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B R O C H U R E

August 19, 2026

This brochure provides information about the qualifications and business practices of VSM Wealth Advisory, LLC. If you have any questions about the contents of this brochure, please contact us at 410.825.8844. 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.

Additional information about VSM Wealth Advisory, LLC, is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for VSM Wealth Advisory, LLC is 313717.

VSM Wealth Advisory, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 • Material Changes

This Brochure, dated August 19, 2026, amends and supersedes our prior Brochure. Our last annual updating amendment was our Brochure dated March 30, 2026; this Item identifies and summarizes the material changes that have been made to this Brochure since that annual update.

Item 4 (Advisory Business) has been revised and expanded to describe more fully the scope of the advisory services that VSM provides. In addition to discretionary investment management, Item 4 now describes the retirement and income planning; tax-aware investment and liquidity strategy; estate and wealth-transfer planning coordination; charitable and philanthropic planning; family education and governance; and family-office coordination and consolidated reporting services that VSM provides as part of its advisory relationships. Item 4 also now describes our use of unaffiliated third-party investment managers (“SMA Managers”) to implement personalized (direct) indexing strategies through separately managed accounts, and clarifies the scope of our services and the respective roles of the client’s own independent legal, tax, accounting, and other professional advisers.

Item 5 (Fees and Compensation) has been supplemented to describe the separate fees charged by third-party SMA Managers, which are in addition to our advisory fee; to clarify that, while we are compensated solely by our clients, we receive certain non-cash economic benefits from Charles Schwab & Co., Inc., as described in Items 12 and 14; and to describe how we address the conflict of interest associated with recommendations to roll assets out of employer-sponsored retirement plans and into accounts that we manage. Item 5 has also been revised to state that our asset-based advisory fee is subject to negotiation between fifty-five hundredths of one percent (0.55%) per annum and one percent (1.00%) per annum; the range disclosed in our prior Brochure was three-eighths of one percent (0.375%) per annum to two percent (2.00%) per annum. Our basic fee of one percent (1%) per annum is unchanged, and no existing client’s fee is increased by this change.

In connection with these revisions, Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) has been supplemented to describe our tax-aware portfolio management and personalized (direct) indexing strategies and the risks associated with them, including the operation of the federal wash-sale rules across a client’s household accounts; and to describe how we select and monitor third-party SMA Managers. Item 12 (Brokerage Practices) has been supplemented to describe trade execution by SMA Managers; to clarify that the support products and services we receive from Charles Schwab & Co., Inc. are not received in connection with client securities transactions; and to reflect that neither those support products and services nor the commission rates applicable to our client accounts are conditioned on our clients collectively maintaining any minimum level of assets in accounts at Schwab. Item 10 (Other Financial Industry Activities and Affiliations) has been updated to state that we receive no compensation from, and have no other business relationship with, any SMA Manager. Item 11 has been updated to describe the frequency of our review of personal securities trading.

Items 4, 5, 8, and 12 have been further supplemented to describe separately managed account programs that operate as unified managed accounts (“UMAs”), in which a single separately managed account is managed under two or more distinct investment strategies, or “sleeves,” coordinated by the SMA Manager acting as overlay manager. These Items describe the structure of a UMA; the SMA Manager’s single asset-based program fee and the additional fund-level expenses borne where a sleeve is invested in mutual funds or ETFs; the methods by which we evaluate UMA structures; and the risks associated with them.

Item 15 (Custody) and Item 16 (Investment Discretion) have been clarified to conform to the description of SMA Manager arrangements elsewhere in this Brochure.

Item 17 (Voting Client Securities) has been revised to state that VSM does not vote proxies on behalf of its clients and does not accept proxy-voting authority. Clients retain full responsibility for voting proxies and will receive their proxy materials directly from their custodian or a transfer agent.

These changes describe in greater detail the advisory services that VSM provides, and clarify the limits of those services. Other than the revised fee-negotiation range described above, they do not change the asset-based fee described in Item 5; the services described above are provided as part of our advisory relationship and are covered by that fee. Where a client's portfolio includes a separately managed account managed by a third-party SMA Manager, the SMA Manager's separate fee is described in Item 5.

Item 4 has been further revised to describe the limited consulting services we offer and to describe more precisely the capacity in which we serve ERISA retirement plans and plan participants; Item 7 has been conformed to that description. Item 5 has been further supplemented to describe how our fee is prorated when we begin managing an account during a quarter, how contributions and withdrawals during a quarter are treated for billing purposes, that negotiated fees may result in similarly situated clients paying different fees, and the billing terms that apply to consulting engagements. Item 8 has been supplemented to describe general market risk; the risks of fixed income, money market, and non-U.S. investments; the risks of concentrated and restricted equity positions; and cybersecurity and operational risk. Item 11 has been revised to describe our personal-trading policies in greater detail, including trade-priority and pre-approval requirements and the reporting and review process under our code of ethics, and to state that we do not engage in principal or agency cross transactions and that our code of ethics prohibits trading on material non-public information. Item 12 has been clarified with respect to our recommendation of Schwab as custodian, the economics of cash held in Schwab's Cash Features Program, client-directed brokerage, and non-aggregated orders, and Item 16 has been clarified to describe the source of our discretionary authority. These revisions describe our existing practices; they do not change our fees or our services.

We encourage you to read this Brochure in its entirety. If you would like to receive a complete copy of this Brochure at any time, please contact us at 410.825.8844.

