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*This brochure describes the services, qualifications and business practices of Hallmark Capital Management, Inc., an investment advisory firm registered with the United States Securities and Exchange Commission ("SEC"). Please contact George R. Kress, CFA®, President of Hallmark Capital Management, Inc. at 888-794-7940 if you have any questions about the contents of this brochure.*

*The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply that Hallmark Capital Management, Inc., or any individual providing investment management services on behalf of Hallmark Capital Management, Inc. has a certain level of skill or training. Additional information about Hallmark Capital Management Inc. is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Hallmark Capital Management, Inc. is 108879.*

**Item 2 – MATERIAL CHANGES**

**Summary of Material Changes**

There have been no material changes since the last filing and distribution of this brochure on November 1, 2022.

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## **Item 4 – ADVISORY BUSINESS**

### **A. Our Company**

Hallmark Capital Management, Inc. (“Hallmark”), a New Jersey corporation, provides investment management and financial planning services to institutional and individual investors. Hallmark began providing investment management services as an independent SEC-registered investment adviser in 1986 and in 1999 began offering financial planning services. In 2000, Hallmark became a wholly owned subsidiary of Valley National Bank, a national banking association that provides commercial and retail financial services. Valley National Bank, in turn, is a wholly owned subsidiary of Valley National Bancorp, a Nasdaq Global Select Market (“Nasdaq”) listed bank holding company headquartered in Wayne, New Jersey. In 2016 Hallmark merged with New Century Asset Management, Inc., another SEC-registered investment advisor and wholly owned subsidiary of Valley National Bank.

### **B. Our Advisory Services**

#### **Hallmark**

##### **Investment Management Services**

Hallmark’s investment management services provide for the continuous management and discretionary investment of funds entrusted to us by our clients based on the specific needs, objectives, and risk tolerance of each client. Investment goals may include long-term capital appreciation, capital preservation, the generation of current income or any combination thereof.

The investment process begins with an agreement between Hallmark and each client on guidelines that quantify the client’s risk profile, goals, and objectives. Most importantly, these guidelines include an appropriate percentage, or a permissible range of exposure to equities (common stocks).

Based on these parameters, each client’s portfolio assets are allocated among equities, bonds and cash reserves based on Hallmark’s assessment of the relative attractiveness of those sectors. The guidelines for any client might result in:

- a “balanced” account invested in a mix of stocks, and bonds, with the remainder in cash reserves.
- an “equity” account invested entirely or largely in common stocks, with the remainder in cash reserves.
- a “fixed-income” account entirely or largely invested in bonds, with the remainder in cash reserves.

Most client portfolios are comprised of individual stocks and bonds. Mutual funds and exchange-traded funds may be used to achieve exposure to additional investment areas, due to unique client constraints or to address specific client objectives. Certain Hallmark clients primarily utilize mutual funds and exchange-traded funds as the main security type in their portfolios. At all times, clients retain individual ownership of all securities.

### Financial Planning Services

Hallmark offers financial planning services to our clients. These services may be comprehensive or modular in their preparation depending on the client's unique goals and needs. Topics included as part of the financial planning services may include, but are not limited to, the following:

- Asset allocation and investment analysis
- Retirement and income planning
- Cash flow analysis and debt management
- Executive planning
- Compensation and benefits analysis
- Insurance and risk management review
- Estate plan analysis and review
- Legacy planning
- Education funding and planning
- Philanthropic planning
- Major changes or life events

Hallmark will consult with each client to discuss their current financial status, future goals, and attitude towards risk. As applicable, a questionnaire may be supplied to the client to gather the appropriate information. Additional documents may be requested from the client to obtain the needed information to complete the analysis. Hallmark will then complete a financial analysis and prepare a financial plan that will describe the client's current situation, identify needs and opportunities, and make suggestions designed to help the client achieve stated goals. The financial plan will either be provided to the client in electronic form through a client portal or in written form. Hallmark will review the financial plan with each client and explain our recommendations.

Hallmark is available to work with a client throughout the term of the relationship to update information as changes occur in the client's financial situation and to implement the plan. The client is responsible for communicating changes in circumstances to Hallmark so that we can provide the most accurate advice and counsel possible.

In performing its services, Hallmark is expressly authorized to rely on the information received from the client or the client's other professionals, written or verbal, and is not required to verify such information. It is the client's responsibility to provide complete and accurate information regarding all aspects of their personal and financial situation. If specifically requested by the client, Hallmark may suggest other professionals for implementation services; however, the client is under no obligation to engage such services.

While financial analysis may include investment advice concerning mutual funds and securities, it may also include investment advice with respect to products that may or may not constitute "securities" such as life insurance and annuities. The analysis also takes into consideration estate and tax planning issues that may not constitute "investment" advice.

Should a client choose to implement the suggestions contained in the analysis, Hallmark often suggests that the client work closely with an attorney, accountant, insurance agent, stockbroker and/or investment manager (which could include Hallmark). Financial analysis suggestions are not limited to any specific product or service offered by a broker-dealer or insurance company. Hallmark is available to assist with the implementation of the plan and to answer any client questions, but the client is responsible for the implementation or rejection of our recommendations. This means clients are never obligated or required to implement our recommendations.

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

Hallmark offers investment advisory services which are tailored to meet the specific needs of each client. To provide appropriately individualized services, Hallmark works with each client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile and other information regarding the client's financial and investment needs.

For Hallmark to provide effective advisory services, it is critical that clients provide accurate and complete information to Hallmark and inform Hallmark whenever such information needs to be updated or there is a change in financial circumstances, investment objectives and/or risk profile.

Generally, clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their investment management accounts. A restriction request may not be honored if it is fundamentally inconsistent with Hallmark's investment philosophy, runs counter to the client's stated investment objectives, or would prevent Hallmark from properly servicing other client accounts. In addition, some restrictions may not be accommodated when utilizing exchange-traded funds, mutual funds or with respect to certain third-party products or services. The determination of whether a restriction is reasonable is solely that of Hallmark.

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

Hallmark does not participate in wrap fee programs.

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

As of December 31, 2022, the total amount of client assets managed by Hallmark is approximately \$1,836,175,295. All client assets are managed on a discretionary basis.

