

# Valeo Financial Advisors, LLC

## Form ADV Part 2A Brochure

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March 24, 2023

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This Brochure provides information about the qualifications and business practices of Valeo Financial Advisors, L LC. If you have any questions about the contents of this Brochure, please contact us at [adv@valeofinancial.com](mailto:adv@valeofinancial.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Valeo 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 advisor provide you with information which you may use to determine to hire or retain your advisor.

Additional information about Valeo is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## Item 2 - Material Changes

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This Brochure, dated March 24, 2023, provides you with a summary of Valeo advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform our clients of the revision(s) based on the nature of the information as follows.

*Annual Update:* We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. If our firm has made revisions that would affect a client's decision making when doing business with us, we will provide our clients with either a summary of any materially revised information with an offer to deliver the fully revised Brochure within 120 days of our FYE or we will provide you with our Brochure that will include a summary of those changes in this Item. Non-material revisions are not delivered to clients, but can be viewed on the SEC investment adviser info site, as noted on the cover sheet of this Brochure.

Valeo's Chief Compliance Officer is Gregory A. Fulk. He is available to address any questions from clients, prospective clients, or any other interested party regarding this Brochure.

*Material Changes:* Should a material change in our operations occur, depending on its nature, we will promptly communicate this change to clients (and it will be summarized in this item). "Material changes" requiring prompt notification will include changes in location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – or other information deemed critical to a client's full understanding of who we are, how to find us, and how we do business.

There have been no material changes made to Valeo Financial Advisors, LLC's ("Valeo") Form ADV Part 2A Brochure since the Annual Amendment filed on March 24, 2023.

Valeo's Chief Compliance Officer, Gregory A. Fulk remains available to address any questions regarding this Brochure.



### Item 3 - Table of Contents

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Item 1 - Cover Page.....	i
Item 2 - Material Changes .....	ii
Item 3 - Table of Contents.....	iii
Item 4 - Advisory Business.....	1
Item 5 - Fees and Compensation .....	7
Item 6 - Performance-Based Fees and Side-By-Side Management .....	10
Item 7 - Types of Clients .....	10
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	10
Item 9 - Disciplinary Information .....	13
Item 10 - Other Financial Industry Activities and Affiliations .....	13
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	15
Item 12 - Brokerage Practices.....	16
Item 13 - Review of Accounts.....	18
Item 14 - Client Referrals and Other Compensation.....	19
Item 15 - Custody.....	19
Item 16 - Investment Discretion.....	19
Item 17 - Voting Client Securities .....	20
Item 18 - Financial Information.....	20

## **Item 4 - Advisory Business**

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### **Firm Description**

Valeo Financial Advisors, LLC (“Valeo”) is a limited liability company organized in Indiana. We were founded in 2003 and have been registered with the SEC since March 2006. Our principal office is located in Carmel, Indiana. Valeo is entirely owned and managed by our members, with our principal owners being John T. Wortman and John C. Trott.

### **Advisory Services**

#### **Personal Advisory Services**

Valeo provides individuals and their families with independent, comprehensive financial planning and investment advice. This generally includes advice related to a client’s business, cash flow, charitable giving, education funding, estate planning, liabilities, insurance, investments, retirement and taxes. Recommendations are tailored to each client’s individual circumstances and, as a result, vary significantly from client to client. As part of the planning relationship, clients have the option to impose restrictions related to certain securities or classes of securities.

Meetings with clients are typically agenda driven and focused on client goals, implementation, action items and other proactive recommendations. While investments are important, we help clients manage both sides of their personal balance sheet—assets and liabilities. We work with our client’s existing advisors and may recommend new advisors to fill any voids on their team when appropriate.

#### **Institutional Advisory Services**

Valeo provides institutional advisory services to: trusts, estates, charitable organizations, corporations and other business entities. These services are primarily related to investment management consulting. We assist our institutional clients with the management of their investment decisions and selection of specific investment managers or other service providers.

#### **Other Services**

From time-to-time Valeo advisors may provide pro-bono planning and investment advice services to local and regional non-profits and their clients.

Valeo acts as the Manager for a pooled investment vehicle as noted below. However, the pooled investment vehicle is closed to new investors, and Valeo does not receive any compensation for the management of the fund.

Valeo’s annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event a client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Valeo), Valeo may determine to charge for such additional services pursuant to a stand-alone Financial Planning Agreement (see below).

## Miscellaneous

**Limitations of Financial Planning and Non-Investment Consulting / Implementation Services.** As indicated above, to the extent requested by a client, Valeo may provide financial planning and related consulting services. Neither Valeo nor its investment adviser representatives assist clients with the implementation of any financial plan, unless they have agreed to do so in writing. Valeo does not monitor a client's financial plan, and it is the client's responsibility to revisit the financial plan with Valeo, if desired.