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Item 4 • Advisory Business

About Our Firm

VSM Wealth Advisory, LLC (“VSM,” the “Firm,” “we,” “us,” or “our”) was formed in 2021 as the successor to Van Sant & Mewshaw, Inc., which was founded in 1992. VSM Wealth Advisory, LLC, is wholly owned by Fred Cregan Hill, III.

The Services We Offer

VSM provides discretionary investment management and continuous, integrated wealth-advisory services to individuals and families, and to the trusts, estates, retirement plans, and other entities associated with them. Our services are provided on a continuing basis and are tailored to each client’s particular circumstances. The principal services we offer are described below. Except where a separate engagement is agreed in writing, these services are provided as part of a single advisory relationship and are covered by the asset-based fee described in Item 5; we do not charge a separate fee for the planning and coordination services described below.

Investment Management

Our core service is the discretionary management of client investment portfolios on a continuous basis. We construct and supervise portfolios across global equity, fixed income, and other public-market strategies, tailored to each client’s objectives, time horizon, liquidity needs, risk tolerance, and any reasonable restrictions the client imposes. We implement our strategies primarily through index mutual funds and exchange-traded funds. For certain clients we implement personalized (direct) indexing through separately managed accounts, and, on a limited basis, option strategies. Our methods of analysis, our investment strategies, and the risks associated with them are described more fully in Item 8.

Use of Third-Party Managers for Personalized (Direct) Indexing

When we implement a personalized (direct) indexing strategy, we generally do so by engaging an unaffiliated third-party investment manager (an “SMA Manager”) to manage the strategy in a separately managed account held at the client’s custodian. We are responsible for determining whether a direct-indexing strategy is appropriate for you based upon your investment profile and objectives. We are then responsible for selecting the SMA Manager and the index mandate; for establishing any client-specific restrictions, funding instructions, and tax-management parameters; and for monitoring the SMA Manager’s performance and adherence to the mandate on an ongoing basis. Within the mandate we establish, the SMA Manager—not VSM—makes the security-level purchase and sale decisions in the separately managed account. The SMA Manager charges a separate fee for its services, which is in addition to our advisory fee and is described in Item 5. Our methods for selecting and monitoring SMA Managers, and the risks associated with these arrangements, are described in Item 8.

Third-Party Managers: Unified Managed Accounts

Certain SMA Managers offer separately managed account programs that can operate as unified managed accounts (“UMAs”). In a UMA, a single separately managed account held at the client’s custodian is managed under two or more distinct investment strategies, or “sleeves”—for example, a personalized (direct) indexing equity sleeve alongside a fixed income sleeve or a sleeve invested in mutual funds or exchange-traded funds.

The SMA Manager acts as the overlay manager for the account: within the mandate we establish, the SMA Manager implements each sleeve, coordinates rebalancing, contributions, and withdrawals across sleeves, and applies tax management—including tax-loss harvesting and wash-sale controls—on a coordinated basis across the sleeves held within the account. Our responsibilities with respect to a UMA are the same as those described above for other separately managed accounts: we are responsible for determining whether the structure is appropriate for you; for selecting the SMA Manager; for establishing the sleeve allocations, index or strategy mandates, client-specific restrictions, funding instructions, and tax-management parameters; and for monitoring the SMA Manager’s performance and adherence to the mandate on an ongoing basis. Within the mandate we establish, the SMA Manager—not VSM—makes the security-level purchase and sale decisions in the account. The SMA Manager’s fee for a UMA is described in Item 5, and the associated methods of analysis and risks are described in Item 8.

Retirement and Income Planning

For clients approaching or in retirement, we analyze and advise on income and distribution strategies. This may include the sequencing of withdrawals across taxable, tax-deferred, and tax-free accounts; the analysis of Roth conversions; and the planning of required minimum distributions and qualified charitable distributions. These services are advisory in nature and are coordinated with the client’s own tax advisers.

Tax-Aware Investment and Liquidity Strategy

In managing client portfolios, we seek to manage the effect of taxes on investment returns. This may include tax-loss harvesting, asset-location strategies, and strategies for managing, hedging, or diversifying concentrated or restricted equity positions over time, including through the use of personalized (direct) indexing and, where appropriate, options-based strategies (each of which is described in Item 8). We do not provide tax advice, do not prepare tax returns, but upon request we will coordinate these strategies with the client’s own accountants and tax counsel, who remain responsible for tax advice and tax reporting.

Estate and Wealth-Transfer Planning

We assist clients in aligning their investment portfolios with their estate and wealth-transfer objectives. Working in coordination with the client’s own attorneys and tax advisers, this may include advising on the investment and funding of assets held in trusts and other wealth-transfer vehicles, and the ongoing management of those assets. VSM is not a law firm, does not practice law, does not provide legal advice, and does not draft wills, trusts, or other legal documents. All legal documents are prepared by the client’s own independent legal counsel.

Charitable and Philanthropic Planning

We advise on the investment and funding considerations associated with charitable giving, including the use of donor-advised funds, private foundations, and charitable trusts, and upon client request we coordinate with the client’s legal and tax advisers with respect to these vehicles. We do not provide legal or tax advice regarding the establishment or operation of any charitable vehicle.

Family Education and Governance

At a client’s request, we provide educational resources and facilitation intended to help prepare family members and successors to assume responsibility for inherited wealth, including financial-literacy education and assistance in establishing family governance practices.

