to move in the opposite direction to interest rate changes. Typically, a rise in interest rates will negatively affect bond prices. The longer the duration and average maturity of a portfolio, the greater the likely reaction to interest rate moves.
- Credit (or default) risk. A bond's price will generally fall if the issuer fails to make a scheduled interest or principal payment, if the credit rating of the security is downgraded, or if the perceived creditworthiness of the issuer deteriorates.
- Liquidity risk. Sectors of the bond market can experience a sudden downturn in trading activity. When there is little or no trading activity in a security, it can be difficult to sell the security at or near its perceived value. In such a market, bond prices may fall.
- Call risk. Some bonds give the issuer the option to call or redeem the bond before the maturity date. If an issuer calls a bond when interest rates are declining, the proceeds may have to be

reinvested at a lower yield. During periods of market illiquidity or rising rates, prices of callable securities may be subject to increased volatility.

- Prepayment risk. When interest rates fall, the principal of mortgage-backed securities may be prepaid. These prepayments can reduce the portfolio's yield because proceeds may have to be reinvested at a lower yield.
- Extension risk. When interest rates rise or there is a lack of refinancing opportunities, prepayments of mortgage-backed securities or callable bonds may be less than expected. This would lengthen the portfolio's duration and average maturity and increase its sensitivity to rising rates and its potential for price declines

## **Mutual Funds and ETFs**

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for index-based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Finally, some mutual funds and ETFs may have lock-up periods that restrict an investor from selling their position for a period of time. Other mutual funds and ETFs could also have early redemption fees that are taken if the investor sells their position before a certain amount of time.

## **Use of Independent Managers**

As stated above, VFG selects certain Independent Managers to manage a portion of its clients' assets. In these situations, VFG continues to conduct ongoing due diligence of such managers, but such

recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, VFG does not have the ability to supervise the Independent Managers on a day-to-day basis.

## **Cryptocurrencies**

A digital currency is an identifiable exchangeable asset without physical substance. A cryptocurrency, which is a type of digital currency, is available solely in digital form, and for the most part is decentralized and not subject to any government control. Investing in cryptocurrencies is highly speculative, involving a host of risks and vulnerabilities, including, but not limited to, extreme price volatility, cyberattacks, computer outages and other technological risks, challenges associated with investors and custodians keeping the assets safe, extremely limited liquidity, risks associated with the issuer, information asymmetries and market interference, risks related to governance of the currency itself, the impact of future regulation, and human error, which could lead to the loss of all amounts invested.

## **Options**

Options allow investors to buy or sell a security at a contracted "strike" price at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (i.e., limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

## **Master Limited Partnerships ("MLPs")**

Master Limited Partnerships ("MLPs") are collective investment vehicles, the partnership interests of which are publicly traded on national securities exchanges. MLPs invest primarily in companies within the energy sector that engage in qualifying lines of business, such as natural resource production and mineral refinement. MLPs are therefore subject to the underlying volatility of the energy industry and may be adversely affected by changes to supply and demand, regional instability, currency spreads, inflation and interest rate fluctuations, among other such factors. In addition, MLPs operate as pass-through tax entities, meaning that investors are liable for their pro rata share of the partnership taxes, regardless of the types of accounts where the interests are held.

## **Real Estate Investment Trusts ("REITs")**

VFG recommends an investment in, or allocate assets among, various real estate investment trusts ("REITs"), the shares of which exist in the form of either publicly traded or privately placed securities. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle's shares. Mortgage

related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

### **Management through Similarly Managed “Model” Accounts**

VFG manages certain accounts through the use of similarly managed “model” portfolios, whereby the Firm allocates all or a portion of its clients’ assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients’ net after tax gains. While the Firm seeks to ensure that clients’ assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client’s individual tax ramifications. Clients should contact the Firm if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

### **Use of Margin**

While the use of margin borrowing for investments can substantially improve returns, it may also increase overall portfolio risk. Margin transactions are generally affected using capital borrowed from a Financial Institution, which is secured by a client’s holdings. Under certain circumstances, a lending Financial Institution may demand an increase in the underlying collateral. If the client is unable to provide the additional collateral, the Financial Institution may liquidate account assets to satisfy the client’s outstanding obligations, which could have extremely adverse consequences. In addition, fluctuations in the amount of a client’s borrowings and the corresponding interest rates may have a significant effect on the profitability and stability of a client’s portfolio.

### **Currency Risks**

An advisory account that holds investments denominated in currencies other than the currency in which the advisory account is denominated may be adversely affected by the volatility of currency exchange rates.

### **Interest Rate Risks**

Interest rates may fluctuate significantly, causing price volatility with respect to securities or instruments held by clients.

## Item 9 – Disciplinary Information

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Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. VFG has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

## Item 10 – Other Financial Industry Activities and Affiliations

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This item requires investment advisers to disclose certain financial industry activities and affiliations.