Valeo does not serve as an attorney, accountant, or insurance agency, and no portion of our services should be construed as such. Accordingly, Valeo does not prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose (i.e., attorneys, accountants, insurance, etc.). You are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation that we make.

If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e., attorney, accountant, insurance agent, etc.), and not Valeo, shall be responsible for the quality and competency of the services provided.

It remains the client's responsibility to promptly notify Valeo in writing if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Valeo's previous recommendations and/or services.

**Non-Discretionary Service Limitations.** Clients that engage Valeo on a non-discretionary investment advisory basis must be willing to accept that Valeo cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Therefore, in the event that Valeo would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, Valeo will be unable to effect the account transaction(s) without first obtaining the client's consent.

**Retirement Rollovers-Potential for Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Valeo recommends that a client roll over their retirement plan assets into an account to be managed by Valeo, such a recommendation creates a conflict of interest if Valeo will earn new (or increase its current) compensation as a result of the rollover. If Valeo provides a recommendation as to whether a client should engage in a rollover or not (whether it is from an employer's plan or an existing IRA), Valeo is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue

Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to rollover retirement plan assets to an account managed by Valeo.

**Affiliated Private Investment Fund.** Valeo is affiliated a private investment fund (the “Fund”), the complete description of which (the terms, conditions, risks, conflicts and fees) is set forth in the Fund’s offering documents. However, the Fund is closed to new investors, and therefore, Valeo does not recommend that clients consider allocating a portion of their investment assets to the Fund. With respect to prior investment in the Fund, the terms and conditions for participation in the Fund, including conflicts of interest, and risk factors, are set forth in the Fund’s offering documents. If a client has previously determined to become a Fund investor, the amount of assets invested in the Fund is included as part of the client’s net worth for purposes of Valeo calculating its investment advisory fee. Valeo’s clients are under absolutely no obligation to consider or make an investment in the affiliated private investment Fund.

**Valuation.** In the event that Valeo references a client’s position in the affiliated Fund on any supplemental account reports, the values for the affiliated Fund will generally reflect the most recent value. The current value of the affiliated Fund could be significantly more or less than the original purchase price or the price reflected in any supplemental account report. If the affiliated Fund has invested in a third-party fund, the investment manager of that fund is responsible for determining the value of interests in that fund. Valeo will rely on values provided by the third-party fund’s manager.

**Unaffiliated Private Investment Funds.** Valeo may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Valeo’s role relative to the private investment funds is limited to its initial and ongoing due diligence and investment monitoring services. Valeo’s clients are under absolutely no obligation to consider or make an investment in any unaffiliated private investment fund.

**Valuation.** If Valeo bills an investment advisory fee based upon the value of unaffiliated private investment funds or otherwise references unaffiliated private investment funds owned by the client on any supplemental account reports prepared by Valeo, the value for all unaffiliated private investment funds owned by the client will reflect the most recent valuation provided by the fund sponsor. The current value of any unaffiliated private investment fund could be significantly more or less than the original purchase price or the price reflected in any supplemental account report.

**Risk Factors.** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund’s offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may own, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Private Investment Fund Conflict of Interest.** Valeo has and will continue to introduce its clients to private funds that are affiliated with other Valeo clients, thereby creating a conflict of interest. Valeo has an economic incentive to introduce such funds to its clients, because the introduction would benefit the other Valeo clients from whom

Valeo currently earns investment advisory fees that could increase as a result. Given the conflict of interest, Valeo advises all affected clients to consider seeking advice from independent professionals (i.e., attorney, CPA, etc.) of their choosing before becoming a fund investor. Valeo also reminds its clients that they are not under any obligation to become a private fund investor.

**Socially Responsible Investing Limitations.** Socially Responsible Investing involves the incorporation of Environmental, Social and Governance (“ESG”) considerations into the investment due diligence process. There are potential limitations associated with allocating a portion of an investment portfolio in ESG securities (i.e., securities that have a mandate to avoid, when possible, investments in such products as alcohol, tobacco, firearms, oil drilling, gambling, etc.). The number of these securities may be limited when compared to those that do not maintain such a mandate. ESG securities could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange traded funds are few when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by Valeo), there can be no assurance that investment in ESG securities or funds will be profitable or prove successful. Valeo does not maintain or advocate an ESG investment strategy, but will seek to employ ESG if directed by a client to do so.

