



## **Part 2A, Appendix 1**

### **Item 1 Cover Page**

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This brochure provides information about the qualifications and business practices of Valley Wealth Managers, Inc. ("VWM"). If you have any questions about this brochure, please contact us at 888-794-7940. 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.

VWM is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training. An adviser's oral and written communications provide you with information for you to determine whether to hire or retain an adviser.

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

## **Wrap Fee Program Brochure**

**September 20, 2023**



## Item 2 Material Changes

Following is a summary of material changes to this Form ADV Part 2A, Appendix 1 wrap fee program brochure ("Wrap Fee Program Brochure") of Valley Wealth Managers, Inc. ("VWM"), f/k/a Hallmark Capital Management, Inc. ("Hallmark") since March 29, 2023, the date of the last annual update to the Wrap Fee Program Brochure.

Summary of Material Changes in Wrap Fee Program Brochure dated September 20, 2023.

In general the Wrap Fee Program Brochure was updated to clarify that clients can choose to open a brokerage/custody account at a third-party custodian other than Pershing LLC ("Pershing").

## Item 5 - Account Requirements and Types of Clients

- Clients, including, but not limited to, institutional clients, and clients that maintained an account with a custodian other than Pershing prior to the combination of VFM's and Hallmark's advisory businesses can choose to open a brokerage/custody account at a third-party custodian. Clients that choose to open a brokerage/custody account at a third-party custodian are not required to open a bank account with Valley Bank. Certain third party custodians charge a fee to our broker dealer affiliate VFM. This creates a conflict of interest as we have an incentive to recommend clients use a third party custodian that does not charge a fee to our affiliate.

## Item 9 – Additional Information

### Other Financial Industry Activities and Affiliations

#### Affiliated Broker-dealers

- Clients, including, but not limited to, institutional clients, and clients that maintained an account with a custodian other than Pershing prior to the combination of VFM's and Hallmark's advisory businesses can choose to open a brokerage/custody account at a third-party custodian. Clients that choose to open a brokerage/custody account at a third-party custodian are not required to open a bank account with Valley Bank. Certain third party custodians charge a fee to our broker dealer affiliate VFM. This creates a conflict of interest as we have an incentive to recommend clients use a third party custodian that does not charge a fee to our affiliate.

Summary of Material Changes in Wrap Fee Program Brochure dated July 7, 2023.

The following reflects a summary of the material changes to this Brochure made in the July 7, 2023 update which are superseded by the September 20, 2023 Wrap Fee Brochure Updates above, as applicable.

This Wrap Fee Program Brochure describes wrap fee advisory programs previously provided through the advisory business of VWM's affiliate, Valley Financial Management, Inc. (the "Programs"). On June 30, 2023, in connection with an internal corporate reorganization, Hallmark



acquired the advisory business of its affiliate, Valley Financial Management, Inc. ("VFM"), and the newly reorganized business was renamed Valley Wealth Managers, Inc (the "Transaction"). As part of the Transaction, investment adviser representatives ("IARs") who were previously licensed with VFM's advisory business were relicensed as IARs with VWM. These IARs are currently also dual-licensed as registered representatives of VFM's broker-dealer business.

VFM previously produced this Wrap Fee Program Brochure and delivered it to clients in the Programs. The following summary discusses the material changes made to this Wrap Fee Program Brochure since the date of its last annual amendment on March 31, 2023.

#### Item 4 – Services, Fees and Compensation

- This Item includes a summary of the Transaction.
- Following the Transaction, VFM continues to exist as an affiliated broker-dealer registered with the SEC.
- As a result of the Transaction, VWM offers three types of services: 1) investment management strategies formerly provided through Hallmark, which are now rebranded as "The Hallmark Investment Strategies offered by Valley Wealth Managers" (the "Hallmark Investment Strategies"); 2) financial planning services formerly provided through Hallmark; and 3) the Programs.
- In addition to base salary, VWM's IARs receive incentive compensation based on the amount of revenue VWM generates from client assets. As a result, VWM's IARs have an incentive to recommend an advisory program or strategy that generates more revenue for VWM than another program or strategy that generates less revenue for VWM.
- Also, the majority of IARs who provide advisory services through VWM also provide other services including brokerage, insurance, and/or banking services through VWM's affiliates. These financial professionals receive more compensation for revenue generated from certain services than they do for the same amount of revenue generated from other services. This creates a conflict of interest whereby financial professionals have a financial incentive to recommend products and services that result in more compensation for the financial professional per dollar of revenue generated for VWM or its affiliates. For example, financial professionals generally have an incentive to recommend advisory services over brokerage services because financial professionals typically receive more compensation for revenue generated from advisory services than they do for revenue generated from brokerage services.

#### Item 5 – Account Requirements and Types of Clients

- The Programs generally require a minimum account size of \$100,000.
- To receive advisory services, VWM's clients are generally required to open a brokerage/custody account through VFM, which is introduced to, and carried by, a third-party custodian, Pershing, LLC ("Pershing"). VWM has an incentive to use VFM as the



introducing broker for its clients' accounts because any compensation paid by VWM to VFM for servicing these accounts will be provided to an affiliate rather than a third party. Clients that open a brokerage/custody account through VFM are also required to open a bank account with VWM's parent company, Valley Bank. Clients are not required to maintain a minimum balance in this bank account. Bank deposits held at Valley Bank and the purchase of bank products and services offered by Valley Bank will generate revenue for VWM's affiliate. This creates a conflict of interest whereby VWM has an incentive to recommend that clients open a brokerage/custody account through VFM with a bank account through Valley National Bank. Certain clients are not subject to the requirement to open a brokerage/custody account through VFM or bank account with Valley Bank, including, but not limited to, institutional clients, and clients that maintained an account with a custodian other than Pershing prior to the combination of VFM's and Hallmark's advisory businesses.

#### Item 6 – Portfolio Manager Selection and Evaluation

- In addition to being available directly through VWM, the Hallmark Investment Strategies are also available through third-party investment managers' advisory programs and certain of VWM's Programs through Envestnet. The cost of investing in the Hallmark Investment Strategies through a Program may be more than the cost of investing in the Hallmark Strategies through a third-party manager's advisory program or through VWM directly. To address this conflict of interest, VWM generally does not recommend that its clients invest in the Hallmark Investment Strategies through its Programs.
- This Item was also updated to enhance disclosure regarding certain risk factors applicable to the strategies offered by VWM.

#### Item 9 – Additional Information

##### Disciplinary Information

- This Item was updated to reflect that the disciplinary information for VWM's affiliate, VFM, can be found at [www.brokercheck.finra.org](http://www.brokercheck.finra.org).