**Item 5 – FEES AND COMPENSATION****A. Advisory Fees****Hallmark****Investment Management Fees**

The annual fee for Investment Management Services is charged as a percentage of assets under management, generally in accordance with the following fee schedule:

Account Assets	Annual Rate	Equivalent Quarterly Rate
For accounts over \$500,000:		
First \$3 million	1.0%	0.250%
Next \$2 million	0.8%	0.200%
Balance over \$5 million	0.6%	0.150%
For accounts over \$15 million	0.6%	0.150%
For accounts over \$50 million	0.5%	0.125%
For accounts over \$100 million	0.4%	0.100%

Minimum Quarterly Fee:      \$1,250 per quarter

Fees for fixed income only accounts are discounted at 50% of the prevailing rate. Fees are generally billed quarterly in advance based on the market value of the client's portfolio at the close of business on the last business day of the previous quarter. The initial fee is pro-rated and covers the period from the date the client's account is accepted for management by Hallmark through the last business day of the current calendar quarter. Clients are billed if additional cash, securities, or other investments in excess of 20% of the prior quarter-ending market value are accepted for management during the first two months of any quarter. The fee is pro-rated for the number of days remaining in the fee period and covers the total value of the accepted assets. Details of the investment management fee charged are more fully described in the Investment Agreement executed with each client.

**Financial Planning Fees**

Hallmark is compensated for its Financial Planning Services on an hourly basis at the rate of \$200 per hour and the total fee will depend on the nature and complexity of the client's circumstances. At the beginning of the relationship, an estimate of hours required to complete the plan is normally determined with a maximum fee established. At the start of each

engagement, 50% of the estimated total fee is due with the balance due upon completion and delivery of the financial plan or specialized analysis.

## **B. Payment Method**

Clients have the option of authorizing the deduction of the investment management fee from their custodial account or being billed directly.

### Custodian Deduction

Each quarter, Hallmark will notify the client's independent qualified custodian of the amount of the fee due and payable according to the Investment Agreement. The qualified custodian will not validate or check Hallmark's fee, the corresponding calculation, or the assets on which the fee is based, unless the client has retained their services to do so. It is solely the client's responsibility to verify the accuracy of the calculation. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the account(s) the client designates to pay Hallmark's investment management fee.

At least quarterly, the client will receive a statement directly from the qualified custodian showing all transactions, positions and all amounts deposited to or disbursed from the client's account. Statements will also reflect the investment management fee paid by the client to Hallmark.

### Direct Billing

Each quarter, Hallmark will issue the client an invoice for the investment management fee and the client will pay Hallmark by check.

## **C. Other Fees and Expenses**

### Mutual Fund and Exchange-Traded Funds ("ETF") Fees

Fees paid to Hallmark for investment management services are separate and distinct from fees and expenses charged by mutual funds, including exchange-traded funds, to their shareholders. These fees and expenses are described in each fund's prospectus and generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client could invest in a mutual fund directly, without the services of Hallmark. In that case, the client would not receive the services provided by Hallmark which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. To the extent that client assets are invested in money market funds or cash positions, the fees for monitoring those assets are in addition to the fees included in the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus.



Accordingly, clients should review both the fees charged by the funds and the fees charged by Hallmark to fully understand the total amount of fees incurred.

#### Trading Costs

Fees paid to Hallmark for investment management services are separate and distinct from any and all transaction fees charged by broker-dealers to execute the purchase and sale of equity securities, fixed income securities, options, and mutual funds. Please see the section entitled “BROKERAGE PRACTICES” for additional information on brokerage and other transaction costs.

#### Custody Costs

Hallmark does not provide custodial or other administrative services. Clients are responsible for all custodial, ancillary, and miscellaneous fees, if any, charged by custodians.

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

Hallmark’s services may be canceled at any time, by either party, for any reason upon thirty (30) days prior written notice to the other party. Upon termination of an account, any prepaid, unearned fees will be pro-rated from the date of termination through the end of the billing period and promptly refunded. Refunds are processed by credit to the client’s account or by direct payment to the client. Any earned and unpaid fees will be due and payable.

The client has the right to terminate an Agreement without penalty within five (5) business days after entering into the Agreement. On the termination of the Agreement, Hallmark will have no obligation whatsoever to recommend or take any action regarding the securities, cash, or other investments in the clients’ portfolio.

### **E. Important Additional Information**

#### Fee Only

Hallmark is compensated solely by fees paid by its clients and does not receive commissions or compensation from any other source, i.e., mutual funds, insurance products or any other investment product.

#### Fees Negotiable

Hallmark’s fees and minimums are typically not negotiable, but Hallmark retains the right to modify fees, including minimum annual fees and minimum account sizes, in its sole and absolute discretion, on a client-by-client basis, based on the size, complexity and nature of the investment management or financial planning services provided.

#### Employee Fees

Hallmark offers to provide investment management services to its employees and members of their immediate families at one-half the prevailing fee schedule.

## **F. IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset-based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by Hallmark.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of each.

An employee will typically have four options:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for Hallmark to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - a) Employer retirement plans generally have a more limited investment menu than IRAs.
  - b) Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  - a) If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.

- b) You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
- 3. Our strategy may have higher risk than the option(s) provided to you in your plan.
- 4. Your current plan may also offer financial advice.
- 5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
- 6. Your 401k may offer more liability protection than a rollover IRA; each state may vary. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
- 7. You may be able to take out a loan on your 401k, but not from an IRA.
- 8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses, or the purchase of a home.
- 9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
- 10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you.

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

Hallmark does not accept performance-based fees or engage in side-by-side management of client accounts. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Hallmark's fees are calculated as described above in Item 5 - Fees and Compensation - and are not charged based on a share of the capital gains upon, or capital appreciation of, the funds in a client's account.

## **Item 7 - TYPES OF CLIENTS**

Hallmark provides investment management services to institutional clients such as pension and profit-sharing plans, charitable organizations, banks and thrift institutions, corporations, and other types of business entities, as well as to individual investors, including high net worth individuals and families, trusts, and estates.

### **Engaging the Services of Hallmark**

Clients wishing to engage Hallmark for investment management services must sign the applicable Investment Agreement and complete and provide any other documents or questionnaires requested by Hallmark. The Investment Agreement describes the services and responsibilities of Hallmark to the client and outlines Hallmark's fees in detail. Clients are responsible for completing custodial documentation as required by broker-dealers and banks. Hallmark will accept an account and notify a client upon determining all documents and all required criteria are acceptable. Clients are responsible for informing Hallmark in a timely manner of any changes in investment objectives, risk tolerance or other circumstances which would impact the management of their portfolios.