**Cryptocurrency.** For clients who want exposure to cryptocurrencies, including Bitcoin, Valeo will advise the client to consider a potential investment in corresponding exchange traded securities, or an allocation to separate account managers and/or private funds that provide cryptocurrency exposure. Crypto is a digital currency that can be used to buy goods and services and uses an online ledger with strong cryptography (i.e., a method of protecting information and communications through the use of codes) to secure online transactions. Unlike conventional currencies issued by a monetary authority, cryptocurrencies are generally not controlled or regulated, and their price is determined by the supply and demand of their market. Because cryptocurrency is currently considered to be a speculative investment, Valeo will not exercise discretionary authority to purchase a cryptocurrency investment for client accounts. Rather, a client must expressly authorize the purchase of the cryptocurrency investment.

Valeo does not recommend or advocate the purchase of, or investment in, cryptocurrencies. Valeo considers such an investment to be speculative.

Clients who authorize the purchase of a cryptocurrency investment must be prepared for the potential for liquidity constraints, extreme price volatility and complete loss of principal.

**Asset Aggregation / Reporting Services.** In conjunction with the services currently provided by ByAllAccounts, Inc., Valeo may provide access to reporting services that can reflect all of the client’s investment assets, including those investment assets that are not part of the assets managed by Valeo (the “Excluded Assets”). Valeo’s service relative to the Excluded Assets is limited to reporting service access only, which does not include investment implementation. Because Valeo does not have trading authority for the Excluded Assets, the client (and/or another investment professional), and not Valeo, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. Further, the client and/or their other



advisors that maintain trading authority, and not Valeo, shall be exclusively responsible for the investment performance or related activity (such as timing and trade errors) pertaining to the Excluded Assets. The third-party reporting platform may also provide access to financial planning information and applications, which should not be construed as services, advice, or recommendations provided by Valeo. Accordingly, Valeo shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the third-party reporting platform without Valeo's participation or oversight.

**Portfolio Activity.** Valeo has a fiduciary duty of loyalty and care, and to provide services consistent with the client's best interest. As part of its investment advisory services, Valeo will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, the economy, fund manager tenure, style drift, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Valeo determines that changes to a client's portfolio are neither necessary nor prudent. Valeo's advisory fee shall remain due and payable during any such inactive periods. There can be no assurance that those or other investment decisions made by Valeo will be profitable or equal any specific performance level(s).

**Independent Managers.** Valeo may recommend that the client allocate a portion of a client's investment assets among unaffiliated independent investment managers ("Independent Manager(s)") in accordance with the client's designated investment objective(s). In such situations, the Independent Manager(s) will have day-to-day responsibility for the active discretionary management of the allocated assets. Valeo will continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation, and client investment objectives. Valeo generally considers the following factors when recommending Independent Manager(s): the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

The investment management fees charged by the designated Independent Manager(s) are exclusive of, and in addition to, Valeo's ongoing investment advisory fee, subject to the terms and conditions of a separate agreement between the client and the Independent Manager(s). Valeo's advisory fee is set forth in the fee schedule at Item 5 below.

**Availability of Mutual Funds.** While Valeo may allocate investment assets to mutual funds that are not available directly to the public, Valeo may also allocate investment assets to publicly available mutual funds that the client could purchase without engaging Valeo as an investment adviser. However, if a client or prospective client determines to purchase publicly available mutual funds without engaging Valeo as an investment adviser, the client or prospective client would not receive the benefit of Valeo's initial and ongoing investment advisory services with respect to management of the asset.

**Cross Transactions.** In limited circumstances, Valeo may arrange for cross-transactions pursuant to which Valeo may cross transactions between two of its managed client accounts (i.e., arranging for the clients' securities trades by "crossing" these trades when Valeo believes that such transactions are beneficial to its clients).



For all such transactions, neither Valeo nor any related person will be acting as a broker or receive any commission or transaction-based compensation. The client may revoke Valeo's cross-transaction authority at any time upon written notice to Valeo.

**Cash Positions.** Valeo continues to treat cash as an asset class. As such, unless determined to the contrary by Valeo, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Valeo's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Valeo may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Valeo's advisory fee could exceed the interest paid by the client's money market fund.

**Cash Sweep Accounts.** Account custodians generally require that cash proceeds from account transactions or cash deposits be swept into and/or initially maintained in the custodian's sweep account. The yield on the sweep account is generally lower than those available in money market accounts. To help mitigate this issue, Valeo generally purchases a higher yielding money market fund available on the custodian's platform with cash proceeds or deposits, unless Valeo reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to, the amount of dispersion between the sweep account and a money market fund, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

**Client Obligations.** In performing our services, Valeo shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify Valeo in writing if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising our previous recommendations and/or services.

**Cybersecurity Risk.** The information technology systems and networks that Valeo and its third-party service providers use to provide services to Valeo's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Valeo's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Valeo are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Valeo has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that Valeo does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

**Disclosure Statement.** Copies of Valeo's written disclosure statement and client relationship summary, as set forth on Form ADV Part 2 and Form CRS respectively, are provided to each client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement.