##### Financial Industry Affiliations

- Valley Bank provides administrative support to VWM. VWM provides investment management and/or financial planning services to certain directors, officers, and customers of Valley National Bank ("Valley Bank"), the Valley National Bank Pension Plan, Valley Bank and/or other subsidiaries or affiliates and/or Valley National Bancorp.
- VWM provides investment management services to certain customers of Valley Trust, a division of Valley Bank, through a sub-advisory agreement executed by VWM and Valley Trust.
- VWM will not purchase the security or securities of Valley National Bancorp for a client's portfolio unless specifically directed by the client.



- Valley Bank provides loans, securities lending, and other banking services to its customers. If a VWM client receives these services, Valley Bank is authorized to use the assets in the client's advisory account with VWM as collateral for certain loans and borrowed securities, to the extent permitted in the client's agreement(s) with Valley Bank.
- VWM is affiliated through common ownership and control with Valley Financial Management, Inc., a wholly owned subsidiary of Valley Bank and a broker-dealer registered with the SEC. Prior to the Transaction, VFM was also registered with the SEC as an investment adviser and certain of VWM's IARs were previously licensed as IARs with VFM's former advisory business. VWM shares the same physical location with VFM.
- VWM is also affiliated with DV Financial Services, LLC ("DVFS"), a registered broker dealer, and a wholly owned subsidiary of Valley Bank. VWM does not utilize, or recommend the services of DVFS, to its clients. In addition, VWM does not share any supervised persons or the same physical location with DVFS.

#### Code of Ethics

- This Item was updated to enhance disclosure regarding VWM's Code of Ethics.

#### Participation or Interest in Client Transactions; Conflicts of Interest

- Valley Bank, VWM's sole shareholder, and Valley National Bancorp, VWM'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 Bank non-contributory pension plan ("Valley Bank Pension Plan"). It is possible that securities which are purchased or sold for VWM's clients will at the same time, and without VWM's knowledge, be held by, or be in the process of being purchased or sold for, Valley Bank's or Valley National Bancorp's investment portfolios, the officers and directors of Valley Bank or Valley National Bancorp, the Valley Bank Pension Plan and/or other accounts managed by Valley Bank, Valley National Bancorp, another subsidiary of Valley Bank or Valley National Bancorp, or an independent investment manager retained by Valley National Bancorp.
- When VWM purchases mutual fund shares for clients, it selects share classes that do not pay it service fees (referred to as "12b-1" fees) or other distribution fees ("Trailer Fees"). If a client transfers shares into its account that pay VWM's affiliate, VFM, Trailer Fees, VFM credits the account with the amount of Trailer Fees it receives.

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## **Item 4 Services, Fees and Compensation**

### **Types of Services and Fee Schedules**

Valley Wealth Managers, Inc. ("VWM") f/k/a Hallmark Capital Management, Inc. ("Hallmark"), is a wholly owned subsidiary of Valley National Bank ("Valley Bank"), a national banking association that provides banking products and commercial and retail financial services. Valley 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. On June 30, 2023, in connection with an internal corporate reorganization, Hallmark acquired the advisory business of its affiliate, Valley Financial Management, Inc. ("VFM"), and the newly reorganized advisory business was renamed Valley Wealth Managers, Inc. Following the combination, VFM continues to exist as an affiliated broker-dealer registered with the SEC. Brokerage products and services are generally provided to VWM's advisory programs by VFM. VFM and VWM also have a clearing arrangement with a third-party company, Pershing LLC ("Pershing"), for their brokerage and advisory businesses, respectively.

VWM offers three types of services: 1) investment management strategies formerly provided through Hallmark, which are now rebranded as "The Hallmark Investment Strategies offered by Valley Wealth Managers" (the "Hallmark Investment Strategies"); 2) financial planning services formerly provided through Hallmark; and 3) wrap fee advisory programs previously provided through the advisory business of VWM's affiliate, VFM.

This Wrap Fee Program Brochure describes and discloses the services, fees, potential conflicts of interest, and other necessary information clients should consider before becoming a VWM client in one or more of its wrap fee investment advisory programs.

VWM offers the following discretionary wrap fee advisory programs: (1) Valley Strategic Portfolios (VSP); (2) Separately Managed Accounts (SMA); and (3) Unified Managed Accounts (UMA). VWM also offers two non-discretionary wrap fee advisory programs, Valley Client Advisor (VCA) and Valley Excess Liquidity Advisor (VELA). Depending on the program, clients can select various portfolio managers, mutual funds, exchange-traded products, and individual securities, based on strategies from capital preservation to aggressive growth.

These discretionary and non-discretionary wrap fee advisory programs (collectively, the "Programs") are provided to clients in a "wrap fee" arrangement. A wrap fee arrangement is one in which a single fee is charged based on the market value of assets in the client's account, rather than on the transactions in the account (e.g., as in a brokerage account that charges commissions). The wrap fee for a Program generally covers investment advice provided by VWM and other portfolio managers participating in the Program, the execution of client transactions, account servicing, and performance reporting, in addition to other standard services. VWM receives a portion of this wrap fee for the investment advice it provides.

The VSP, SMA, and UMA Programs are discretionary programs where a client appoints VWM or one or more other parties to make investment decisions with respect to the assets in the client's account. VCA and VELA are non-discretionary programs, where the client's investment adviser representative ("IAR") makes recommendations to the client, who then approves or disapproves





them. To assist VWM with VSP, SMA, UMA, and VCA, VWM has entered into an agreement with Envestnet Asset Management, Inc. ("Envestnet"), an unaffiliated investment adviser, which provides, among other things, overlay portfolio management services, tax overlay management services, research information on hundreds of different portfolio managers, reporting services, and technological and online services to assist VWM in managing portfolios. Please refer to the Envestnet Asset Management, Inc. Form ADV Part 2A as provided to clients for additional information.

VWM and its IARs do not have discretionary authority to manage securities accounts that comprise the Programs, except for VSP. VSP is a discretionary advisory program in which VWM uses risk-adjusted and objective-based models comprised of exchanged traded funds ("ETFs") and mutual funds. The VWM investment committee is responsible for setting strategic and tactical asset allocations to guide the Program. The VWM investment committee includes VWM investment professionals with different areas of expertise in asset allocation and specific asset classes. The VWM investment committee meets on scheduled monthly dates and on an ad hoc basis, as necessary. The VWM investment committee also produces client letters and market commentary on both a scheduled and ad hoc basis.