Family-Office Coordination and Consolidated Reporting

We provide consolidated performance reporting across a client's accounts, custodians, and related entities through third-party portfolio reporting systems, and we coordinate with the client's other professional advisers—attorneys, accountants, and trustees—in support of a single, coherent plan. These services consist of reporting and coordination. VSM does not take possession of client assets, does not pay client bills, and does not otherwise move client funds, except to the limited extent described in Item 15 (Custody).

Consulting Services

In limited cases, and under a separate written agreement, we provide consulting services on an hourly or flat-fee basis—for example, a one-time review of an investment portfolio on which we give our opinion and recommendations. Consulting engagements are limited to the scope described in the written agreement and do not include ongoing portfolio management or supervision unless we agree otherwise in writing. The fees for consulting services are described in Item 5.

Retirement Plans and Plan Participants

When we are appointed by the responsible plan fiduciary to manage the assets of an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), we serve as an "investment manager" as defined in Section 3(38) of ERISA and we acknowledge our fiduciary status in writing. For participants in 401(k) and similar plans, we provide portfolio management services only through the plan's self-directed brokerage option, under an agreement with the participant, and we act as a fiduciary with respect to the participant's account under ERISA and/or the Internal Revenue Code, as applicable. In each case we are a "level-fee" adviser: our only compensation is the advisory fee described in Item 5, and we receive no third-party compensation of any kind.

Scope of Our Services; Coordination With Other Professionals

The retirement, tax-aware investment, estate, charitable, and family-education services described above are advisory and coordinative in nature and are provided as a complement to our investment management services. VSM is not a law firm, an accounting firm, or an insurance agency. We do not provide legal advice, prepare legal documents, prepare tax returns, provide accounting services, or sell insurance or other commission-based products, and we receive no commissions or other compensation from the sale of any product. Where a client's circumstances call for legal, tax, accounting, insurance, or other professional services, VSM coordinates with the client's own independent professional advisers, who are solely responsible for the advice and services they provide. A client is under no obligation to act on any planning recommendation and may implement any recommendation through the professional adviser of the client's choosing. To the extent we are asked to provide incidental services such as cursory budgeting, insurance assessments, or education-funding analysis, those services are limited in scope and no separate fee is charged for them. If any additional fee is to be charged, other than the fee specified in the client's advisory agreement, the client's consent will be obtained in advance.

How We Provide Those Services

VSM tailors individual client portfolios based on the client's needs, circumstances, goals, objectives, age, available capital, degree of sophistication, and risk tolerance. You will deal directly with the investment counselor managing your portfolio. You may choose to have varying levels of involvement with the

management of your portfolio. In some cases, you may choose to place restrictions on your account regarding specific securities or investment vehicles. If so, you must do this in writing.

Wrap Fee Programs

We do not participate in or offer wrap fee programs.

Assets Under Our Management

As of December 31, 2025, VSM Wealth Advisory, LLC had assets under management of \$677,516,349, all of which are managed on a discretionary basis. We do not manage any client assets on a non-discretionary basis.

Item 5 • Fees and Compensation

How We Are Compensated For Our Services

VSM is a fee-only investment adviser. We are compensated solely by our clients. We receive no commissions, sales charges, markups, or any other compensation from any third party in connection with the purchase or sale of any security or other investment product. As described in Items 12 and 14, we do receive certain non-cash economic benefits from Charles Schwab & Co., Inc. ("Schwab") in the form of support products and services that Schwab makes available to independent investment advisers whose clients maintain accounts at Schwab; those benefits, and the related conflict of interest, are described in those Items. We charge clients a fee for portfolio management and investment supervisory services. These fees are based on a percentage of assets under our management.

In appropriate cases, we recommend rollovers out of employer-sponsored retirement plans and into Individual Retirement Accounts that we manage for an asset-based fee. This will increase our compensation, which is a conflict of interest. We address this conflict by disclosing this conflict to you, by recommending a rollover only when we have determined that the rollover is in your best interest, and by documenting the basis for that determination, including a good-faith comparison of the investment options, services, and total costs of your existing plan and the proposed IRA. You are under no obligation to act on any rollover recommendation.

Our basic fee is one percent (1%) per annum, assessed quarterly at one-fourth of the annual rate (0.25% per quarter at the basic rate), of assets under our management. This fee is subject to negotiation and our typical fees range between fifty-five hundredths of one percent (0.55%) per annum and one percent (1.00%) per annum. Because our fee is negotiable, clients with similar amounts of assets who receive similar services may pay different fees. We may, in our discretion, reduce or waive our fee for certain accounts, including accounts of our employees and their family members and certain legacy relationships.

FEE EXAMPLE

An account with a one percent (1%) per annum fee and valued at \$2,500,000 at the beginning of the quarter would be billed \$6,250 ($\$2,500,000 \times 0.0025 = \$6,250$).

In limited cases we provide consulting services only, as described in Item 4—for example, reviewing a portfolio and giving our opinion or recommendations. For this service we charge an hourly fee at the rate of \$500 per hour or a flat fee agreed upon in advance. Consulting services are provided under a separate written agreement that describes the scope of the engagement and the fee. Consulting fees are billed in arrears—upon completion of the engagement or as otherwise stated in the written agreement—and we do not require or solicit prepayment of more than \$1,200 in fees per client six or more months in advance.