Valeo provides investment advisory services specifically tailored to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Valeo will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on Valeo's services.

Valeo does not participate in a wrap fee program.

As of December 31, 2022, Valeo managed \$7,103,709,028 in assets. Approximately \$5,491,499,248 is managed on a discretionary basis, and \$1,612,209,780 is managed on a non-discretionary basis.

## **Item 5 - Fees and Compensation**

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### **Valeo Fees in General**

Valeo is compensated only through fees paid directly by our clients. Fees are calculated once a year then billed in quarterly installments in advance. The fees remain constant during the engagement year regardless of additions or withdrawals from the accounts.

Valeo believes that it is important for clients to address financial planning issues with us on an ongoing basis. Valeo's advisory fee will remain the same regardless of whether clients determine to address financial planning issues with Valeo. However, Valeo remains available to address planning issues with the client on an ongoing basis.

All fees are negotiable, including minimum fees, when unique circumstances are present. Specifically, Valeo may discount the fees represented in the schedules below when a large portion of a client's net worth comes from a privately held business, concentrated position, or due to their personal relationship with a firm employee. As a service to certain charitable and non-profit organizations and their clients, Valeo may be engaged for a discounted fee or no cost. In addition, Valeo will honor a client's pre-existing fee schedule on a temporary basis during a transitional period not to exceed one year, if Valeo becomes an investment adviser to the client following a merger or acquisition affecting that client's previous investment adviser. As a result of these factors, similarly situated clients could pay different fees which correspondingly impact a client's net account performance. Moreover, the services to be provided by Valeo to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth below.

With clients' consent, we typically deduct fees from an account of their choosing. Clients may also pay by check.

### Personal Advisory Services

Fees are calculated by applying the schedule below to each client's net worth at the onset of our relationship and annually thereafter, using mutually agreed upon year-end values. A one-time new client transition fee equal to one full quarterly fee is billed at the inception of the relationship. The minimum annual fee is \$7,500.

Net Worth: Less than \$30 Million

Net Worth	Annual Fee
First \$7,500,000	0.40%
Next \$7,500,000	0.20%
Over \$15,000,000	0.10%

Net Worth: Greater than \$30 Million

Net Worth	Annual Fee
\$30,000,000+	0.20%

We may offer an "Emerging Client" program to clients who have a manageable investment portfolio of approximately \$750,000 or less or other unique financial situations. These clients pay a one-time project fee and Valeo will provide these clients with complementary services "as needed" for no additional fee. Once a participating portfolio exceeds the \$750,000 threshold, a new Traditional Financial Advisory Agreement shall be signed in order to define the new scope of our services. While participating clients remain eligible for this complementary service, we may request that you make a \$1,000 annual charitable donation to The Valeo Foundation, a 501(c)(3) charity (further explained in item 10).

Valeo, in its sole discretion, may charge a lesser advisory fee and/or reduce or waive its minimum fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

Clients must be aware that if they have a net worth of less than \$1.5 million, and are subject to the \$7,500 annual minimum fee, the client will pay a higher percentage quarterly fee than the 0.40% referenced in the above fee schedule. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by Valeo to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

### Institutional Advisory Services

Fees are based on a percentage of the investment portfolio. A one-time setup fee equal to one full quarterly fee is billed at the inception of the relationship. The minimum annual fee is \$7,500.

Total Assets: Less than \$30 Million

Portfolio	Annual Fee
First \$7,500,000	0.40%
Next \$7,500,000	0.20%
Above \$15,000,000	0.10%

Total Assets: Greater than \$30 Million

Portfolio	Annual Fee
\$30,000,000+	0.20%

## Billing

Clients have the option of having fees automatically deducted from their accounts, billed to them directly, or a combination of the two options. Clients may change their method of payment at any time.

## Expenses / Other Fees

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other third parties, such as custodial fees, deferred sales charges, or wire transfer or electronic transfer fees. Custodians may charge transaction fees on purchases or sales of certain no-load mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. Mutual funds generally charge an internal management fee (expense ratio), which is disclosed in the fund's prospectus. Valeo does not receive any portion of these commissions, fees and costs.

Clients may also incur additional fees while working with their other professional advisors (e.g., attorneys, accountants, etc.).

Tradeaway/Prime Broker Fees. Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian (*Fidelity*).

## Termination of Agreement

Either a client or Valeo may terminate our relationship at any time. Any prepaid, unearned fees will be promptly refunded and prorated as of the date we were notified of the termination. Refunds will generally be of the same method as payment.

Any earned, unpaid fees will be immediately due.

We reserve the right to terminate any engagement where a client has willfully concealed or has refused to provide pertinent information about his/her financial situation when necessary and appropriate, in Valeo's judgment, to providing proper advice.

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

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We do not charge any performance-based fees.