In the advisory relationship between a client in a Program and VWM, the client will typically work with an IAR to determine the client's overall investment situation, needs, goals, risk tolerance, and time horizon for the assets being invested. To assist in identifying these factors, the client completes a questionnaire and provides investment profile information on the new account application (collectively referred to as the "Questionnaire"). An IAR will use the information provided by the client, among other considerations, to assist the client in selecting the appropriate Program(s) and subsequent investment strategy. If the client wishes to proceed with the Program(s), the client will enter into an agreement that contains specific terms applicable to the Program(s) selected, advisory services to be offered, fees payable by the client, and other terms applicable to the client's advisory relationship with VWM. Not all Programs discussed in this Wrap Program Brochure may be appropriate for a client.

Each Program is designed to meet differing investment needs of clients. The Programs offered have different levels of services, administration, structure, fees and expenses. The particular investment advisory services that VFM provides in connection with each Program are described in detail below. Please review this Brochure carefully and in its entirety.

### **VFM Strategic Portfolios (VSP)**

The VSP Program offers clients discretionary investment management based on proprietary strategic asset allocation models developed by VWM's investment committee. The models vary in exposure to different asset classes (such as equities, fixed income and alternative investments), as well as different styles within asset classes, paired together to achieve diversification that seeks to meet a variety of investment objectives. The models use mutual funds and/or ETFs – which must have at least three years of investment history and assets under management of at least \$100 million – to gain these exposures. In limited circumstances, a fund may have less than three years of investment history in which case a fund with similar characteristics will be evaluated in its place, and the fund with less than three years investment history will be added to the VSP platform based on the record of the proxy's investment history.





VWM's investment committee uses both qualitative and quantitative measures in selecting these mutual funds and ETFs.

With the professional advice and guidance of an IAR, the client will select one of the models based on the information provided by the client. VWM has engaged Envestnet to provide investment model management services. The IAR will provide the client with an investment proposal or strategy that identifies the portfolio model recommended and details the underlying mutual funds and/or ETFs as well as the overall asset and style allocation of the model. VWM's investment committee will monitor each strategy to ensure adherence to the original investment selection requirements and for performance, among other things.

Because the VSP Program models are discretionary, VWM constructs the model portfolios and will from time to time, and without notice or approval from the client, adjust the asset allocations of the models. VWM also determines the mutual funds and/or ETFs that comprise the models and in its sole discretion will from time to time adjust the percentages allocated to those investments and/or will add or remove a mutual fund or ETF as it deems appropriate. Other services offered in the VSP include periodic rebalancing of the client's portfolio (at least annually or upon a movement of +/-5 percentage points from its targeted weighting) to maintain the desired asset allocation and quarterly performance reporting.

### **Separately Managed Accounts (SMA)**

The SMA Program offers clients discretionary investment management services from portfolio managers other than VWM ("SMA"). Based on information in the client's Questionnaire, an IAR presents the client with one or more appropriate investment strategies from an Envestnet list of approved SMAs that Envestnet selects based on its proprietary due diligence process.

Envestnet employs a proprietary "Q-Score model" when conducting due diligence on SMAs. This model emphasizes consistent active value, effective and consistent risk control, and an efficient risk return profile.

VWM has engaged Envestnet to maintain the SMA platform. The client enters an advisory agreement with VWM for advisory, brokerage and administrative services. The client grants discretion to the SMA (not VWM), who actively manages the client's portfolio. VWM has no influence over the SMA's investment decisions. The SMAs offered have varying investment objectives, styles, and strategies and they also employ varying securities to achieve those objectives. In addition, the SMA's strategy may change in response to market conditions. If the client decides to participate in the SMA Program, the client will receive each SMA's Form ADV brochure that describes in detail the manager's strategy. The SMA's Form ADV brochure is also available upon request. Other services offered in the SMA Program include monthly custodial account statements and quarterly performance reporting.

Certain SMAs execute trades through broker-dealers not participating in the Envestnet wrap fee platform ("trading away"). By doing so, these SMAs cause clients to pay an additional fee not included in the wrap program fee. This additional fee will not be shown in trade confirmations or account statements. Please review the SMA's Form ADV brochure and contact your IAR for more information regarding trading away, including the frequency with which an SMA may trade away



from Envestnet.

### **Unified Managed Accounts (UMA)**

The UMA Program offers a client multiple investment strategies representing various asset classes combined in a single account. A UMA consists of one or more sub-accounts or “sleeves” that invest in mutual funds, exchange traded funds (“ETFs”), and/or individual securities recommended by SMAs that provide model portfolios to Envestnet. VWM has engaged Envestnet to maintain the UMA platform and manage the client’s accounts by implementing the model portfolios in a client’s account. The client enters an agreement with VWM and Envestnet for the provision of advisory services, as well as an agreement with VWM’s affiliate, VFM, for the provision of brokerage and administrative services.

Based on information in the client’s Questionnaire, an IAR presents the client with one or more appropriate investment strategies from Envestnet approved SMA, mutual fund, and ETF investment options fitting the client’s profile and investment goals. The client must approve in writing the initial investment selections and subsequent changes to the strategies employed for his or her account. VWM does not exercise investment discretion in the selection of the asset allocation, or the specific, underlying investment vehicles and investment strategies used in each sleeve of the UMA portfolio. VWM will provide the client with recommendations regarding the appropriate asset allocation and the underlying investment vehicles or investment strategies to meet the client’s objectives.

For those portions of the client’s UMA portfolio allocated to SMAs, VWM has hired Envestnet to maintain the client’s account consistent with his or her investment strategy model allocations. Envestnet has discretion to place trades in client accounts using these models. VWM does not have influence over the SMA’s investment recommendations.

If it chooses, VWM, in its role as Program sponsor, may add mutual funds and ETFs on Envestnet’s approved list available in the UMA Program, through varying degrees of initial and ongoing due diligence. VWM has sole discretion to remove a mutual fund or ETF from the available investment options.

Other services offered in the UMA Program include periodic rebalancing of the client’s portfolio (at least annually or upon a movement of +/-5 percentage points from its targeted weighting) to maintain the desired asset allocation and quarterly performance reporting.

### **VFM Client Advisor (VCA)**

VCA is a non-discretionary advisory program in which a client receives advice from an IAR regarding the client’s assets (mutual funds, ETFs, and individual securities) in his or her account. Neither VWM nor the client’s IAR has investment discretion and may not buy or sell securities for the account without the client’s consent.

Clients may opt to add a tax-preferred service to their account, which seeks to optimize taxes in a client’s portfolio in each tax year.



The client enters an advisory agreement with VWM and Envestnet for the provision of advisory services, as well as an agreement with VWM's affiliate, VFM, for the provision of brokerage and administrative services. Leveraging VWM's Portfolio Strategy team's research, and based on information in the client's Questionnaire, an IAR advises the client on an appropriate investment strategy, which includes security selection and general asset allocation, and, upon request, includes advice on financial planning and other wealth management topics. The client has sole discretion and makes the final decision whether to accept or reject an investment strategy or any specific recommendation to purchase or sell securities.