### **Conditions for Managing Accounts**

#### Investment Management Services

Hallmark requires new clients have a minimum account of \$500,000 for discretionary investment management services, although Hallmark, in its sole and absolute discretion, retains the right to reduce or waive this minimum account size. Hallmark will consider related accounts of the same client family or organization in meeting the minimum account size.

#### Financial Planning Services

Financial planning services are offered as a stand-alone service and a client need not establish an investment management relationship to utilize Hallmark's financial planning services. Investment management clients are not normally charged for financial planning services.

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

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

#### Methods of Analysis

Hallmark's investment process begins with consideration of each client's equity exposure guidelines and any unique investment constraints. For "balanced" accounts, Hallmark then executes the tactical allocation of each client's portfolio among three broad asset classes (stocks, bonds, and cash reserves) within the pre-approved range of each client's guidelines, based on the investment outlook of Hallmark's Market Advisory Group. For "equity" accounts, bonds may be excluded or utilized as part of cash reserves. For "fixed income" accounts, stocks are normally excluded. The Market Advisory Group includes Hallmark investment professionals and a group of professional financial strategists selected by Hallmark who

provide their advice about the relative attractiveness of the stock and bond markets. Hallmark carefully weighs the collective opinion about the prospects for the markets and adjusts each client's asset mix, where appropriate, after considering the risk/return trade-off of any such changes. Hallmark manages each portfolio on a continuous basis, evaluating current positions and opportunities as revealed by established disciplines.

Common stocks are selected from a universe of large and mid-sized companies that are members of the Russell 1000 Index and/or the Standard & Poor's 500 Index. Hallmark may choose to utilize mutual fund and/or exchange-traded fund investments in the portfolios it manages. Hallmark can tailor its equity investment process to accommodate clients with either more aggressive or income-oriented goals. Fixed-income investments may include U.S. Treasury and agency securities, mortgage-backed or other asset-backed bonds, as well as corporate and municipal bonds and, in some cases, exchange-traded funds and mutual funds. Bonds are used to generate income and reduce portfolio volatility. For clients who desire exposure to non-U.S. markets for a portion of their portfolio, Hallmark may utilize exchange-traded funds.

#### Valuation Analysis for Equity Selection

Hallmark's stock selection strategy seeks an attractive relationship between the quality of a company's business, its earnings outlook, and the reasonableness of its stock price. The stock selection process is strongly influenced by Hallmark's proprietary Valuation Analysis, supplemented by the experienced judgment of the investment staff.

The Valuation Analysis awards a Value Score that ranks each stock in our investment universe on its statistical attractiveness. A Value Score incorporates the following metrics:

- A Business Profile Score that is comprised of various measurements of corporate growth, profitability, and balance sheet strength.
- The projected change in earnings per-share for the next twelve months.
- The Price/Earnings ratio using estimated earnings.

Generally, portfolio selections are made from those companies ranked within the top third of Valuation Scores, after the investment team has done further fundamental analysis.

#### Mutual Fund and Exchange-Traded Fund Portfolios

Hallmark may utilize different investment strategies, based upon the needs of the client, including: long-term purchases, short-term purchases, trading, short sales, margin transactions and option writing. Hallmark also utilizes asset allocation strategies to match client goals and objectives.

#### *Long-Term Purchases*

Securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

### *Short-Term Purchases*

Securities are purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

### *Trading*

Securities are purchased with the expectation that they will be sold within a very short period, generally less than 30 days, to capture significant market gains and avoid significant market losses during a volatile market.

### *Short Sales*

A securities transaction in which an investor sells borrowed securities in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.

### *Margin Transactions*

A securities transaction in which an investor borrows money to purchase a security, where the security serves as collateral on the loan.

### *Option Writing*

An option is the right, but not the obligation, to buy or sell a security at a specified price before the expiration date of the option. An investment strategy utilizing option writing involves selling (writing) an option. When an investor sells (writes) an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller receives from the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

### Sources of Information

Investment team members may utilize the following sources of supplemental information to perform analysis and develop investment strategies: research materials prepared and provided by others (particularly Wall Street investment firms), filings with the SEC, financial newspapers and magazines, corporate rating services, conference calls, annual reports, prospectuses, and company press releases.

### Investing Involves Risk

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

- *Market Risk.* The value of portfolio assets will be heavily influenced by the overall performance of the stock and/or bond markets. The value of investments may decline, sometimes rapidly and unpredictably, because of economic changes or other events that affect large portions of the market.
- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.
- *Capitalization Risk.* Certain companies in the universe of stocks Hallmark screens might be considered small-to-mid-capitalization companies that may be more volatile than investments in large-capitalization companies.
- *Liquidity Risk.* Liquidity risk exists when certain investments are difficult to purchase or sell, possibly preventing Hallmark from selling out of such illiquid securities at an advantageous price.
- *Pandemic Risk.* Health crises caused by outbreaks, such as the coronavirus outbreak, may exacerbate other pre-existing political, economic, and social risks. The impact of an epidemic or pandemic could negatively affect the worldwide economy, as well as the economies of individual countries, individual companies, and the market in general, in significant and unforeseen ways. Any such impact could adversely affect the performance of the securities in which a client's account invests and the performance of a client's account.
- *Concentrated Portfolio Risk.* Certain, more aggressive strategies may result in holding fewer stocks than other, more diversified, portfolios at Hallmark. As a result, changes in the prices of these securities are more likely to have a larger impact on portfolio performance than a more broadly invested strategy. Concentrated portfolios are much more likely to experience dramatic price swings and may experience larger loss of value.
- *Foreign (Non-U.S.) Risk.* A portfolio's investments in securities of non-U.S. issuers may fluctuate widely in price and may be less liquid due to adverse market, economic, political, regulatory, or other factors.
- *Currency Risk.* Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns.
- *Legal or Legislative Risk.* Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.
- *Derivatives Risk.* Certain strategies may involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price, and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated



benefits from a derivative it holds, or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.

- *Emerging Markets Risk.* Securities of companies in emerging markets may be more volatile than those of companies in developed markets. Markets, economies, and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of expropriation, nationalization, or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.