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**Item 7 - Types of Clients**

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We offer our services to individuals, trusts, estates, charitable organizations, corporations and other business entities. Client relationships vary in scope and length of service.

We do not have account minimums but may charge a minimum annual fee, as disclosed in Item 5, above.

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

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**Methods of Analysis**

The primary sources of information for Valeo's investment research are derived from third-parties including, but not limited to, Evaluation Group, Fidelity, and Morningstar. Other sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission and company press releases. Methods of security analysis may include charting, fundamental, technical and cyclical.

**Investment Strategies**

The primary investment strategy used for client portfolios is a strategic asset allocation with tactical asset-class adjustments. This means Valeo may deviate from an asset-class neutral allocation and recommend a tactical asset allocation when we believe there is an opportunity to overweight or underweight particular asset classes.

The strategic asset allocation for a specific client is based on the client's stated objectives, risk tolerance, and answers to questions asked during consultations. As a result, usually no two client portfolios are identical.

Although Valeo establishes investment guidelines as a firm (e.g., which no-load mutual funds the firm will recommend), clients may experience different investment results because of how each Valeo advisor implements portfolio guidelines.

Strategies may include equity, fixed income, commodities, hedge funds, hedge fund of funds, managed futures, margin transactions, master limited partnerships, pooled investment vehicles, short sales, timber, venture capital, real estate partnerships, and

options purchasing and writing (including covered options, uncovered options or spread strategies).

**Risk of Margin as an Investment Strategy and Associated Conflict of Interest:**

Although Valeo does not recommend the use of margin as an investment strategy, in which the client would borrow money leveraged against securities it holds to purchase additional securities, clients choosing to do so would be subjected to the risks described above. In addition, if a client determines to use margin to purchase assets that Valeo will manage, Valeo would include the entire market value of the margined assets when computing its advisory fee, which would present a conflict of interest because it would result in an increased advisory fee. Another conflict of interest would arise if Valeo has an economic disincentive to recommend that the client terminate the use of margin. If Valeo recommends that a client apply for margin instead of selling securities that Valeo manages for a fee to meet liquidity purposes, the recommendation presents a conflict of interest because selling those securities (instead of leveraging those securities to access an securities based loan) would decrease Valeo's investment advisory fee.

**Borrowing Against Assets/Risks.** A client who has a need to borrow money could determine to do so by using:

- **Margin**-The account custodian or broker-dealer lends money to the client. The custodian charges the client interest for the right to borrow money, and uses the assets in the client's brokerage account as collateral; and,
- **Pledged Assets Loan**- In consideration for a lender (i.e., a bank, etc.) to make a loan to the client, the client pledges investment assets held at the account custodian as collateral.

These above-described collateralized loans are generally utilized because they typically provide more favorable interest rates than standard commercial loans. These types of collateralized loans can assist with a pending home purchase, permit the retirement of more expensive debt, or enable borrowing in lieu of liquidating existing account positions and incurring capital gains taxes. However, such loans are not without potential material risk to the client's investment assets. The lender (i.e., custodian, bank, etc.) will have recourse against the client's investment assets in the event of loan default or if the assets fall below a certain level. For this reason, Valeo does not recommend such borrowing unless it is for specific short-term purposes (i.e., a bridge loan to purchase a new residence). Valeo does not recommend such borrowing for investment purposes (i.e., to invest borrowed funds in the market). Regardless, if the client was to determine to utilize margin or a pledged assets loan, Valeo would **not** see any economic benefit as value of any loan would be offset by liability, resulting in a net-zero change to the Client's net worth.

The client must accept the above risks and potential corresponding consequences associated with the use of margin or a pledged assets loan.

**Covered Call Writing:**

Covered call writing is the sale of in-, at-, or out-of-the money call option against a long security position held in a client portfolio. This type of transaction is intended to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position before its expiration. This strategy may involve a degree of trading velocity, transaction costs and

significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for positions with little price volatility.

**Pooled Investment Vehicles:**

Valeo established the following private investment funds to allow clients to access specific investment opportunities. Valeo has no ownership of the fund, but some of our employees have chosen to invest alongside our clients at identical terms. Valeo receives no additional compensation, direct or indirect, for establishing and maintaining the pooled investment vehicle on behalf of its clients. The pooled investment vehicle may incur operational costs such as preparing and filing tax returns and undergoing audits. We may pay these costs on a reimbursable basis, but ultimately do not share in any of the revenue. The following fund is closed to new investors.

**Valeo-HD14, LLC** is an Indiana Limited Liability Company formed to invest in a private equity opportunity. Additional disclosures are provided in the offering memorandum for this investment, which was only offered and recommended to “accredited investors” as defined by Rule 501(a) under the Securities Act of 1933.