The IAR will be alerted if any portfolio is not within acceptable ranges against target allocations. Any rebalancing decisions must be authorized by the client. The IAR also is responsible for periodically reviewing the account to assess whether the investment strategy employed by the client and investments made for the client's account are in the client's best interest.

### **VFM Excess Liquidity Advisor (VELA)**

VELA is a non-discretionary advisory program in which a client receives advice from an IAR regarding the client's assets (ETFs and institutional share classes of mutual funds) in his or her account. Neither VWM nor the client's IAR has investment discretion and may not buy or sell securities for the account without the client's consent.

VELA is designed for high net worth clients that are seeking alternatives to low-interest, traditional deposit products and want to increase yields while preserving liquidity in their accounts. The ETFs and mutual funds in this Program focus on fixed income, preferred stocks, and dividend paying equities.

The client enters into an advisory agreement with VWM and Envestnet for the provision of advisory services, as well as an agreement with VWM's affiliate, VFM, for the provision of brokerage and administrative services. Leveraging VWM's Portfolio Strategy team's research, and based on information in the client's Questionnaire, an IAR advises the client on an appropriate investment strategy. The client has sole discretion and makes the final decision whether to accept or reject an investment strategy or any specific recommendation to purchase or sell securities.

The IAR will be alerted if any portfolio is not within acceptable ranges against target allocations, and the client must authorize any rebalancing decisions. The IAR also is responsible for periodically reviewing the account to assess whether the investment strategy and investments in the client's account are in the client's best interest.

### **Cost for Clients**

The Programs may cost the client more or less than purchasing such services separately, depending on the cost of the services if provided separately, the amount of trading activity in the client's account, and the amount, if any, of additional commissions paid by a client when trades are conducted using a broker-dealer other than one participating in the client's selected Program.



## Compensation

Clients agree to pay an annualized, asset-based fee based on the value of assets in the account ("Total Client Fee"). The Total Client Fee for each account includes, as applicable, (1) fees paid to VWM for on-going advice, asset management, and due diligence ("Advisory Fee"), (2) fees paid to platform providers for trading, custody, platform and overlay services, and (3) fees paid to portfolio managers other than VWM ("Manager Fees").

The maximum Total Client Fee a client can be charged on any Program is 2.50%. Fees are generally negotiable. The table below indicates the fees by Program.

	Manager Fees	Advisory Fee	Platform Fee* (\$0- \$250mm)	Platform Fee* (Over \$250mm)	Max Total Client Fee
<b>SMA/UMAs**</b>					
First \$500k	.20-.60	N/A	.16	.13	2.50
\$500k-\$1mm	.20-.60	N/A	.14	.11	2.30
\$1mm-\$3mm	.20-.60	N/A	.12	.10	2.00
\$3mm-\$5mm	.20-.60	N/A	.11	.09	1.75
Above \$5mm	.20-.60	N/A	.09	.08	1.50
<b>VSP***</b>					
First \$500k	N/A	0.97 - 1.47	.14	.12	1.75
\$500k-\$1mm	N/A	0.74 - 1.49	.12	.10	1.75
\$1mm-\$3mm	N/A	0.50 - 1.25	.11	.09	1.50
\$3mm-\$5mm	N/A	0.41 - 0.76	.10	.08	1.00
Above \$5mm	N/A	0.32 - 0.77	.09	.07	1.00
<b>VCA****</b>					
First \$500k	N/A	1.04 - 1.54	.07	.05	1.75
\$500k-\$1mm	N/A	0.80 - 1.55	.06	.04	1.75
\$1mm-\$3mm	N/A	0.55 - 1.30	.06	.04	1.50
\$3mm-\$5mm	N/A	0.46 - 0.81	.05	.03	1.00
Above \$5mm	N/A	0.37 - 0.82	.04	.02	1.00
<b>VELA*****</b>					
First \$5mm	N/A	0.10 – 0.20			1.00
\$5mm-\$10mm	N/A	0.10 – 0.20			1.00
Above \$10mm	N/A	0.10 – 0.20			1.00

\* In addition to the fees in the table above, clients are charged clearing and custody costs up to 0.14%, which vary depending on the types of securities in which a client invests.

\*\* Minimum annual per account fee: \$120

\*\*\* Minimum annual per account fee: \$75

\*\*\*\* Minimum annual per account fee: \$75

\*\*\*\*\* Minimum annual per account fee: \$75



A written confirmation of the client's selected Program and associated fees will be delivered to the client. The written confirmation will include estimated Total Client Fees for each account. Estimates based on the current recommended allocation of assets within each account vary with changes in SMA selection as SMAs charge different fees. Because VWM does not set an SMA's fees, each SMA has its own fee schedule. Hence, when selecting or changing an SMA, the client may pay more or less in total fees than it would for selecting a different SMA or changing from the original SMA. Depending on the timing of an SMA change, the client may be entitled to a rebate or refund of a prepaid fee.

Internal expenses associated with individual mutual funds or ETFs are not included in the Total Client Fee. Please refer to the applicable prospectus or disclosure document for information regarding these fees. For additional details on the Total Client Fees, please contact your IAR.

The table and total fees stated above are inclusive of non-discretionary strategy proposals relating to particular sectors, regions or industries.

Fees payable to VWM for these services are, with the client's prior written acknowledgement, automatically deducted from the client's account when due. The client will receive account statements from the account's custodian, showing the fee amounts debited. In discretionary Programs, VWM will sell money market shares to pay the fee and, if money market shares or cash value are not available, other investments will be sold. In non-discretionary Programs, VWM will not sell a client's money market shares or other investments to raise cash to pay fees without prior authorization from such client.

Should a deposit of \$10,000 or more be made to an account after a quarterly fee assessment has been made, the account may be billed pro-rata for that deposit. Similarly, if a withdrawal of \$10,000 or more is made, the account may be credited pro-rata for the fee that was previously billed. In the event of contract termination, which can occur upon 30 days advance written notice from either the client or VWM, prepaid fees will be pro-rated and the unearned portion returned to the client.

### **Other Fees and Expenses**

The Total Client Fee does not include the following: (a) charges for services provided by VWM, its affiliates or third parties which are outside the scope of the service agreement (e.g., retirement plan administration fees, trustee fees, wire transfer fees, etc.); (b) any taxes or fees imposed by exchanges or regulatory bodies; (c) brokerage commissions and other transaction-related fees and charges other than those included in a wrap fee; and (d) internal operating expenses on mutual funds, exchange traded funds or alternative investments. Each of these additional charges may be separately charged to the client or reflected in the price paid or received for a given security.