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

- *Management Risk.* Hallmark will apply its investment techniques and risk analysis in making investment decisions for a client's portfolio, but there is no guarantee that these techniques and Hallmark's judgment will produce the intended results.
- *Quantitative Tools Risk.* Some of Hallmark's investment techniques may incorporate, or rely upon, quantitative analysis. There is no guarantee that this analysis will generate accurate forecasts, reduce risks, or otherwise produce the intended results. Data is provided by outside vendors and while Hallmark believes the information to be correct, we do not independently verify its accuracy.
- *Allocation Risk.* The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. In addition, there is a risk that certain asset allocation decisions may not achieve desired results and a client's portfolio may incur significant losses.
- *Long-Term Purchases.* Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market invested in, or the chosen investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost (e.g., "locking-up" assets that may be better utilized in the short-term in other investments).
- *Short-Term Purchases.* Using a short-term purchase strategy generally assumes that the performance of the financial markets can be accurately predicted over the short-term. The risk associated with a short-term purchase strategy is that there are many factors that may affect market performance in the short-term including interest rate fluctuations, cyclical earnings, etc. Such factors may have a smaller impact over the longer-term. In addition, short-term trading may incur a disproportionately higher amount of transaction costs compared to long-term trading.



- *Trading.* Strategies involving frequent trading of securities can affect investment performance through increased brokerage and other transaction costs and taxes.
- *Short Sales.* Short selling is very risky. The primary risk associated with selling a security that was borrowed in anticipation of a price decline is that if the price of those borrowed shares *increases*, the potential losses are *unlimited*.
- *Margin Transactions.* Buying stocks on margin employs leverage as an investing strategy. Leverage allows an investor to extend their financial reach by investing with borrowed funds while limiting the amount of their own cash they expend. This can involve a high degree of risk, including, but not limited to:
  - Losing more money than invested;
  - Paying loan interest;
  - Being required to deposit additional cash or securities to an account on short notice to cover market losses;
  - Being forced to sell some or all securities when falling stock prices reduce the value of those securities; and/or
  - The sale of some or all securities by a broker without consulting the account owner to pay off a margin loan.
- *Option Writing.* There are numerous risks associated with transactions in options on securities or securities indexes, and therefore, this transaction type is not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss of principal. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. For example, as the writer of covered call options, the client forgoes, during the option's life, the opportunity to profit from increases in the market value of the underlying security or the index above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index (e.g., the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well).

*Risk Associated with Methods of Analysis*

The analysis of securities requires subjective assessments and decision-making by experienced investment professionals, however, there is always the risk of an error in judgment.

Hallmark's securities analysis methods rely on the assumption that the companies whose securities the firm purchases and sells, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While Hallmark is alert to indications that data may be incorrect, there is always the risk that the firm's analysis may be compromised by inaccurate or misleading information.

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

#### Common Stocks

The major risks associated with investing in common stocks relate to the quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk and the issuer's ability to generate a sufficient level of profits to support the value of the company's stock price.

#### Preferred Stocks

Preferred stock dividends are generally fixed in advance. Unlike requirements to pay interest on certain types of debt securities, the company that issues preferred stock may not be required to pay a dividend and may stop paying the dividend at any time. Preferred stock may also be subject to mandatory redemption provisions and an issuer may repurchase these securities at prices that are below the price at which they were purchased by the investor. Under these circumstances, a client account holding such preferred securities could lose money.

#### Real Estate Investment Trusts (REITS)

Investing in Real Estate Investment Trusts ("REITs") involves real estate risk, market risk and interest rate risk, among others.

REITs that invest directly in real estate are exposed to the following risks: possible decline in the value of the underlying property investment, risks related to general and local economic conditions, including increases in the rate of inflation, possible lack of availability of mortgage funds, overbuilding, extending vacancies of properties, increases in competition, property taxes and operating expenses, changes in zoning laws, costs resulting from cleanup of, and liability to third-parties for damages resulting from, environmental problems, casualty and condemnation losses, uninsured damages from floods, earthquakes or other natural disasters, limitations on and variations in rents and changes in interest rates.

The value of shares in publicly traded REITs can fluctuate. An investor who sells shares in a REIT could receive more, or less, than the original purchase price. Factors that can influence market risk include the general level of real estate property values, which tend to rise and fall with current market conditions. As with any active business, a factor in successful performance lies with management skill. REITs are not diversified and are subject to cash flow dependency, default by borrowers and self-liquidation. The REIT structure falls under the provisions of specific U.S. Federal income tax law, which could change. The REIT is exempt from corporate income tax, but shareholders must pay tax at their individual income tax rate on any dividends.

Another risk is dependent on interest rates. Shares of REITs, especially mortgage REITs, are sensitive to changes in the general level of interest rates. Mortgage REITs respond much like bonds, generally increasing in value as interest rates fall and decreasing in value if interest rates rise.

### Fixed-Income Securities

Different forms of fixed-income instruments, such as bonds, money market funds, and certificates of deposit may be affected by various forms of risk, including:

- *Interest Rate Risk.* Changes in interest rates will generally affect the value of a portfolio's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.
- *Liquidity Risk.* The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (*e.g.*, corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also the risk of not being able to purchase a particular issue at the desired price.
- *Credit Risk.* An issuer or guarantor of a fixed-income security may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default, causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations. Rating agencies may misjudge the riskiness of any individual creditor.
- *Reinvestment Risk.* With declining interest rates, investors may have to reinvest income or principal at a lower rate.
- *Duration Risk.* Duration is a measure of a bond's volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

### Municipal Bonds

In addition to the risks set forth under “Fixed-Income Securities” above, municipal bonds are susceptible to events in the state, county, or municipal agency that issued the bond or the security posted for the bond. These events may include economic or political policy changes, changes in law, tax base erosion, state constitutional limits on tax increases, budget deficits or other financial difficulties and changes in the credit rating assigned to municipal issues.

#### Federal Agency Securities

Although the issuer may be chartered or sponsored by an Act of Congress, the issuer is not funded by Congressional appropriations and its debt and equity securities are neither guaranteed nor insured by the U.S. Government. Without a more explicit commitment, there can be no assurance that the U.S. Government will provide financial support to such issuers or their securities.

#### Exchange-Traded Funds

ETFs are subject to risks like those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold, they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client’s portfolio. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are asset classes within these ETFs or holding periods that may not benefit the client. Shorter holding periods, as well as commodities and currencies that may be part of an ETF’s portfolio, may be considered “non-qualified” under certain tax code provisions.

#### Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor’s shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries. In addition, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client’s portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

#### Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also carry the same risks as set forth under “Fixed-Income Securities” listed above.