### Other Financial Industry Affiliations

The Firm's owner, Jeffrey Davidson also has a controlling interest in Camp Gladiator, LLC, a private company which is seeking investors. There would be a clear conflict of interest should the Firm or Mr. Davidson recommend an investment in Camp Gladiator to the Firm's clients. Therefore, VFG is not involved in any Camp Gladiator securities offerings, nor does VFG provide any advice regarding investing in Camp Gladiator. Should Mr. Davidson discuss any investment in Camp Gladiator, it is done purely in his individual capacity and not with any fiduciary duty to the client. There are numerous risks and conflicts of interest associated with investment in Camp Gladiator, so it is imperative that investors carefully read and understand any private placement memorandum and any other offering documents associated with an investment.

### Registered Representatives of a Broker-Dealer

Certain of the Firm's Supervised Persons are registered representatives are also Registered Representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), a FINRA-registered broker-dealer, provide clients with securities brokerage services under a separate commission-based arrangement. Therefore, they have the ability to recommend securities products that will pay them a commission through their broker-dealer relationship. When such recommendations or sales are made, a conflict of interest exists as the registered representatives may receive more commissions from the sale of these products than from providing you with advisory services. We require that all Investment Adviser Representatives disclose this conflict of interest if and when such recommendations are made. We also require Investment Adviser Representatives to disclose to clients that they may purchase recommended products from other representatives not affiliated with us. Our Code of Ethics requires our Investment Adviser Representatives to do what is in the client's best interests at all times. Kyle Wardlaw monitors all transactions to ensure that we put the needs of our clients first, not the commission he may receive. The broker-dealer also monitors all transactions to make certain they are suitable for the client.

### Licensed Insurance Agents

A number of the Firm's Supervised Persons are licensed insurance agents with Victory Insurance Services, LLC and offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest



exists to the extent that VFG recommends the purchase of insurance products where its Supervised Persons are entitled to insurance commissions or other additional compensation. The potential for additional compensation may affect their judgement when making recommendations. However, the Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations. In addition, clients are notified that they are not required to purchase recommended insurance products from affiliates of the adviser.

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

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### **General Information**

We have adopted a Code of Ethics for all IAR's of the firm describing its high standards of business conduct, and fiduciary duty to you, our client. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All of our IAR's must acknowledge the terms of the Code of Ethics annually, or as amended.

### **Participation or Interest in Client Accounts**

Our Compliance policies and procedures prohibit anyone associated with Victory from having an interest in a client account or participating in the profits of a client's account without the approval of the CCO.

The following acts are prohibited:

- Employing any device, scheme or artifice to defraud
- Making any untrue statement of a material fact
- Omitting to state a material fact necessary in order to make a statement, in light of the circumstances under which it is made, not misleading
- Engaging in any fraudulent or deceitful act, practice or course of business
- Engaging in any manipulative practices

Clients and prospective clients may request a copy of the firm's Code of Ethics by contacting the CCO.

### **Personal Trading**

When appropriate, certain affiliated accounts will trade in the same securities with your accounts on an aggregated basis when consistent with our obligation of best execution. When trades are aggregated, all parties will share the costs in proportion to their investment. We will retain records of the trade Order (specifying each participating account) and its allocation. Completed Orders will be allocated as specified in the initial trade order. Partially filled Orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Victory has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of “Access Persons”. The policy requires that an Access Person of the firm provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Adviser selects; provided, however that at any time that the Adviser has only one Access Person, he or she shall not be required to submit any securities report described above.

We have established the following restrictions in order to ensure our fiduciary responsibilities regarding insider trading are met:

- No securities for our personal portfolio(s) shall be bought or sold where this decision is substantially derived, in whole or in part, from the role of IARs of Victory, unless the information is also available to the investing public on reasonable inquiry. In no case, shall we put our own interests ahead of yours.

## **Privacy Statement**

We are committed to safeguarding your confidential information and hold all personal information provided to us in the strictest confidence. These records include all personal information that we collect from you or receive from other firms in connection with any of the financial services they provide. We also require other firms with whom we deal with to restrict the use of your information. Our Privacy Policy is available upon request.

## **Conflicts of Interest**

When appropriate, Victory’s IARs employ the same strategy for their personal investment accounts as it does for its clients. However, IARs are restricted from placing their orders in a way to benefit from the purchase or sale of a security.

We act in a fiduciary capacity. If a conflict of interest arises between us and you, we shall make every effort to resolve the conflict in your favor. When conflicts of interest may arise in the allocation of investment opportunities among the accounts that we advise, we will seek to allocate investment opportunities according to what we believe is appropriate for each account. We strive to do what is equitable and in the best interests of all the accounts we advise.

## **Item 12 – Brokerage Practices**

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### **Recommendation of Broker-Dealers for Client Transactions**

VFG recommends that clients utilize the custody, brokerage and clearing services of Charles Schwab & Co, Inc. through its Schwab Advisor Services division (“Schwab”) for investment management accounts. The final decision to custody assets with Schwab is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. VFG is independently owned and operated and not affiliated with Schwab. Schwab

provides VFG with access to its institutional trading and custody services, which are typically not available to retail investors.