How We Receive Payment for Our Services

If you are charged a fee based upon the percentage of assets under our management you may have the fee deducted directly from your brokerage account or you may choose to be billed directly. If you are billed directly, payment is due within 30 calendar days of delivery of our bill. We bill our clients in advance of each quarter based on the market value of your account at the end of the preceding quarter, as reported by your account custodian. For example, an account valued at \$2,500,000 on December 31st, paying a one percent per annum fee, would be charged \$6,250 for the following quarter—January, February, and March. We send each client a detailed bill showing how the fee was calculated. We do this for each account that is being charged a fee.

If we begin managing your account during a calendar quarter, our fee for that initial period is prorated: it is based on the market value of the assets when we begin managing them and the number of days remaining in the quarter. We do not adjust a quarter's fee for contributions to or withdrawals from your account during that quarter; contributions and withdrawals are instead reflected in the market value of your account at the end of the quarter, on which the following quarter's fee is based. If you terminate our services during a quarter, we refund the unearned portion of any fee paid in advance on a pro rata basis, as described under "Termination" below.

Other Fees You Might Be Charged

There will be other fees and expenses associated with your account and/or investments. When buying and selling securities there may be transaction costs charged by the broker-dealer. This is discussed in detail in Item 12 (Brokerage Practices) below. All mutual funds have expenses shareholders will incur. All mutual funds have a management fee. Some funds charge distribution or marketing fees, commonly known as 12b-1 fees. Some funds charge a redemption fee to discourage short-term traders, which may cover a period from the day of purchase to a month or even a year. When we buy an ETF or mutual fund for your account, you will be sent a prospectus by the broker-dealer. The prospectus will provide detailed information related to the ETF's or mutual fund's costs. Always read the prospectus because it contains detailed information about cost, performance and the purpose of the mutual fund or ETF. We receive no compensation for the sale of securities or any other investment products, including asset-based sales charges, or service fees from the sale of mutual funds.

Fees of Third-Party SMA Managers

If a portion of your portfolio is managed by a third-party SMA Manager through a personalized (direct) indexing or other separately managed account strategy (see Items 4 and 8), the SMA Manager charges a separate asset-based program fee for its services. The SMA Manager's fee is in addition to our advisory fee; it is not shared with us and is not offset against our fee. It is generally deducted directly from the separately managed account by the SMA Manager or the custodian. Because our advisory fee applies to all assets under our management, including assets managed by an SMA Manager, you will pay both our fee and the SMA Manager's fee on those

assets. The SMA Manager's fee is disclosed in your account documentation and in the SMA Manager's own Form ADV disclosure brochure, which you should read carefully. We consider the SMA Manager's fee, and the total cost of the strategy to you, as part of our selection and ongoing monitoring of SMA Managers.

Where a separately managed account operates as a unified managed account (see Item 4), the SMA Manager generally charges a single asset-based program fee covering its overlay management and its implementation of each sleeve. If any sleeve is invested in mutual funds or ETFs, you will also bear indirectly the internal expenses of those funds, as described above under "Other Fees You Might Be Charged." The SMA Manager's program fee is in addition to our advisory fee, is not shared with us, and is not offset against our fee. As part of our selection and ongoing monitoring of SMA Managers, we consider the total cost of a UMA to you—our advisory fee, the SMA Manager's program fee, and any fund-level expenses within the sleeves—relative to the cost of implementing the same strategies through separate accounts or funds.

Termination

If you terminate your agreement with us before the end of the quarter, we will refund you any unearned fees, calculated on a pro rata basis. You may terminate your advisory agreement with us at any time for any reason. It is important that your request to terminate your advisory agreement with us be submitted in writing. It should state that you wish to terminate and when the termination should take effect.

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

We do not accept performance-based fees—that is, fees based on a share of capital gains or capital appreciation of the assets in your account.

Item 7 • Types of Clients

VSM provides investment advisory services to individuals, pension and profit-sharing plans, deferred compensation plans, 401(k) Plan Trustees, 401(k) Plan Participants, individual retirement accounts (IRAs), trusts, estates and charitable organizations. VSM Wealth Advisory, LLC is a fee-only asset manager acting in a fiduciary capacity and does not receive or share in commissions or any other fees generated by client accounts. For retirement accounts subject to ERISA, we act as a fiduciary and, where we are appointed by the plan's responsible fiduciary, as a Section 3(38) investment manager, in each case as described in Item 4.

We do not impose a minimum account size or any other conditions for opening or maintaining an account.

Item 8 • Methods of Analysis, Investment Strategies and Risk of Loss

How We Manage Your Assets

We manage our client portfolios using a method known as asset allocation. Asset allocation involves dividing an investment portfolio among different asset categories, such as stocks, bonds, and cash. The process of determining which mix of assets to hold in your portfolio is dependent upon your personal situation. The asset allocation that works best for you at any given point in your life will depend largely on your time horizon and your ability to tolerate risk.

Your time horizon is the expected number of months, years, or decades you will be investing to achieve a particular financial goal. Investors with a longer time horizon may feel more comfortable taking on a riskier, or more volatile, investment because they can wait out slow economic cycles and the inevitable ups and downs of markets. By contrast, an investor saving for a teenager's college education would likely take on less risk because they have a shorter time horizon for those funds.

Risk tolerance is your ability and willingness to lose some or all of your original investment in exchange for greater potential returns. An aggressive investor, or one with a high-risk tolerance, is more willing to risk losing money in order to get better results. A conservative investor, or one with a low-risk tolerance, tends to favor investments that are more likely to preserve their original investment.