### Index Funds

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

### Options

There are numerous risks associated with transactions in options on securities or securities indexes. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index. For example, the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well.

### Master Limited Partnerships

Master Limited Partnerships (MLPs) are a type of limited partnership that is publicly traded and sells like a common stock on the major stock exchanges. There are two types of partners in this type of partnership: The limited partner is the person or group that provides the capital to the MLP and receives periodic income distributions from the MLP’s cash flow, whereas the general partner is the party responsible for managing the MLP’s affairs and receives compensation that is linked to the performance of the venture. MLP investors face several kinds of risk that are inherent in these types of investments and in the market, including loss of money, volatility, and interest rate risk.

### Alternative Investments

The performance of alternative investments (e.g., commodities, futures, hedge funds; funds of hedge funds, private equity, or other types of limited partnerships) can be volatile. Alternative investments generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in the offering documents of each specific alternative investment. Due to the speculative nature of alternative investments a client must satisfy certain income or net worth standards prior to investing.

**Please note that there may be other circumstances not described here that could adversely affect a client's investment and prevent the portfolio from reaching its objective.**

#### **D. Risks Associated with Cyber Security**

Hallmark is susceptible to cyber security risks that include, among other things, theft, unauthorized monitoring, misuse, release, loss, destruction or corruption of confidential and restricted data; denial of service attacks; unauthorized access to systems, compromises to networks or devices that Hallmark and its service providers, if applicable, utilize to service client accounts; ransomware attacks; or operational disruption or failures in the physical infrastructure or operating systems that support Hallmark or its service providers. Cyber attacks against, or security breakdowns of Hallmark or its service providers, if applicable, may adversely impact us and our clients, potentially resulting in, among other things, financial losses; violations of applicable privacy and other laws; our ability to transact business on our clients' behalf; regulatory fines, penalties, reputational damage, reimbursement, or other compensation costs; and/or additional compliance costs. Cyber security risks may also impact issuers of securities in which Hallmark invests, which may cause such investments to lose value. There can be no assurance that Hallmark or its service providers will not suffer losses related to cyber attacks or other information security breaches in the future. While we have business continuity plans and risk management systems that seek to address breaches or failures, there are inherent limitations in such plans and systems.

#### **Item 9 - DISCIPLINARY HISTORY**

Hallmark is required to disclose any legal or disciplinary events that are material to a client's or a prospective client's evaluation of the firm's advisory business or the integrity of Hallmark's management. Neither Hallmark, as a firm, nor any of its employees have been involved in any legal or disciplinary events in the past ten years that would be material to a client's evaluation of Hallmark or its personnel.

#### **Item 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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

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

##### **D. Futures and Commodity Registration**

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

pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.

#### **D. Financial Industry Affiliations**

Hallmark is a wholly owned subsidiary of Valley National Bank, chartered as a national banking association. Valley National Bank is the principal subsidiary of Valley National Bancorp. Valley National Bank provides administrative support to Hallmark. Hallmark provides investment management and/or financial planning services to certain Directors, Officers, and customers of Valley National Bank, the Valley National Bank Pension Plan, Valley National Bank and/or other subsidiaries or affiliates and/or Valley National Bancorp.

Hallmark provides investment management services to certain customers of Valley Trust, a division of Valley National Bank, through a sub-advisory agreement executed by Hallmark and Valley Trust.

Hallmark will not purchase the security or securities of Valley National Bancorp for a client's portfolio unless specifically directed by the client.

Valley Financial Management, Inc. ("VFM") is a wholly owned subsidiary of Valley National Bank. VFM is a registered investment adviser and a registered broker-dealer. VFM offers brokerage products and services, investment advisory services, and sponsors various wrap fee Programs. Hallmark does not utilize, or recommend the services of VFM, to its clients. In addition, Hallmark does share any supervised persons or the same physical location with VFM.

DV Financial Services, LLC ("DVFS"), a registered broker dealer, is a wholly owned subsidiary of Valley National Bank. Hallmark does not utilize, or recommend the services of DVFS, to its clients. In addition, Hallmark does not share any supervised persons or the same physical location with DVFS.

#### **D. Other Investment Advisers**

Hallmark does not recommend or select other investment advisers for our clients or have other business relationships with other investment advisers.

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

#### **Our Code of Ethics**

Hallmark maintains a Code of Ethics which is predicated on the principle that Hallmark and its employees owe a fiduciary duty to its clients. Accordingly, Hallmark requires all employees to conduct themselves with honesty, integrity and dignity and act in an ethical and professional manner. Hallmark maintains a policy of strict compliance with federal and state securities laws, and all other applicable laws, rules, regulations, and legal requirements in the conduct of its business. Hallmark and its employees are required to adhere to its Code of Ethics and, always, must (i) place client interests ahead of Hallmark's; (ii) engage in personal investing in full compliance with Hallmark's Code of Ethics; and (iii) avoid taking advantage of their positions.



Further, Hallmark maintains policies and procedures concerning the misuse of material non-public information that are designed to prevent insider trading by any employee or other persons associated with Hallmark. Hallmark will provide a copy of Hallmark's Code of Ethics to clients and prospective clients upon request.

### **Participation or Interest in Client Transactions**

To maintain the fiduciary responsibility Hallmark owes to its clients, Hallmark's officers, employees, and their immediate families are required to conduct all personal securities transactions in a manner consistent with Hallmark's Code of Ethics and to avoid any actual or potential conflict of interest or any abuse of a position of trust and responsibility. Hallmark reviews and maintains monthly and/or quarterly statements on all personal securities transactions.

Valley National Bank, Hallmark's sole shareholder, and Valley National Bancorp, Hallmark's ultimate parent, and its affiliates, generally have discretionary authority to purchase and sell securities for trust and advisory clients, as well as for their own investment portfolios and the Valley National Bank non-contributory Pension Plan. It is possible that securities which are purchased or sold for Hallmark's clients may at the same time and without Hallmark's knowledge be held by, or may be in the process of being purchased or sold for, Valley National Bank's or Valley National Bancorp's investment portfolios, the officers and directors of Valley National Bank or Valley National Bancorp, the Valley National Bank Pension Plan and/or other accounts managed by Valley National Bank, Valley National Bancorp, another subsidiary of Valley National Bank or Valley National Bancorp, or an independent investment manager retained by Valley National Bancorp.