### **Compensation to IARs**

In addition to base salary, VWM's IARs receive incentive compensation based on the amount of



revenue VWM generates from client assets. As a result, VWM's IARs have an incentive to recommend an advisory program or strategy that generates more revenue for VWM than another program or strategy that generates less revenue for VWM.

Also, the majority of IARs who provide advisory services through VWM also provide other services including brokerage, insurance, and/or banking services through VWM's affiliates. These financial professionals receive more compensation for revenue generated from certain services than they do for the same amount of revenue generated from other services. This creates a conflict of interest whereby financial professionals have a financial incentive to recommend products and services that result in more compensation for the financial professional per dollar of revenue generated for VWM or its affiliates. For example, financial professionals generally have an incentive to recommend advisory services over brokerage services because financial professionals typically receive more compensation for revenue generated from advisory services than they do for revenue from brokerage services.

### **IRA Rollover Recommendations**

A client or prospective client leaving an employer has four options regarding an existing retirement plan (and can 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, or (iv) cash out the account value (which could, depending upon Client's age, result in adverse tax consequences). If VWM recommends that a Client roll over their retirement plan assets into an account to be managed by VWM, such a recommendation creates a conflict of interest if VWM will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by VWM.

### **Item 5 Account Requirements and Types of Clients**

The Programs generally require a minimum account size of \$100,000.

VWM provides investment advice to individuals, high net worth individuals, pension and profit-sharing plans, charitable institutions, foundations, endowments, trust programs, estates and other U.S. and international institutions. The VELA Program is designed for corporate clients, large family offices, and high net worth/ultra high net worth individuals.

### **Affiliated Brokerage and Bank Accounts**

To receive advisory services, VWM's clients are generally required to open a brokerage/custody account through VFM, which is introduced to, and carried by, a third-party custodian, Pershing. VWM has an incentive to use VFM as the introducing broker for its clients' accounts because any compensation paid by VWM to VFM for servicing these accounts will be provided to an affiliate rather than a third party.

Clients that open a brokerage/custody account through VFM are also required to open a bank account with VWM's parent company, Valley National Bank. Clients are not required to maintain



a minimum balance in this bank account. Bank deposits held at Valley Bank and the purchase of bank products and services offered by Valley Bank will generate revenue for VWM's affiliate. This creates a conflict of interest whereby VWM has an incentive to recommend that clients open a brokerage/custody account through VFM with a bank account through Valley National Bank.

Clients, including, but not limited to, institutional clients, and clients that maintained an account with a custodian other than Pershing prior to the combination of VFM's and Hallmark's advisory businesses can choose to open a brokerage/custody account at a third-party custodian. Clients that choose to open a brokerage/custody account at a third-party custodian are not required to open a bank account with Valley Bank. Certain third party custodians charge a fee to our broker dealer affiliate VFM. This creates a conflict of interest as we have an incentive to recommend clients use a third party custodian that does not charge a fee to our affiliate.

## **Item 6 Portfolio Manager Selection and Evaluation**

### **General Investment Requirements for Managers and Funds**

In connection with its due diligence for VSP, UMA, VCA, and VELA, VWM evaluates funds and fund managers using objective and subjective criteria, including the following:<sup>1</sup>

#### *Diversification by Holdings*

All fund managers shall maintain a sufficient number and breadth of holdings in each fund they manage to provide an adequate representation of the primary characteristics of each fund's declared strategy or style. An investment in a concentrated fund/investment vehicle is allowable if the overall portfolio is diversified.

#### *Performance*

Performance net of fees compared to relevant indices and peers.

#### *Track Record of Manager*

Each actively managed fund should have a minimum track record of three years during which the same portfolio management team managed the fund. The three-year requirement may be waived if the fund manager has a proven track record of managing assets in the same category under consideration, or if the fund is an "index" strategy.

#### *Style drift*

Each fund manager's objective for a specific fund should remain consistent with its stated investment strategy for the fund.

### **Mutual Fund and ETF Due Diligence and Selection Process**

Each external investment manager must meet specific investment objectives and/or performance standards. The VWM investment committee conducts periodic assessments of managers and funds. The Committee has a long-term perspective. Accordingly, short-term investment performance shortfalls are not necessarily of critical interest unless they suggest failures in strategy execution. At a minimum, the assessment includes a review of the following, if applicable:

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<sup>1</sup> For the SMA Program, Envestnet is responsible for conducting due diligence on SMAs.





- History of the firm
- Part 1 & 2 of Form ADV for investment advisers
- Management, ownership structure and business practices
- Breadth of products offered
- Minimum level of continuous trading history and assets under management
- Investment philosophy
- Any material pending or concluded disciplinary events

Additional factors are reviewed at the Investment Committee's discretion. In addition, the Committee conducts quarterly reviews of investment returns against standard benchmarks applicable to the manager given its strategy.

### **Manager Monitoring Policy**

The Investment Committee reviews the investment performance of the investments in the Programs relative to guidelines no less frequently than quarterly. The Committee also reviews significant issues such as change in ownership, personnel, or style. VWM typically conducts meetings with managers when deemed necessary to review:

- Adherence to the original investment/account selection requirements, including long-term performance measures.
- Any material changes to the investment manager's organization, process, or portfolio manager or team.
- Any material litigation or regulatory action against the investment firm that may impact future performance or the reputation of the provider.
- Significant loss or growth of the manager's assets under management.
- Significant declines in relative performance of a manager

### **Watch List and Terminations**

For SMA, UMA, VCA, and VELA, if there is a material issue identified for a particular investment manager or fund with respect to the foregoing criteria, then VWM may decide, in its sole judgment, to (i) take no action if it concludes that it has reasonable basis for such a conclusion, (ii) monitor the investment manager or fund closely on a regular basis (quarterly, semi-annually, or annually) for at least one year as a means of evaluating future progress in addressing the issue of concern or (iii) terminate the investment manager or fund.

An investment manager or fund which is held within any of the Programs except VSP may be placed on a "Watch list" for closer monitoring when one or more of the following occur but is not limited to these items:

- An investment manager or fund performs below the median for its peer group over a 3- or 5-year cumulative measurement period.
- There is a style drift away from the stated investment approach for more than two years.
- There is a significant change in the professionals managing the investment.



- There is a significant decrease in the investment manager's assets under management.
- There is a significant increase in the investment fees and expenses.
- Any extraordinary event occurs that may interfere with an investment manager's ability to prudently manage investment assets.