A large part of our job is to construct an asset allocation that is appropriate for your particular situation and monitor the portfolio, addressing the need to rebalance. How your portfolio will be constructed will depend on various factors including your appetite for and your ability to shoulder risk, along with your needs and objectives. Your portfolio will consist of different asset classes. The construction and management of the portfolio is our responsibility. Your portfolio may have a varying degree of volatility and turnover. The value of your portfolio is subject to market conditions and you should expect it to fluctuate. No return can be guaranteed, and it is important that you recognize that the possibility of principal loss does exist. It is also important to understand that risk and return are inextricably intertwined. We believe in the general axiom that any opportunity to achieve high returns comes with high risk; and any investment that carries less risk will also offer lower returns.

The Risk Involved With Your Portfolio

Every investment strategy or method carries risk. If you intend to purchase securities such as stocks, bonds, or mutual funds, it is important that you understand, before you invest, that you could lose some or all of your money.

With asset allocation we believe the reward for taking on risk is the potential for a greater investment return. If you have a financial goal with a long time horizon, you are generally likely to make more money over the long term by carefully investing in asset categories with greater risk, like stocks or bonds, rather than restricting your investments to assets with less risk, like cash equivalents. On the other hand, investing solely in cash investments may be appropriate for short-term financial goals. If you want the potential for high returns offered by stocks, you are going to have to pay for that opportunity by bearing risk. Stated plainly, in the course of pursuing those higher returns, your portfolio may suffer precipitous declines.

The value of your portfolio is subject to market conditions and you should expect it to fluctuate. To what degree it fluctuates will be dependent on how your assets are allocated among stocks, bonds and cash equivalents, as well as general market movement. No return can be guaranteed. Markets can and do go through extended periods producing low, no and negative returns (meaning, losses). It is important that you recognize that when you invest you can lose money.

These general market risks apply to every portfolio we manage. The prices of securities rise and fall in response to economic, political, regulatory, and market developments; changes in interest rates and investor sentiment; and events—such as pandemics, wars, and other geopolitical crises—that cannot be predicted. Declines can be sudden, severe, and prolonged, and can affect entire markets and asset classes at once.

The Type of Investments We Use for Your Portfolio

We primarily use index mutual funds and exchange traded funds when implementing our investment strategy. We use traditional open-end index funds and exchange traded funds (ETFs) and, in special situations, we may use an inverse or leveraged index exchange traded fund. We also use options on a limited basis.

Index Fund

An index fund is a type of mutual fund whose investment objective typically is to achieve approximately the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, the Russell 2000 Index or the Wilshire 5000 Total Market Index. Some index funds may track a particular country, region, or sector, such as China, Europe, or Energy. An index fund will attempt to achieve its investment objective primarily by investing in the securities (stocks or bonds) of companies that are included in a selected index. Some index funds may also use derivatives (such as options or futures) to help achieve their investment objective. Some index funds invest in all of the companies included in an index; other index funds invest in a representative sample of the companies included in an index. The management of index funds is more “passive” than the management of non-index funds because an index fund manager only needs to track a relatively fixed index of securities. This usually translates into less trading of the fund’s portfolio, more favorable income tax consequences (lower realized capital gains), and lower fees and expenses than more actively managed funds. Because the investment objectives, policies and strategies of an index fund require it to purchase primarily the securities contained in an index, the fund will be subject to the same general risks as the securities that are contained in the index. Those general risks are the same as any stock funds and bond funds. In addition, because an index fund tracks the securities in a particular index, it may have less flexibility than a non-index fund to react to price declines in the securities contained in the index.

Exchange Traded Fund (ETF)

Another type of investment company we use that attempts to track the performance of a market index is an ETF. ETFs may appear similar to UITs (unit investment trust) or open-end investment companies, but they differ from traditional UITs and open-end investment companies in a number of respects. Exchange Traded Funds are traded through a brokerage firm on a stock exchange. Shares of ETFs are traded with other investors who are also going through brokerage firms to facilitate their transactions. All-day trading makes ETFs more flexible than open-end mutual funds where investors must wait until the end of the day to buy and sell shares. ETFs do not necessarily trade at their net asset value (NAV) and cannot be redeemed at their NAV like an open-end fund. Hence, they may sell at a discount or premium to their NAV.

Fixed Income (Bond) Investments

We implement fixed income allocations primarily through bond index mutual funds and ETFs, and client accounts also hold cash and money market mutual funds. Bonds and bond funds carry interest-rate risk: when interest rates rise, the market value of existing bonds—and of the funds that hold them—generally falls, and the longer a bond’s maturity or duration, the greater that sensitivity. They also carry credit risk (an issuer may be unable or unwilling to make interest or principal payments when due, and funds holding lower-rated bonds bear greater credit risk), inflation risk (the fixed payments of a bond may lose purchasing power over time), and, for certain bonds, call or prepayment risk (an issuer may repay a bond early, forcing reinvestment at lower rates). A money market mutual fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency; although money market funds seek to preserve a stable value, it is possible to lose money by investing in them.

Foreign (Non-U.S.) Investments

Our portfolios typically include index funds and ETFs that invest in the securities of non-U.S. companies, and a personalized (direct) indexing account may hold non-U.S. securities directly, including through American Depositary Receipts. In addition to the general risks of equity and fixed income investing, non-U.S. investments carry currency risk: changes in exchange rates between the U.S. dollar and other currencies can reduce returns independent of the performance of the underlying securities. Non-U.S. investments also carry political, economic, and regulatory risks that differ from those of the United States, and non-U.S. markets may have different accounting, auditing, and disclosure standards, less liquidity, and higher transaction costs than U.S. markets. These risks are generally greater for investments in emerging markets.