## **Item 12 - BROKERAGE PRACTICES**

### **A. Brokerage Selection**

#### Research Services

In general, research services include economic and investment strategy reports, industry and company analyses, financial databases and screening tools, and statistical and technical market reports. In recognition of the value to our clients of brokerage and/or research services provided by the broker, Hallmark may pay commissions more than that which another broker might charge for effecting the same transactions.

Hallmark has a fiduciary duty to engage in brokerage practices that are in the best interests of its clients. In the absence of a specific written directive from a client, brokers are selected by Hallmark based on several factors including the ability to provide "best execution." In determining best execution, Hallmark considers many items including but not limited to, the



quality and nature of brokerage services provided, the commission or other remuneration charged, if any, the confidentiality provided by the broker, the quality of broker confirmations and statements, the overall responsiveness to Hallmark's needs, the number of trade errors, the financial strength of the broker, the reputation and integrity of the broker, and the value of research services provided by the broker.

Brokers providing research may be used in servicing all of Hallmark's client accounts even if the research services are not used by Hallmark in connection with the specific client accounts paying the commissions.

#### Third-Party Research/Soft Dollars

Hallmark currently does not have any soft dollar arrangements. In other words, Hallmark does not have any commitments or understandings to trade with specific brokers or trading counterparties or to generate a specified level of business with a particular broker or trading counterparty to receive certain goods or services. Even so, Hallmark may and does use broker-dealers that provide (without being requested to do so) research or other products or services provided by these broker-dealers. While all transactions are made in accordance with regulations on best execution, it is true that Hallmark receives a benefit because it does not have to produce or pay for the research or other products or services.

This research is used for all client accounts. This research may include a wide variety of reports, charts, publications, or proprietary data on economic and political strategy, credit analysis, or stock and bond market conditions and projections. In addition to research, certain counterparties may provide invitations to attend conferences and meetings with management representatives of issuers or with other analysts and specialists.

The receipt of such research creates a conflict of interest. Hallmark may have an incentive to select broker-dealers based on its interest in receiving the research or other products or services, even though no soft dollar arrangements are in place, rather than on clients' interest in receiving the most favorable execution.

#### Software and Support Provided by Financial Institutions

In addition to the research products and/or services discussed above, Hallmark may receive from Schwab or Fidelity, or other custodians, without cost, computer software, related systems support and other services. Hallmark may receive the software, related support, and other services without cost because Hallmark renders asset management services to clients that, in the aggregate, maintain a certain level of assets at Schwab or Fidelity, or other custodians. Clients should be aware that Hallmark's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Hallmark to recommend the services of a certain custodian over another custodian that does not furnish similar software, systems support, or services.

Hallmark may receive the following benefits from Schwab or Fidelity, or other custodians: receipt of duplicate client confirmations and bundled duplicate statements; access to a designated trading desk for institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to

client accounts; and access to an electronic communication network for client order entry and account information.

#### Wrap Program

Hallmark currently does not participate in any wrap fee programs.

#### Brokerage for Client Referrals

In selecting broker-dealers, Hallmark does not consider whether Hallmark receives referrals from a broker-dealer and does not direct client transactions to a broker-dealer in return for client referrals.

Please see the disclosure in the section “CLIENT REFERRALS AND OTHER COMPENSATION” about Charles Schwab & Co., Inc. – “The Schwab Adviser Network.”

#### Directed Brokerage

Pursuant to written direction, when a client designates the use of a specific broker-dealer and/or utilizes a broker-dealer as a custodian:

- Hallmark may or may not be able to negotiate commission rates on the client’s behalf and, as a result, the client may pay higher or lower commissions, depending upon the client’s arrangements with the broker-dealer.
- The client may receive higher or lower prices than non-directed clients receive.
- Trading will usually not commence for directed trading clients until after the completion of a particular transaction for clients without such restrictions; therefore, higher, or lower prices may result for directed accounts. A client who places custody with a brokerage firm is, by virtue of such arrangement, a directed trading account. Orders for such an account, if eligible for prime broker execution, may be aggregated along with non-directed trading clients for purposes of block trading at a broker of Hallmark’s choosing. Hallmark is not obligated to aggregate prime broker eligible and non-directed clients in any single transaction but may do so if Hallmark believes that favorable market conditions exist at the time of the transaction.

With respect to certain transactions, including, without limitation, block trades in which Hallmark aggregates securities purchases or sales for a client account with those of one or more of its other clients, Hallmark may, pursuant to its duty to seek best execution, determine to execute using step-out transactions (also referred to as “trade-aways”).

#### Charles Schwab & Co., Inc.

Hallmark's clients may use any custodian they wish, but Hallmark endeavors to explain the benefits of custody at Charles Schwab & Co. ("Schwab"), especially relative to client account service.

We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client referrals and other compensation). You should consider these conflicts of interest when selecting your custodian.

We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, and we anticipate that most trades will be executed through Schwab, we can still use other brokers to execute trades for your account as described below (see "Your brokerage and custody costs").

We seek to recommend Schwab, a custodian/broker that will hold your assets and execute transactions. When considering whether the terms that Schwab provides are, overall, most advantageous to you when compared with other available providers and their services, we consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, security, and stability
- Prior service to us and our clients
- Services delivered or paid for by Schwab
- Availability of other products and services that benefit us, as discussed below (see "Products and services available to us from Schwab")

#### Your Brokerage and Custody Costs

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds and ETFs) may not incur Schwab commissions or transaction

fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program.

We are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Although we are not required to execute all trades through Schwab, we have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above. By using another broker or dealer you may pay lower transaction costs.

#### Products and Services Available to Us from Schwab

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like Hallmark. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through us. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we do not have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

#### Services That Benefit You

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

#### Services That Do Not Directly Benefit You

Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)

- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

#### Services That Generally Benefit Only Us

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology and business needs
- Consulting on legal and related compliance needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab also provides us with other benefits, such as occasional business entertainment of our personnel. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.

#### Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate, our recommendation of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How we select brokers/custodians") and not Schwab's services that benefit only us.

Hallmark mitigates such conflicts noted above through disclosure of these arrangements in this brochure and in other disclosure documents provided at the onset of our relationship with prospective clients. Clients are always free to utilize a qualified custodian of their choice.

## **B. Trade Aggregation/Allocation**

It is the objective of Hallmark to allocate trading and investment opportunities among advisory clients on a fair and equitable basis and in compliance with all applicable state and federal guidelines. Hallmark may purchase or sell a security for many clients, or client-related groups of accounts, for which the security is appropriate.