**Valeo-TCF, LLC** is an Indiana Limited Liability Company formed to purchase tax credit opportunities. Additional disclosures are provided in the offering memorandum for this investment, which was only offered and recommended to “accredited investors” as defined by Rule 501(a) under the Securities Act of 1933.

**Risk of Loss**

All investment programs have certain risks that are born by the investor. Our investment approach seeks to minimize risks, but investors face the following investment risks or losses.

**Interest Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

**Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.

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

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it—a lengthy process—before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

**Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized



product. For example, Treasury Bills are highly liquid, while real estate properties are not.

**Financial Risk:** Excessive borrowing to finance a business's operations increases the risk of profitability because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or declining market value.

**Short Selling Risk:** Short selling transactions expose investors to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit.

**Options Trading Risk:** There may be an imperfect correlation between the change in market value of a security and the prices of the options.

These strategies and investments involve risk of loss to clients, and clients must be prepared to bear the loss of their entire investment. More information about risks may be found in mutual fund prospectuses and other pooled investment vehicle offering documents.

## Item 9 - Disciplinary Information

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Neither Valeo nor its employees have been involved in legal or disciplinary events related to past or present investment clients.

## Item 10 - Other Financial Industry Activities and Affiliations

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Investor Facilitation, LLC is an Indiana Limited Liability Company and a wholly owned subsidiary of Valeo. Investor Facilitation was established to be the managing member of Valeo-HD14, LLC. It receives no compensation from any source and passes no expenses forward to any pooled investment vehicle.

As disclosed in Item 8, Valeo has no ownership in either Valeo-HD14, LLC or Valeo-TCF, LLC, but in the case of under-subscription, some of our employees have chosen to invest alongside our clients at identical terms. Valeo receives no additional compensation, direct or indirect, for establishing and maintaining the pooled investment vehicles on behalf of our clients. The funds were established to help clients access investments or opportunities they otherwise may not have been able to access.

Valeo may be subject to various conflicts of interest arising out of our relationship with the manager, sponsor, or underwriter of alternative investments we occasionally recommend to our clients.

**SPONSOR RELATIONSHIPS:** It is possible that one or more individuals employed by a private investment fund sponsor is or will become a Valeo client. Conflicts of interest arise with respect to the choice of activities recommended to or performed for the private investment fund, on the one hand, and services it provides to its clients, on the other hand. Valeo is a registered investment adviser and receives fees for managing its clients' assets, including those invested in the fund. Valeo will not receive any fees or other compensation from any private fund sponsor in connection with any investment alternative.

Further, Valeo has and will continue to introduce its clients to private funds that are affiliated with other Valeo clients, thereby creating a conflict of interest. Valeo has an economic incentive to introduce such funds to its clients, because the introduction would benefit the other Valeo clients from whom Valeo currently earns investment advisory fees that could increase as a result. Given the conflict of interest, Valeo advises all affected clients to consider seeking advice from independent professionals (i.e., attorney, CPA, etc.) of their choosing before becoming a fund investor. Valeo also reminds its clients that they are not under any obligation to become a private fund investor.

**CLIENT RELATIONSHIPS:** Because of the similarity between Valeo clients, it is likely that Alternatives will appeal to and be suitable for multiple clients. If investment opportunities are limited within a specific Alternative, it is possible that some clients will be able to make an investment while others may not. Valeo may base investment availability on the client's relationship with the sponsor, timeliness of client decision making, and overall suitability between clients.

TwoPointO Investor Relations, LLC ("TwoPointO") is an Indiana Limited Liability Company and a wholly owned subsidiary of Valeo. TwoPointO provides administrative services including due diligence, investor relations and reporting services to the sponsors of private funds, including certain funds Valeo recommends to its clients. TwoPointO typically charges each sponsor a fixed quarterly fee based upon the number of total investors. As certain of Valeo's clients are investors in private funds serviced by TwoPointO, and TwoPointO shall receive compensation from the sponsor's operating entity based upon the number of participants in the funds it services, Valeo has an economic incentive, and thereby a conflict of interest, when recommending these private funds to clients.

The Valeo Foundation is a 501(c)(3) charitable organization started by our owners in 2004 to benefit our community. For our clients paying only a project fee (discussed in section 5), we generally ask them annually to make a donation to the foundation. This donation is tax deductible, completely optional, and does not affect the services they receive. While there is no monetary compensation from the foundation to Valeo, the foundation makes limited grants both to our employee's charitable gift funds, and to other charitable organizations in our employee's names.