Inverse and Leveraged Exchange Traded Funds

In special situations, we may use an inverse or leveraged ETF. Leveraged ETFs seek to deliver multiples of the performance of the index or benchmark they track. Inverse ETFs (also called “short” funds) seek to deliver the opposite of the performance of the index or benchmark they track. Like traditional ETFs, some leveraged and inverse ETFs track broad indices, some are sector-specific, and others are linked to commodities, currencies, or some other benchmark. Inverse ETFs often are marketed as a way for investors to profit from, or at least hedge their exposure to, downward moving markets.

Leveraged inverse ETFs (also known as “ultra short” funds) seek to achieve a return that is a multiple of the inverse performance of the underlying index. An inverse ETF that tracks a particular index, for example, seeks to deliver the inverse of the performance of that index, while a 2x (two times) leveraged inverse ETF seeks to deliver double the opposite of that index’s performance. To accomplish their objectives, leveraged and inverse ETFs pursue a range of investment strategies through the use of swaps, futures contracts, and other derivative instruments.

Most leveraged and inverse ETFs “reset” daily, meaning that they are designed to achieve their stated objectives on a daily basis. Their performance over longer periods of time—over weeks or months or years—can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets. As the examples below demonstrate, an ETF that is set up to deliver twice the performance of a benchmark from the close of trading on Day 1 to the close of trading on Day 2 will not necessarily achieve that goal over weeks, months, or years.

The following two real-life examples illustrate how returns on a leveraged or inverse ETF over longer periods can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time.

Between December 1, 2008, and April 30, 2009, a particular index gained 2 percent. However, a leveraged ETF seeking to deliver twice that index's daily return fell by 6 percent—and an inverse ETF seeking to deliver twice the inverse of the index's daily return fell by 26 percent.

During that same period, an ETF seeking to deliver three times the daily return of a different index fell 53 percent, while the underlying index actually gained around 8 percent. An ETF seeking to deliver three times the inverse of the index's daily return declined by 90 percent over the same period.

HYPOTHETICAL ILLUSTRATION

How can this apparent breakdown between longer-term index returns and ETF returns happen? Consider a hypothetical example: assume that on Day 1, an index starts with a value of 100 and a leveraged ETF that seeks to double the return of the index starts at \$100. If the index drops by 10 points on Day 1, it has a 10 percent loss and a resulting value of 90. Assuming it achieved its stated objective, the leveraged ETF would therefore drop 20 percent on that day and have an ending value of \$80. On Day 2, if the index rises 10 percent, the index value increases to 99. For the ETF, its value for Day 2 would rise by 20 percent, which means the ETF would have a value of \$96. On both days, the leveraged ETF did exactly what it was supposed to do—it produced daily returns that were two times the daily index returns. Over the two-day period, however, the results are different: the index lost 1 percent (it fell from 100 to 99) while the 2x leveraged ETF lost 4 percent (it fell from \$100 to \$96). That means that over the two-day period, the ETF's negative returns were 4 times as much as the two-day return of the index instead of 2 times the return.

Greater leverage will magnify results, whether positive or negative. Greater leverage carries greater risk. Leveraged or inverse ETFs carry higher expenses than traditional ETFs. In certain circumstances, they are less tax-efficient than traditional ETFs, in part because daily resets can cause the ETF to realize significant short-term capital gains that may not be offset by a loss.

When we buy any ETF or mutual fund you will be sent a prospectus by the broker-dealer. It is important to read the prospectus, which provides detailed information related to the ETF's or mutual fund's investment objectives, principal investment strategies, risks, and costs. Always read the prospectus.

Options

We sometimes use options to hedge existing positions and as a tool to give our portfolios limited protection from steep market declines. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date. An option, just like a stock or bond, is a security. It is also a binding contract with strictly defined terms and properties based on the exchange where the option is listed. The purchase of an option is an added cost to your portfolio (more on the risk of options below).

There are two types of options: calls and puts.

- A call gives the holder the right to buy an asset at a certain price within a specific period of time.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time.

Below are the strategies that we use.

Covered Call Writing

This strategy is used to enhance portfolio income and offer some protection against loss. The owner of 100 (or more) shares of a security sells (writes) a call option against that security. The option buyer pays a premium, and in return gains the right to buy those shares at an agreed upon price (strike price) for a limited time (until the option expires). If the security undergoes a significant price increase, however, the option holder almost certainly will exercise the option and buy the security for the strike price. Thus, the risk of selling covered calls is that the seller will sacrifice the potential for profiting by an increase in the price of the security over the strike price. The potential benefit of selling covered calls is that if the price of the security remains below the strike price, the option will not be exercised by its holder, and the option writer will profit by the amount of the premium received upon the sale of the option. That cash increases the portfolio's income and offers some protection against a decline in the price of the security. Thus, by selling covered calls, the owner of the security (the covered call writer) sacrifices the possibility of earning profits over and above that previously agreed-upon price in exchange for the immediate cash payment.

Put Hedging

Put options grant the owner of the underlying security the right to sell shares of the security at the strike price. Hedging with a put does not necessarily provide 100 percent protection, but it can limit losses to a set percentage amount. It is similar to buying an insurance policy with a deductible. The advantage of buying a put hedge is that losses can be limited. By selecting the appropriate strike price for the underlying security you are protected by a specific selling price, thus helping to protect the value of your portfolio.