Hallmark may, but shall be under no obligation to, aggregate securities to be purchased or sold in an effort to obtain the most favorable price and/or lower brokerage commissions or obtain efficient executions. Hallmark will aggregate orders only when such aggregation is consistent with Hallmark's duty to seek best execution and is consistent with the investment objectives of each client. Hallmark will take reasonable precautions to ensure that no client account will be unfairly favored over any other account. Each client that participates in a completed aggregated order will receive the average execution price of that trade. Partially completed orders are generally allocated on a pro-rata basis, depending upon the targeted equity exposure of each account unless the pro-rata allocation results in a *de minimis* position, in which case that client could receive a full allocation.

On occasion, Hallmark will aggregate orders from directed trading accounts along with non-directed trading accounts to achieve a better overall execution for a purchase or sale, utilizing a broker of Hallmark's choosing. Hallmark's ability to include directed trading accounts may be limited or precluded by "Prime Broker" qualifications.

In certain situations, a client may not be able to participate in an aggregated order with Hallmark's other clients, for regulatory or other reasons. In these instances, Hallmark will ordinarily complete the aggregated order for its other clients first, and then execute a substantially equivalent order for the client that is unable to participate in the aggregated trade. This may disadvantage the client that is unable to participate in the aggregated order with respect to the prices at which its order is executed and the quantities of securities and instruments it may be able to buy and sell. Client orders that are excluded from aggregated orders may also pay higher brokerage commissions.

## **Item 13 - REVIEW OF ACCOUNTS**

### **Investment Management Services**

#### Reviews

Hallmark periodically reviews clients' financial circumstances, investment objectives and risk profile. Investment management accounts are monitored on a continuous basis by members of the Hallmark investment team. Changes are made to portfolios whenever they are considered advantageous to the client based upon changes in the assessment of a security's relative investment value, general market conditions or the client's objectives and circumstances. The Hallmark investment team consists of:

- George R. Kress, , CFA®, President
- Matthew L. Grosser, Vice President and Portfolio Manager
- Steven A. Tussi, First Vice President and Director of Portfolio Management
- Leanne M. Polizzano, CFP®, Vice President and Portfolio Manager
- John J. D'Arco, CFA®, Vice President and Portfolio Manager
- Thomas R. Alonso, CFA®, Vice President and Portfolio Manager

Additional information regarding the qualifications and experience of Hallmark's investment team is available in the Brochure Supplement Part B which is provided separately.

### Reports

Hallmark provides clients with a written quarterly portfolio appraisal which includes a Summary of Changes in the Portfolio, an Executive Summary of Assets by Sector, a Portfolio Holdings report, a report of Portfolio Growth from inception and an Economic and Market Commentary. Trade confirmations and/or periodic account statements are provided directly to investment management clients independently of Hallmark by broker-dealers and the clients' custodians.

### **Financial Planning Services**

The goals and objectives of financial planning clients are reviewed as deemed necessary relative to each client's circumstances. The nature and frequency of reports for clients utilizing financial planning services are determined by the needs of each client. Updates to a financial plan or analysis will be prepared based on significant changes in a client's personal objectives, goals, or situation.

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

### **A. Economic Benefits**

Hallmark receives economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12 (above). 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 whose clients maintain their accounts at Schwab. You do not pay more for assets maintained at Schwab because of these arrangements. However, we benefit from the referral arrangement because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The



products and services provided by Schwab, how they benefit us, and the related conflicts of interest are described above (see Item 12—Brokerage Practices).

## B. Client Referrals

### Charles Schwab & Co., Inc. -- “The Schwab Adviser Network”

Previously, Hallmark received client referrals from Schwab through Hallmark’s participation in the Schwab Advisor Network® (“the Service”). The Service is designed to help investors find an investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Hallmark. Schwab does not supervise Hallmark and has no responsibility for Hallmark’s management of clients’ portfolios or Hallmark’s other advice or services. Hallmark continues to pay Schwab fees related to clients received through the Service. Hallmark’s continued modified participation in the Service may raise potential conflicts of interest described below.

Hallmark pays Schwab a Participation Fee on all referred clients’ accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all referred accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Hallmark is calculated as a percentage of the fees the client owes to Hallmark when the investor was referred to Hallmark and became a client prior to January 1, 2007, or a percentage of the value of the assets in the client’s account, if the investor became a client of Hallmark on or after January 1, 2007, with each payment type subject to a minimum Participation Fee.

For clients who began having their account managed by Hallmark through the Service prior to January 1, 2007, Hallmark pays Schwab a Participation Fee equal to 0.15% (15 basis points) of the fee the client owes to Hallmark each quarter.

For clients who began having their account managed by Hallmark on or after January 7, 2007, the Participation Fee is calculated as a percentage of the value of the assets as follows: within each asset tier below, the average daily balance in the Schwab account during the quarter is multiplied by one quarter of the applicable percentage rate.

First \$2 million	0.25% (25 basis points)
Next \$3 million	0.20% (20 basis points)
Next \$5 million	0.15% (15 basis points)
Amount over \$10 million	0.10% (10 basis points)

Hallmark pays Schwab the Participation Fee for so long as the referred client’s account remains in custody at Schwab. The Participation Fee is billed to Hallmark quarterly and may be increased, decreased, or waived by Schwab from time to time. The Participation Fee is paid by Hallmark and not by the client. Hallmark has agreed not to charge clients through the Services, fees, or costs greater than the fees or costs Hallmark charges clients with similar portfolios who were not referred by the Service.



Hallmark generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with the custodian other than Schwab. The Non-Schwab Custody fee is higher than the Participation Fees Hallmark generally would pay in a single year. Thus, Hallmark will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Hallmark's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Hallmark will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Hallmark's fees directly from the accounts.

For accounts of Hallmark's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Hallmark's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Hallmark may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer.

Hallmark, nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than the trades for Hallmark's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and prices than trades for other accounts that are executed at other broker dealers.

#### Valley National Bank Employee Referrals

Valley National Bank, Hallmark's sole shareholder, previously sponsored an employee referral program that provided its employees with an economic benefit for referring a Valley National Bank customer to Hallmark for advisory services. Prior to 2016, Valley employees who referred a Valley National Bank customer to Hallmark who became a client of Hallmark, were provided a compensation choice of 30% of the first year fee paid to Hallmark, or 10% of the fee income each year, as long as the client remained a Hallmark client and the employee remained an active employee of Valley National Bank. Since 2016, the program has been amended to solely compensate Valley employees with a payment of 10% of the first year's fee income paid by the client to Hallmark. Although this program is currently inactive, Hallmark continues to make payments to eligible employees of Valley National Bank under both the original program compensation terms, as well as the amended program terms.