The investment manager or fund may be placed on the "Watch List" for 12 months, but that time may be extended or reduced in VWM's discretion.

### **Related Persons**

VWM IARs, pursuant to guidance received from VWM's investment committee, give investment recommendations to clients in the VCA and VELA Programs. No SMAs are currently available in those Programs and, therefore, VWM does not have a conflict of interest in favoring its own personnel or affiliates.

In addition to being available directly through VWM, the Hallmark Investment Strategies are also available through third-party investment managers' advisory programs and certain of VWM's Programs through Envestnet. The cost of investing in the Hallmark Investment Strategies through a Program may be more than the cost of investing in the Hallmark Strategies through a third-party manager's advisory program or through VWM directly. To address this conflict of interest, VWM generally does not recommend that its clients invest in the Hallmark Investment Strategies through its Programs.

### **Investment Restrictions**

Clients may impose reasonable investment restrictions on the management of their account by identifying certain securities that may not be purchased for their accounts. The portfolio manager for a Program will review restrictions requested by a client to determine whether they are reasonable and generally allocate the assets that would have been invested in the restricted security pro rata across other investments held in the client's account or to one or more substitute securities, which may include ETFs. If one or more restrictions are determined to be unreasonable, the account will not be opened. Restrictions may adversely affect the investment performance and diversification of the securities in a client's account.

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

VWM does not charge any performance-based fees, which are fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **Material Risks**

Investing in securities involves risk of loss that a client should be prepared to bear. Prospective clients meet with a VWM IAR at the time of initial application. Based on information that is reviewed with and provided by the client, the client approves an appropriate investment option. All products sold by VWM, including its advisory Programs and non-deposit investment products sold by Valley Bank, are:



- Not insured by the FDIC or any other federal or government entity
- Not guaranteed by Valley Bank, Valley National Bancorp., or any other bank
- Subject to investment risks, including possible loss of the principal amount invested

Investments in securities are subject to numerous risks, including, but not limited to, those listed below.

### General Risks

*Market Risk.* The market values of securities owned by an account may decline, at times sharply and unpredictably. Market values of securities are affected by numerous factors. For equity securities, market risk may be more significant in smaller capitalization companies. Market values of fixed income securities may be affected by inflation, changes in interest rates, the credit quality of issuers, and general economic and market conditions. Lower-quality fixed income securities may suffer larger price declines.

*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 VWM 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 VFM from selling out of such illiquid securities at an advantageous price. Liquidity risk generally results from 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 securities are generally liquid (e.g., exchange-traded stocks and corporate bonds), there are risks which may occur such as when a security trading in a 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.

*Management Risk* – VWM applies its investment techniques and risk analysis when managing a client's portfolio, but there is no guarantee that these techniques and VWM's judgment will produce the intended results.

*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. VWM'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 VWM 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.

*Quantitative Tools Risk.* Some of VWM'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 VWM believes the information to be correct, we do not independently verify its accuracy.

*Asset Allocation Risk.* The performance of a client's account is dependent upon VWM's or a portfolio manager's ability to allocate the client's assets to meet their specific financial objectives. Each client has an allocation designed specifically for their unique financial situation. The allocation of investments among different asset classes may have a significant effect on portfolio value when one asset class is performing more poorly than 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 or underperform a market benchmark, particularly over shorter time frames.

*Portfolio Manager Selection Risk* — The performance of a client's account is also dependent upon VWM's ability to identify portfolio managers whose investment performance will enable the client to meet their financial objectives. Portfolio managers selected by VWM may or may not meet the client's objectives and may underperform appropriate benchmarks.

*Concentrated Portfolio Risk* – Certain, more aggressive strategies may result in holding fewer investments than other, more diversified, portfolios and strategies. As a result, changes in the prices of these investments 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.

*Acts of God, Geopolitical, Economic, Social, and Health Risk.* The success of a client's investment portfolio could be impacted by acts of God or other unforeseen events where VWM, its affiliates, and third-party managers have a lack of control (collectively, "Disruptions"), including, but not limited to, natural disasters (including, without limitation, fire, flood, and earthquakes), public health concerns (including any outbreak or threat of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola, or other existing or new pandemic or epidemic diseases), war, terrorism, social and political discord, geopolitical events, national and international political circumstances, economic uncertainty, changes in laws, trade barriers, and other unforeseen and/or uncontrollable events with widespread impact. These Disruptions may affect the level and volatility of security prices and liquidity of any investments. There is risk that unexpected volatility or lack of liquidity will impair an investment's profitability or result in its suffering losses. A Disruption may materially and adversely impact the value and performance of any investment, the ability to source, manage and divest investments, and the ability to achieve a client's investment objectives, ultimately resulting in significant losses to clients. In addition, there is a risk that a Disruption will significantly impact the operations of VWM, other portfolio managers, VWM's clients, and clients' portfolio companies, or even temporarily or permanently halt their operations.

Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or securities industry participants in other countries or regions. The extent of the impact of any such disruption on VWM's, its clients', and any portfolio investments' operational



and financial performance will depend on many factors, including the duration and scope of such Disruption, the extent of any related travel advisories and restrictions implemented, the impact of such Disruption on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity, and the extent of its disturbance to important global, regional, and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted.

*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.

*Legal or Legislative Risk* – Legislative and regulatory changes or court rulings may negatively impact the value of investments or the securities' claims on an issuer's assets and finances.

*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.

*Derivatives and Commodity-Linked Derivatives Risk* - These may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Commodity-linked derivative instruments may involve additional costs and risks such as changes in commodity index volatility or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Investing in derivatives could lose more than the amount invested.

*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).

*Cyber Security Risk* - VWM 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 VWM, other portfolio managers, and their 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 VWM, other portfolio managers, or their service providers. Cyber attacks against, or security breakdowns of VWM, other portfolio managers, or their service providers, if applicable, may adversely impact VWM and its clients, potentially resulting in, among other things, financial losses; violations of applicable privacy and other laws; limitations on VWM's ability to transact business on its 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 a client invests, which may cause such investments to lose value. There can be no assurance that VWM, other portfolio managers, or their service providers will not suffer losses related to cyber attacks or other information security breaches in the future. While VWM has business continuity plans and risk management systems that seek to address breaches or failures, there are inherent limitations in such plans and systems.