Factors which VFG considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by VFG's clients to Schwab comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to affect the same transaction where VFG determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. VFG seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with obtaining best execution, the Firm recommends Schwab and can receive investment research products and/or services which assist VFG in its investment decision-making process. The receipt of investment research products and/or services poses a conflict of interest because VFG does not have to produce or pay for the products or services. VFG periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

## **Software and Support Provided by Financial Institutions**

VFG receives without cost from Schwab administrative support, computer software, related systems support, as well as other third-party support as further described below (together "Support") which allow VFG to better monitor client accounts maintained at Schwab and otherwise conduct its business. VFG receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The Support benefits VFG, but not its clients directly. Clients should be aware that VFG's receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits will influence the Firm's choice of broker-dealer over another that does not furnish similar software, systems support or services, especially because the support is contingent upon clients placing a certain level(s) of assets at Schwab. In fulfilling its duties to its clients, VFG endeavors at all times to put the interests of its clients first and has determined that the recommendation of Schwab is in the best interest of clients and satisfies the Firm's duty to seek best execution.

Specifically, VFG receives the following benefits from Schwab: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

In addition, the Firm receives funds to be used toward qualifying third-party service providers for research, marketing, compliance, technology and software platforms and services. The initial funds are available regardless of assets held at Schwab. Subsequent funds are available only upon \$35 million, \$70 million and \$105 million in new assets added to Schwab. This results in an incentive for the Firm to reach the agreed upon asset thresholds.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor's clients' assets are maintained in accounts at Schwab. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, 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.

For client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of personnel of VFG by Schwab personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist VFG in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at Schwab. Schwab also makes available to VFG other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, VFG endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a potential conflict of interest.

## **Brokerage for Client Referrals**

VFG does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third-party.

## **Directed Brokerage**

The client may direct VFG in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by VFG (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, VFG may decline a client’s request to direct brokerage if, in the Firm’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

## **Commissions or Sales Charges for Recommendations of Securities**

As discussed above, certain Supervised Persons in their respective individual capacities are registered representatives of PKS. These Supervised Persons are subject to FINRA Rule 3280 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless the registered representatives give prior notice of such transactions to PKS and, in most circumstances, PKS provides written consent. Therefore, clients are advised that certain Supervised Persons are restricted to conducting securities transactions through PKS if they have not secured written consent from PKS to execute securities transactions through a different broker-dealer. Absent such written consent or separation from PKS, these Supervised Persons are generally prohibited from executing securities transactions through any broker-dealer other than PKS under its internal supervisory policies. The Firm is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

## **Trade Aggregation**

Transactions for each client will be effected independently, unless VFG decides to purchase or sell the same securities for several clients at approximately the same time. VFG may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among VFG’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which VFG’s Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. VFG does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account

when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## **Item 13 – Review of Accounts**

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### **Reviews**

VFG monitors client portfolios on a continuous and ongoing basis and regular account reviews are conducted on at least an annual basis. Such reviews are conducted by the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with VFG and to keep the Firm informed of any changes thereto.

### **Account Statements and Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from VFG or an outside service provider.

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

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We do not receive any economic benefit from someone who is not a client for providing investment advice or other advisory services to our clients nor do we directly or indirectly pay any compensation to another person if they refer clients to us.

### **Other Compensation**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## Item 15 – Custody

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VFG is deemed to have custody of client funds and securities because the Firm is given the ability to debit client accounts for payment of the Firm's fees. As such, client funds and securities are maintained at one or more Financial Institutions that serve as the qualified custodian with respect to such assets. Such qualified custodians will send account statements to clients at least once per calendar quarter that typically detail any transactions in such account for the relevant period.

In addition, as discussed in Item 13, VFG will also send, or otherwise make available, periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from VFG. Any other custody disclosures can be found in the Firm's Form ADV Part 1.

## Item 16 – Investment Discretion

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We manage assets on a discretionary basis. If you provide discretion authority, which will be evidenced via the written, discretionary agreement between the client and the Adviser, we will have the authority to determine the following without your consent:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

When active asset management services are provided on a discretionary basis the client will enter into a separate custodial agreement with the custodian. The custodian agreement will include a limited power of attorney to trade in the client's account(s) which authorizes the custodian to take instructions from us regarding all investment decisions for your account.

## Item 17 – Voting Client Securities

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As a matter of firm policy and practice, we do not have any authority to and do not vote proxies on behalf of advisory clients. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios. We will not provide advice to you regarding your voting of proxies. The custodian will forward you copies of all proxies and shareholder communications relating to your account assets.

## Item 18 – Financial Information

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We are required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that would impair our ability to meet any contractual and fiduciary commitments to you, our client. We have not been the subject of any bankruptcy proceedings. In no event shall we charge advisory fees that are both in excess of twelve hundred dollars and more than six months in advance of advisory services rendered.