### Important Note

Clients will not incur additional fees or costs because of compensation and referral fee payments for client referrals, as described above. Investment management fees will remain the same regardless of any such compensation paid. Hallmark has sole discretion in accepting or declining client accounts referred under any referral agreement or program.

### **Item 15 - CUSTODY**

Custody of client assets is maintained with an independent custodian selected by the client who is solely responsible for paying all fees or charges of the custodian. Clients authorize Hallmark to give their custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent, or other investment for the client's account, and authorize the custodian to accept such instructions.

Hallmark does not have physical custody of any assets in the client's account.

Apart from the accounts managed by Hallmark through the sub-advisory agreement with Valley Trust, Hallmark is deemed to have custody solely because we are authorized to deduct investment management fees from client accounts. Clients receive a written statement directly from their custodian, at least quarterly, showing all transactions, including the deduction of investment management fees, occurring in the client's account during the period covered by the account statement, and shows the funds, securities, and other property in the client's account at the end of the period. Clients are urged to carefully review statements received from the custodian to ensure the accurate reporting of such information. We also urge clients to compare the account statements you receive from your custodian to the periodic appraisal provided by Hallmark.

Clients retain ownership of all assets in their accounts. Under no circumstances does Hallmark, its supervised persons or its employees have any right to withdraw, or otherwise access or take possession of, cash or securities from the client's account, *except as permitted for the direct deduction for payment of management fees as authorized by the client.*

### Valley Trust Accounts

For the accounts managed by Hallmark through the sub-advisory agreement with Valley Trust, Hallmark is deemed to have custody of those assets since Valley Trust, a related person of Hallmark, performs certain custodial functions for those clients. Hallmark cannot overcome the presumption that we are operationally independent (pursuant to rule 206(4)-2(d)(5)) from Valley Trust since we share the same physical location. Therefore, Hallmark is required to obtain a surprise annual examination of the client assets managed through the sub-advisory agreement with Valley Trust.

## **Item 16 - INVESTMENT DISCRETION**

For those client accounts over which Hallmark has discretion, Hallmark requires that it be provided with written authority, e.g., limited power of attorney contained in Hallmark's Investment Agreement, to manage securities accounts on behalf of clients. Hallmark has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Discretionary trading authority facilitates placing trades for clients' accounts on their behalf so that Hallmark may promptly implement clients' investment guidelines and objectives. Clients may change or amend these guidelines and all such amendments will be confirmed in writing.

Clients will retain ownership of all assets in their accounts.

## **Item 17 - VOTING CLIENT SECURITIES**

### Proxy Voting

Voting proxies solicited by companies held in its clients' portfolios is Hallmark's responsibility, unless a client reserves the right to do so as is often the case for clients who maintain a portfolio of primarily mutual funds and/or exchange-traded funds. Issues are reviewed on a case-by-case basis to determine how to vote, with the knowledge that the primary purpose and fiduciary responsibility of Hallmark in voting is to maximize shareholder value. On each issue, Hallmark will vote in a prudent and diligent fashion and only after careful evaluation of the issues presented on the ballot in accordance with Hallmark's Proxy Voting Policies and Procedures.

In the event a proxy issue presents a potential conflict of interest between Hallmark and its clients, Hallmark is committed to placing the best interest of clients ahead of its own. Hallmark may take any of the following courses of action to resolve the conflict:

- Disclose the conflict to clients and obtain consent before voting;
- Suggest that clients engage another party to determine how the proxy should be voted;
- Vote according to the recommendation of an independent third party, such as a proxy consultant, research analyst, proxy voting department of a mutual fund or pension fund, or a compliance consultant.

Clients may direct a proxy vote at any time by calling or writing to inform Hallmark of their desired vote. Hallmark maintains the books and records of proxy votes cast and this information, as well as the full text of Hallmark's Proxy Voting Policies and Procedures, is available by written request.

### Legal Proceedings

Although Hallmark may have discretion over client accounts, Hallmark will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities

owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

#### Abstention

Hallmark may abstain from voting a client proxy if the Proxy Manager concludes that the effect on shareholders' economic interests or the value of the portfolio holding is indeterminable or insignificant. Hallmark may abstain from voting a client proxy for cost reasons (e.g., costs associated with voting proxies of non-US securities). In accordance with Hallmark's fiduciary duties, the Proxy Manager will weigh the costs and benefits of voting proxy proposals and make an informed decision with respect to whether voting a given proxy proposal is prudent. The Proxy Manager's decision considers the effect that the vote of Hallmark's clients, either by itself or together with other votes, is expected to have on the value of our client's investment and whether this expected effect would outweigh the cost of voting.

### **Item 18 – FINANCIAL INFORMATION**

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

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

#### **B. Financial Condition**

Hallmark does not have any adverse financial condition that is reasonably likely to impair our ability to continuously meet our contractual commitments to our clients.

#### **C. Bankruptcy**

Hallmark has never been the subject of a bankruptcy petition.

### **Item 19 – ADDITIONAL INFORMATION**

#### **Privacy Notice**

Hallmark views protecting its clients' confidential information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. Hallmark does not disclose any nonpublic personal information about its clients or former clients with anyone, including affiliated or non-affiliated third parties, except as permitted or required by law. While servicing a client's account and only as necessary to provide our

services, Hallmark may share some information with service providers, such as contracted data processing support, custodians, broker-dealers, etc. Hallmark restricts internal access to nonpublic personal information about the client to those persons who need access to that information to provide services to the client and to perform administrative functions for Hallmark. As emphasized above, it has always been Hallmark's policy never to sell information about current or former clients or their accounts to anyone. It is also Hallmark's policy not to share information unless required to process a transaction, at the request of a client, or as required by law. The full text of Hallmark's Privacy Policy is available upon request.

### **For Additional Information and Other Inquiries**

Please contact George R. Kress, CFA<sup>®</sup>, President of Hallmark Capital Management, Inc. at 888-794-7940. Written inquiries can be sent to Hallmark Capital Management, Inc., 80 East Ridgewood Avenue, Suite 3, Paramus, NJ 07652.