The Collar

This is another strategy for protecting portfolio value against a market decline. It may also be used to lock in profits from an existing position. The collar is a combination of the two methods noted above. To build a collar, the owner of 100 shares buys one put option, obtaining the right to sell those shares, and sells a call option, granting someone else the right to buy the same shares.

Cash is paid for the put at the same time that cash is collected from selling the call. Depending on the strike prices chosen, the collar can often be established for zero out-of-pocket cash. That means the investor is accepting a limit on potential profits in exchange for protection of the value of their holdings.

The risk of buying an option (as you would with a put hedge or a collar) is losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which will become worthless when it expires. An option holder who neither sells nor exercises it prior to its expiration will lose the entire amount paid for the option.

When your account is approved for option trading, you will receive from the broker-dealer a disclosure document called "Characteristics and Risks of Standardized Options." This provides more detailed information regarding the risks of options trading. Please read it carefully.

Concentrated and Restricted Equity Positions

Some clients hold large positions in a single security, often acquired through employment, a business sale, or inheritance. A concentrated position exposes the portfolio to the fortunes of a single issuer, and its value can decline severely and rapidly for reasons specific to that issuer, independent of the broader market. Where a position consists of restricted or control securities, sales may be limited by the conditions of Rule 144 under the Securities Act of 1933, by issuer trading windows and blackout periods, or by contractual lock-ups, and those limits can prevent a sale when a sale would otherwise be advisable. Strategies for managing a concentrated position—including staged diversification, personalized (direct) indexing funded in kind, and the options strategies described above—involve costs, may limit participation in further appreciation, carry exercise and assignment risk, and may have tax consequences, including under the wash-sale, straddle, and qualified covered call rules. We do not provide tax advice, and we coordinate these strategies with the client's own tax advisers.

Tax-Aware Portfolio Management and Personalized (Direct) Indexing

For taxable accounts, we seek to manage the effect of taxes on your after-tax return. This may include tax-loss harvesting—selling securities at a loss to offset realized gains while seeking to maintain comparable market exposure—and asset location, which seeks to hold less tax-efficient investments in tax-advantaged accounts and more tax-efficient investments in taxable accounts. We may also implement equity strategies through personalized, or “direct,” indexing, in which the client owns the individual securities that compose an index in a separately managed account rather than owning a fund. Direct indexing can provide greater opportunity for tax-loss harvesting and for accommodating individual client preferences and restrictions.

These strategies involve risk and do not guarantee any particular tax result. Tax-loss harvesting may not be advantageous in all circumstances; it can be limited by the “wash sale” rules, may reduce the cost basis of your holdings (which can increase tax on a later sale), and is generally intended to defer rather than permanently eliminate taxes. Personalized (direct) indexing involves holding a larger number of individual positions, may produce tracking differences relative to the index it is designed to follow, and may increase trading activity. We do not provide tax advice, and clients should consult their own tax advisers regarding the tax consequences of any strategy. Any opportunity for tax savings is secondary to managing your portfolio consistent with your objectives, and no particular tax or investment outcome can be guaranteed.

Personalized (direct) indexing may have material deviations from a tracked index or index-based strategy or sleeve, including factor tilts, screens, overlays such as ESG, tactical allocations, or optimized or representative sampling rather than full replication of the index. Depending upon the selected strategies or sleeves, personalized (direct) indexing has several risks and the following list does not purport to be a complete list or explanation of all of the risks involved in those strategies:

- Tracking Error Risk: rebalancing frequency, trading costs and execution timing, use of sampling or optimization instead of full replication of an index, and restrictions imposed by the client could cause a material deviation from the actual tracked index;
- Concentration Risk: market-cap weighted indices may become heavily concentrated in certain sectors or issuers;
- Liquidity Risk: securities in the index may be illiquid or difficult to trade efficiently;
- Index Provider Risk: Errors, delays, or changes by index providers may affect performance.

Investment strategies that seek to enhance after-tax performance may be impacted by various factors. Market conditions may limit the ability to generate losses. In addition, wash sale violations can potentially negate the benefits of active loss harvesting (*See Wash Sales Across Your Household Accounts* below.) Future tax legislation, Treasury regulations, and/or changes in guidance issued by the Internal Revenue Service can impact the tax treatment of assets in a client portfolio, including the character, timing, and/or amount of taxable income or gains attributable to an account. The benefit of tax-managed investing to an individual investor is dependent upon the tax liability of that investor. Over time, the ability of an investor in a tax-managed strategy to harvest losses may decrease and gains may build up in a securities portfolio.

Clients are urged to review the SMA Manager's Form ADV Part 2 for additional disclosures about personal (direct) indexing and tax strategies relating to the programs and strategies managed by the SMA Manager.