Ted Christofolis, one of Valeo's representatives, is also a Certified Public Accountant who provides tax preparation to a limited number of legacy clients through Redwood Accounting. He is no longer offering this service to new clients of Valeo. No client of Valeo is under any obligation to use the accounting and/or tax preparation services of Redwood Accounting. Any recommendation by Valeo Financial and/or its representatives that a client utilize Redwood Accounting tax preparation services presents a conflict of interest, as Valeo's representative may have an economic incentive to make such recommendation based on the fees to be received, rather than a client's best interests. No client is obligated to engage the CPA or tax preparation services provided by Mr. Christofolis and/or Redwood Accounting.

Philip Wallin, one of Valeo's representatives, is also a Certified Public Accountant who provides tax preparation to a limited number of clients through Atlas Tax Advisors ("Atlas"). He limits this service to legacy clients of Atlas, and does not offer this service to new clients of Valeo. No client of Valeo is under any obligation to use Atlas' accounting and/or tax preparation services. Any recommendation by Valeo and/or its representatives that a client use Atlas for tax preparation services presents a conflict of interest, as Valeo's

representative may have an economic incentive to make such recommendation based on the fees to be received, rather than a client's best interests. No client is obligated to engage the CPA or tax preparation services provided by Mr. Wallin and/or Atlas.

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

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### **Code of Ethics**

We have adopted a Code of Ethics for all Valeo employees which describes our high standard for business conduct and fiduciary duty to our clients. Among other things, our Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition of insider trading, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment, and personal securities trading procedures. All employees are trained on and must acknowledge the terms of the Code of Ethics annually.

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

Employees may buy or sell securities for their personal accounts identical to or different from those recommended to clients. It is the expressed policy that no person employed by Valeo shall prefer his/her own interest to that of a client or make personal investment decisions based on the investment decisions of clients.

### **Personal Trading**

The trading activities of Valeo employees are reviewed at least quarterly to ensure they do not affect the markets and to ensure clients receive preferential treatment. Because most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

To supervise compliance with its Code of Ethics, we require that all employees provide annual securities holdings disclosures and quarterly transaction disclosures to our Chief Compliance Officer. Valeo also requires all employees receive approval from the Chief Compliance Officer prior to investing in any private placements (limited offerings) and before trading in any securities on our Restricted Securities List.

We require all individuals to act in accordance with all applicable federal and state regulations governing registered investment advisory practices. Our Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline.

We will provide a complete copy of our Code of Ethics to any client or prospective client upon request.

As disclosed above, Valeo has a financial interest in the affiliated private funds. Although Valeo-HD14, LLC is closed to new investors, Valeo, on both a discretionary and a non-discretionary basis, manages certain client accounts which are invested in Valeo-HD14, LLC. Valeo also manages certain client accounts which benefit from Valeo-TCF, LLC. The terms and conditions for participation in Valeo-HD14, LLC and Valeo-TCF, LLC including management fees, conflicts of interest, and risk factors, are set forth in each fund's offering

documents. As noted above, Valeo charges an investment management fee on Fund positions in client portfolios. Valeo's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s), or to maintain such an investment. Valeo's Chief Compliance Officer, Gregory Fulk, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest that such arrangement may create.

## Item 12 - Brokerage Practices

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### Brokerage Practices

In the event that the client requests that Valeo recommend a broker-dealer/custodian for execution and/or custodial services, Valeo generally recommends that investment advisory accounts be maintained at Fidelity Brokerage Services, LLC ("*Fidelity*") and/or TD Ameritrade ("*TD*"). The client will be required to enter into a formal *Investment Advisory Agreement* with Valeo setting forth the terms and conditions under which Valeo shall advise on the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Valeo considers in recommending *Fidelity* or *TD* (or any other broker-dealer/custodian to clients) include historical relationship with Valeo, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Valeo's clients shall comply with Valeo's duty to seek best execution, a client may pay a commission or transaction fee that is higher than another qualified broker-dealer might charge to affect the same transaction where determines, in good faith, that the commission/transaction fee is reasonable. 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 broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Valeo will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Valeo's investment advisory fee. In addition, the internal fees charged by mutual funds and exchanged traded funds (i.e., fund expenses, including fund management fee), are separate, and in addition to, Valeo's investment advisory fee.

### Non-Soft Dollar Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Valeo receives from *Fidelity* or *TD* (or another broker-dealer/custodian, investment manager, platform or fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Valeo to better monitor and service client accounts maintained at such institutions. Included within the support services received by Valeo may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support-including client events, computer hardware

and/or software and/or other products used by Valeo in furtherance of its investment advisory business operations.

As indicated above, some of the support services and/or products received assist Valeo in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Valeo to manage and further develop its business enterprise.

### **Transition Support**

To assist Valeo with transitioning certain assets to *Fidelity*, *Fidelity* provides additional economic benefits ("Transition Support") to assist Valeo in its business. *Fidelity* has provided the Transition Support with the expectation that Valeo would recommend and ultimately transfer a significant portion of its advisory business to *Fidelity* for custodial services. The Transition Support, in part, is also intended to offset client account close out fees.. *Fidelity* offered to provide the Transition Support to Valeo in its sole discretion and at its own expense, and neither Valeo nor its clients pay/paid any additional fees to *Fidelity* as a result of the Transition Support received Valeo.