*Real Estate Securities and Sector Risk* — Certain of the accounts may invest in partnerships investing in real estate. The partnerships will be affected by changes in the values of and incomes from the properties they own and/or the credit quality of the mortgage loans they hold. These risks of investing in real estate include:



- declines in the value of real estate
- risks related to general and local economic conditions
- possible lack of availability of mortgage funds
- extended vacancies of properties
- increased competition or overbuilding
- increases in property taxes and operating expenses
- changes in existing laws
- losses due to costs resulting from the clean-up of environmental problems
- liability to third parties for damages resulting from environmental problems
- casualty or condemnation losses
- limitations on rents
- changes in neighborhood values and the appeal of properties to tenants
- changes in interest rates

An economic downturn could have a material adverse effect on the real estate markets and on real estate companies in which the partnership invests, which in turn could result in the partnership not achieving its investment objectives.

The yields available from investments in real estate depend on the amount of income and capital appreciation generated by the related properties. Income and real estate values may also be adversely affected by such factors as applicable laws (e.g., Americans with Disabilities Act and tax laws), interest rate levels, and the availability of financing. If the properties do not generate sufficient income to meet operating expenses, including, where applicable, debt service, ground lease payments, tenant improvements, third-party leasing commissions and other capital expenditures, the income to the partnership will be adversely affected. In addition, real property may be subject to the quality of credit extended and defaults by borrowers and tenants. The performance of the economy in each of the regions in which the real estate owned by the partnership is located affects occupancy, market rental rates and expenses and, consequently, has an impact on the income from such properties and their underlying values. The financial results of major local employers also may have an impact on the cash flow and value of certain properties. In addition, real estate investments are relatively illiquid and, therefore, the ability of partnerships to vary their accounts promptly in response to changes in economic or other conditions is limited.

### Equity Risks

*Common Stock Risk* — Stocks may decline significantly in price over short or extended periods of time. Price changes may occur in the market as a whole, or they may occur in only a particular country, company, industry, or sector of the market. In addition, the types of stocks in which a particular fund invests, such as value stocks, growth stocks, large-capitalization stocks, mid-capitalization stocks, small-capitalization stocks and/or micro-capitalization stocks, may underperform the market as a whole. In addition, growth stocks can be more volatile than other types of stocks. Value stocks can continue to be undervalued by the market for long periods of time. Additionally, dividends paid on common stocks can vary significantly over the short-term and long-term. Dividends on common stocks are not fixed, but are declared at the discretion of an issuer's board of directors. There is no guarantee that the issuers of common stocks in which





an account invests will declare dividends in the future or that if declared they will remain at current levels or increase over time.

*Mid-Cap/Small-Cap Stock Risk* — Small-cap companies may lack the management expertise, financial resources, product diversification, and competitive strengths of larger companies. In addition, the frequency and volume of their trading may be less than is typical of larger companies, making them subject to wider price fluctuations. In some cases, there could be difficulties in selling the stocks of small-cap companies at the desired time and price. Mid-cap companies may have limited product lines, markets or financial resources, and they may be dependent on a limited management group. Stocks of small-cap and mid-cap companies may be subject to more abrupt or erratic market movements than those of large, more established companies or the market averages in general.

*Preferred Stock Risk.* 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 Risks

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.* Interest rate risk is the risk that the value of an account will decline because of rising interest rates. Interest rate risk is generally lower for shorter-term investments and higher for longer-term investments. Duration is a common measure of interest rate risk. Duration measures a bond's expected life on a present value basis, taking into account the bond's yield, interest payments and final maturity. The longer the duration of a bond, the greater the bond's price sensitivity to changes in interest rates.

During periods of declining interest rates, the issuer of certain types of securities may exercise its option to prepay principal earlier than scheduled, forcing an account to reinvest in lower yielding securities. This is known as call or prepayment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.

During periods of rising interest rates, the average life of certain types of securities may be extended because of lower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk. Market interest rates for investment grade fixed-income securities are currently significantly below the historical average rates for such securities. This decline may have increased the risk that these rates will rise in the future; however, historical interest rate levels are not necessarily predictive of future interest rate levels.

*Income Risk.* The income earned from an account may decline because of falling market interest rates. Also, if an account invests in inverse floating rate securities, whose income payments vary inversely with changes in short-term market rates, the account's income may decrease if short-term interest rates rise.

*Credit Risk.* Credit risk is the risk that an issuer of a debt security will be unable to make interest and principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments. 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. For example, credit risk is generally heightened for accounts that may invest in "high yield" securities. Rating agencies may misjudge the riskiness of any individual creditor.

*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.

*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 Securities Tax Risk.* 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. Income from municipal bonds that may be held by an account could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of a bond issuer. In addition, a portion of an account's otherwise exempt dividends may be taxable to those shareholders subject to the federal alternative minimum tax.

### 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.

### Derivatives

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.

### Exchange-Traded Fund Risks

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 Fund Risks

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 Fund Risks

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 Risks" listed above.

### Index Fund Risks

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 fund's 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 Risks

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.

### International Risks

*International Investing Risk.* Investing in securities or issuers in markets other than the United States involves risks not typically associated with U.S. investing, such as currency risk, risks of trading in foreign securities markets, and geopolitical and economic risks. 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. Because the foreign securities in which the accounts invest, with the exception of depositary receipts, generally trade in currencies other than the U.S. dollar, changes in currency exchange rates will affect the account's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of securities. A strong U.S. dollar relative to these other currencies will adversely affect the value of an account.

*Foreign Securities Market Risk.* Securities of many non-U.S. companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. Securities of companies traded in many countries outside the U.S., particularly emerging markets countries, may be subject to further risks due to the inexperience of local investment professionals and financial institutions, the possibility of permanent or temporary termination of trading, and greater spreads between bid and asked prices for securities. At times, non-U.S. stock exchanges and investment professionals are subject to less governmental regulation, and commissions may be higher than in the United States. Also, there may be delays in the settlement of non-U.S. stock exchange transactions.



**Political and Economic Risks.** International investing is subject to the risk of political, social, or economic instability in the country of the issuer of a security, the difficulty of predicting international trade patterns, the possibility of the imposition of exchange controls, expropriation, limits on removal of currency or other assets, and nationalization of assets.

Additionally, an account's income from foreign issuers may be subject to non-U.S. withholding taxes. Non-U.S. companies generally are not subject to uniform accounting, auditing, and financial reporting standards or to other regulatory requirements that apply to U.S. companies; therefore, less information may be available to investors concerning non-U.S. issuers. In addition, some countries restrict to varying degrees foreign investment in their securities markets. These restrictions may limit or preclude investment in certain countries or may increase the cost of investing. To the extent an account invests in depositary receipts, the account will be subject to the same risks as when investing directly in foreign securities.

**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.

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

### **Voting Client Securities**

In the VSP Program VWM does not exercise authority to vote proxies and corporate actions on behalf of advisory clients. In the UMA Program, SMA managers within the UMA Program vote on proxies and corporate actions on behalf of their clients pursuant to the Envestnet Form ADV Part 2A. In the SMA Program, the SMA manager votes on proxies and corporate actions on behalf of their clients pursuant to the Envestnet Form ADV Part 2A. In the VCA and VELA Programs, VWM does not have any authority to and does not vote proxies or corporate actions on behalf of advisory clients. In these Programs, the client retains the responsibility for receiving and voting proxies for any and all securities maintained in the client's portfolios. VWM may provide advice to the client regarding the client's voting of proxies and corporate actions.

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

As part of the enrollment process into a Program, clients are asked to complete a Questionnaire that elicits information about their financial circumstances, investment objectives, risk tolerance and other relevant information relating to their account. VWM uses the information in the Questionnaire to formulate advice to clients but does not provide this information to portfolio managers in the Programs either initially or as clients provide VWM with updated information.

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

VWM encourages clients to contact their VWM IAR with questions about the client's accounts.





Portfolio managers in the Programs will be reasonably available for a joint consultation with the client and his or her VWM IAR about the client's account, upon request.

## **Item 9 Additional Information**

### **Disciplinary Information**

VWM 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 VWM's management. Neither VWM, as a firm, nor any of its management persons have been involved in any legal or disciplinary events in the past ten years that would be material to a client's evaluation of VWM or its personnel.

Certain of VWM's IARs are dual-licensed as registered representatives with VWM's broker-dealer affiliate, VFM, and were previously licensed as IARs with VFM prior to the combination of VFM and Hallmark's advisory businesses. Disciplinary information for VFM can be found at [www.brokercheck.finra.org](http://www.brokercheck.finra.org).

### **Other Financial Industry Activities and Affiliations**

#### Affiliated Banking Institutions and Trust Companies

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

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

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

As noted in Item 5 (Account Requirements and Types of Clients), clients are generally required to open a bank account with Valley Bank in order to receive advisory services. Clients are not required to maintain a minimum balance in this bank account. Bank deposits held at Valley Bank and the purchase of bank products and services offered by Valley Bank will generate revenue for VWM's affiliate. This creates a conflict of interest whereby VWM has an incentive to recommend that clients open a brokerage/custody account through VFM with a bank account through Valley National Bank.

Valley National Bank provides loans, securities lending, and other banking services to its customers. If a VWM client receives these services, Valley National Bank is authorized to use the assets in the client's advisory account with VWM as collateral for certain loans and borrowed securities, to the extent permitted in the client's agreement(s) with Valley National Bank.





### Affiliated Broker-dealers

VWM is also affiliated through common ownership and control with Valley Financial Management, Inc., a wholly owned subsidiary of Valley Bank and a broker-dealer registered with the SEC. Prior to the combination of VFM and Hallmark's advisory businesses, on June 30, 2023, VFM was also registered with the SEC as an investment adviser. VWM also shares the same physical location with VFM.

As noted in Item 5 (Account Requirements and Types of Clients), VWM's clients are generally required to open a brokerage/custody account through VFM, which is introduced to, and carried by a third-party custodian, Pershing. VWM has an incentive to use VFM as the introducing broker for its clients' accounts because any compensation paid by VWM to VFM for servicing these accounts will be provided to an affiliate rather than a third party. Clients, including, but not limited to, institutional clients, and clients that maintained an account with a custodian other than Pershing prior to the combination of VFM's and Hallmark's advisory businesses can choose to open a brokerage/custody account at a third-party custodian. Clients that choose to open a brokerage/custody account at a third-party custodian are not required to open a bank account with Valley Bank. Certain third party custodians charge a fee to our broker dealer affiliate VFM. This creates a conflict of interest as we have an incentive to recommend clients use a third party custodian that does not charge a fee to our affiliate.

Certain of VWM's IARs are also registered representatives and associated persons of VFM. As noted in Item 4 (Services, Fees and Compensation), these financial professionals generally have an incentive to recommend advisory services over brokerage services because financial professionals typically receive more compensation for revenue generated from advisory services than they do for revenue from brokerage services.

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

### Other Investment Advisers

VWM does not receive compensation, directly or indirectly, from portfolio managers or other investment advisers it selects or recommends for clients (e.g., when a portfolio manager is selected for a client through the SMA Wrap Program). VWM is not affiliated with any other investment adviser.

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

### Code of Ethics

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

VWM 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 VWM. The Code of Ethics also includes provisions relating to the confidentiality of client information, exercising honesty and candor in all activities, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, personal securities trading procedures, and complying with applicable laws, rules and regulations, among other things. All supervised persons at VWM must acknowledge annually the terms of this Code of Ethics.

VWM will provide a copy of its Code of Ethics to clients and prospective clients upon request.

#### Participation or Interest in Client Transactions; Conflicts of Interest

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

Valley Bank, VWM's sole shareholder, and Valley National Bancorp, VWM'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 Bank non-contributory pension plan ("Valley Bank Pension Plan"). It is possible that securities which are purchased or sold for VWM's clients will at the same time, and without VWM's knowledge, be held by, or be in the process of being purchased or sold for, Valley Bank's or Valley National Bancorp's investment portfolios, the officers and directors of Valley Bank or Valley National Bancorp, the Valley Bank Pension Plan and/or other accounts managed by Valley Bank, Valley National Bancorp, another subsidiary of Valley Bank or Valley National Bancorp, or an independent investment manager retained by Valley National Bancorp.

VWM may effect principal or agency cross securities transactions for client advisory accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

When VWM purchases mutual fund shares for clients, it selects share classes that do not pay it



service fees (referred to as “12b-1” fees) or other distribution fees (“Trailer Fees”). If a client transfers shares into its account that pay VWM’s affiliate, VFM, Trailer Fees, VFM credits the account with the amount of Trailer Fees it receives.

### **Review of Accounts**

VWM, through its IARs, gathers information from a client about that client’s financial situation, risk tolerance, investment objectives, and any reasonable restrictions that the client wishes to impose upon the management of the account. Each IAR periodically reviews reports and otherwise consults with the client and contacts the client at least annually to review the client’s financial situation and investment objectives. You should notify your IAR of any changes in your financial situation, risk tolerance, investment objectives or account restrictions.

### **Client Reports**

Clients will receive an account statement at least quarterly from their custodian. Performance reports will be available upon request.

### **Client Referrals and Other Compensation**

No person who is not a client provides an economic benefit to VWM for providing advisory services to its clients in the Programs described in this Brochure. VWM does not compensate any person for client referrals to these Programs.

### **Financial Information**

VWM has no financial condition that impairs its ability to meet contractual commitments to clients and has not been the subject of a bankruptcy proceeding.