### **Event Benefits**

We occasionally receive from third party vendors (include the Brokers we recommend), certain additional economic benefits used in conjunction with planned marketing events ("Event Benefits"). Specifically, Event Benefits include partial payment for certain vendor expense typically incurred when catering a gathering. We have accepted these Event Benefits as one off payments, approximately \$10,000 per year, made directly to third party service providers. These payments were made infrequently and irregularly, and we have no expectation that these Event Benefits will be offered again; however, we reserve the right to negotiate for future Event Benefits. Third Party vendors provide Event Benefits in their sole discretion and at their own expense, and neither we nor our clients pay any fees to these vendors for the Event Benefits.

There is no corresponding commitment made by Valeo to *Fidelity* or *TD* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

Valeo does not receive referrals from broker-dealers.

### **Directed Brokerage**

Valeo recommends that its clients utilize the brokerage and custodial services provided by *Fidelity* or *TD*. Valeo does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Valeo will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Valeo. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Valeo to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Valeo. Higher transaction costs adversely impact account performance.

Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

### **Order Aggregation**

Transactions for each client account generally will be effected independently, unless Valeo decides to purchase or sell the same securities for several clients at approximately the same time. Valeo may (but is not obligated to) combine or "bunch" such orders to obtain better price execution, to negotiate more favorable commission rates, or to allocate equitably among Valeo's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Valeo shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13 - Review of Accounts**

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### **Reviews**

Portfolio and financial plan reviews are typically conducted multiple times each year by the lead Valeo advisor in each client relationship. Reviews may be performed more frequently when certain market conditions, economic conditions, tax laws or a client's specific situation changes. All investment supervisory clients are advised that it remains their responsibility to advise Valeo in writing of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues, investment objectives and account performance on at least an annual basis, as applicable.

### **Reports**

Clients receive periodic communications from their advisor at least annually. Reports may include, but are not limited to, performance reports, investment allocation summaries and net worth statements.

Performance reports are used as a scorecard of individual security, account and total portfolio performance. Oftentimes, performance is compared to indexes and/or benchmarks determined to be appropriate for each client. Investment allocation summaries compare the client's entire portfolio allocation to the current recommended tactical allocation. Proposed trades are typically illustrated on this report. Net worth statements reflect client assets, liabilities and related holdings (e.g., children's assets, charitable funds, trusts, etc.) and may contain estimates of bank account balances provided by the client, as well as the value of hard-to-price real estate or other illiquid investments.





Investors in the pooled investment vehicle (Item 8) receive at least annual statements and K-1s.

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

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As referenced in Item 12 above, Valeo receives from *Fidelity* or *TD*, without cost (and/or at a discount), support services and/or products. There is no corresponding commitment made by Valeo to *Fidelity* or *TD* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangements.

Valeo does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

#### **Item 15 - Custody**

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With the exception of certain private investment partnerships, client assets are held with a qualified custodian. By prior written agreement with clients, Valeo directly debits client's account(s) for fees directly with the custodian. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from their account custodian at least quarterly.

To the extent that Valeo provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Valeo with the account statements received from the account custodian. The account custodian does not verify the accuracy of Valeo's advisory fee calculation.

Valeo engages in other practices and/or services on behalf of its clients that require disclosure at ADV Part 1, Item 9, which practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940.

Furthermore, because Investor Facilitation is the managing member of a pooled investment vehicles in which clients have invested (Item 8), Valeo is deemed to have custody of client assets. As required by the SEC, the funds are subject to a full audit (HD14, and TCF) by a PCAOB Registered Public Accounting Firm.

#### **Item 16 - Investment Discretion**

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In certain situations, clients may direct Valeo to accept discretionary authority to manage securities accounts. In these situations, Valeo 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 in client accounts on their behalf so that we may promptly implement the investment policy that clients have approved.





Clients who engage Valeo on a discretionary basis may, at any time, impose restrictions, in writing, on Valeo's discretionary authority (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Valeo's use of margin, etc).

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

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As a matter of firm policy, Valeo does not vote proxies on behalf of advisory clients. Client advisory agreements, or other client documents, state clients expressly retain the authority and responsibility for voting proxies of portfolio securities. Valeo may provide advisory clients with administrative assistance regarding proxy voting or issues; however, clients have the responsibility to receive and vote any proxies.

#### **Item 18 - Financial Information**

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We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding. Valeo does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Valeo's Chief Compliance Officer remains available to address any questions regarding this Brochure.