Selection and Monitoring of Third-Party SMA Managers

When we implement a strategy through a third-party SMA Manager (see Item 4), our methods of analysis include the initial and ongoing evaluation of the SMA Manager itself. In selecting an SMA Manager we evaluate, among other things: the manager's index-tracking methodology and expected tracking error; the manager's tax-management capabilities, including the frequency of its tax-loss harvesting reviews and the design and limitations of its wash-sale controls; the manager's fees and the total cost of the strategy; its trading practices and operational integration with the account custodian; its capacity to accommodate client-specific restrictions and to accept transfers of appreciated securities in kind; and its organizational, regulatory, and financial standing. Where the strategy is to be implemented as a unified managed account (see Item 4), we additionally evaluate the manager's sleeve-construction and overlay methodology; the manner in which cash flows, rebalancing, and tax management are coordinated across sleeves; and whether the manager's tax-loss harvesting and wash-sale controls operate across all sleeves within the account or only within individual sleeves. On an ongoing basis, we monitor the SMA Manager's adherence to the agreed mandate, its realized tracking difference relative to the target index, the effectiveness of its tax management, and its overall performance, and we may replace an SMA Manager or terminate the strategy when we believe doing so is in the client's best interest.

These arrangements involve additional risks. Within the mandate we establish, the SMA Manager makes the security-level trading decisions in the separately managed account; we do not direct individual purchases and sales in that account, and the SMA Manager may fail to execute the strategy effectively, may deviate from the mandate, or may experience operational or technological failures. The information we receive about the SMA Manager's activity may be delayed or incomplete. There is no assurance that our selection or monitoring of an SMA Manager will produce the intended investment or tax results.

A UMA involves further risks. Coordination across sleeves may cause an individual sleeve to be managed differently than the same strategy would be managed on a standalone basis; tax management and client restrictions applied at the account level may increase the tracking difference between a sleeve and its target index or model; and the account's results depend on the SMA Manager's overlay, coordination, and cash-management processes in addition to its management of each sleeve. The SMA Manager's wash-sale controls in a UMA generally coordinate transactions among the sleeves within that account; they remain subject to the limitations described below under "Wash Sales Across Your Household Accounts" with respect to activity in accounts outside the SMA Manager's platform.

Wash Sales Across Your Household Accounts

The federal wash-sale rules (Section 1091 of the Internal Revenue Code) can disallow a loss for tax purposes if the same or a substantially identical security is acquired within 30 days before or after the sale that produced the loss—and those rules apply across your accounts and certain related accounts, not merely within the account in which the loss was realized. A harvested loss can be disallowed by transactions in your other taxable accounts, in your individual retirement accounts (where, under published IRS guidance, a disallowed loss is permanently lost rather than deferred through a basis adjustment), and in certain accounts of your spouse or of entities you control. It is important to understand that an SMA Manager's automated wash-sale controls generally monitor only the accounts that the SMA Manager itself manages on its own platform; they do not, and cannot, monitor activity in accounts outside that platform. As a result, a loss harvested in a separately managed account can be disallowed, in whole or in part, by activity in another account without the SMA Manager's or VSM's knowledge. Where we manage multiple accounts for a client or a client's household, we seek to coordinate trading across those accounts to reduce this risk, but we cannot monitor transactions in accounts we do not manage. Clients and their tax advisers remain responsible for identifying and reporting wash sales on the client's tax returns, and we encourage clients to inform us of trading activity in accounts held outside our management.

Cybersecurity and Operational Risk

In managing your account we rely on our own systems and personnel and on third parties—including your account custodian, third-party SMA Managers, and the portfolio accounting, reporting, and trading technology we use. A cybersecurity incident, system failure, or human or vendor error at VSM or at a third party could disrupt the management of your account, delay or cause errors in transactions or reporting, or result in the unauthorized disclosure of confidential information. We maintain safeguards designed to protect our systems and your information, and we oversee our service providers, but no program of safeguards can eliminate these risks.

Item 9 • Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of its management. VSM has no information that is applicable to this Item.

Item 10 • Other Financial Industry Activities and Affiliations

This Item requires advisers to disclose if they have affiliations with other financial industry participants. VSM selects and monitors unaffiliated third-party SMA Managers for certain client strategies, as described in Items 4 and 8. VSM receives no compensation of any kind from any SMA Manager and has no business relationship with any SMA Manager other than the management of client accounts. VSM has no other information to disclose in this Item. Neither VSM nor any of its management persons is registered, or has an application pending to

register, as a broker-dealer or a registered representative of a broker-dealer, or as a futures commission merchant, commodity pool operator, or commodity trading advisor (or an associated person of any of the foregoing).

Item 11 • Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

We have adopted a code of ethics for our employees and any related persons. Our success depends on our clients' and the public's confidence in our integrity and professionalism. To ensure and maintain that confidence our behavior and actions must be above reproach. We must always strive to avoid activities, interests, and relationships that would be a conflict of interest between ourselves and our client(s). When a conflict of interest between ourselves and our client(s) is unavoidable it is important that we acknowledge it, address it, and inform our client(s) that it exists. Our code of ethics addresses issues such as: safeguarding of client information, recognizing the need for client privacy, maintaining confidentiality of all client records, and the buying and selling of securities by our employees or anyone related to them for their personal accounts. Our code of ethics also prohibits trading, for client or personal accounts, on the basis of material non-public information, consistent with Section 204A of the Investment Advisers Act of 1940. In essence, the duty to place the interest of our clients before our own comes first at all times. We will provide a copy of our code of ethics to any client or prospective client upon request.

We do not have or maintain any material interest in any securities, partnerships, or investment companies. We do not engage in principal transactions or agency cross transactions with client accounts. As individuals, our representatives are permitted to invest in the same securities that we recommend to our clients. When they do, we require that all personal securities transactions be conducted in such a manner as to be consistent with our code of ethics and to avoid any actual or potential conflict of interest.

When there is an event or major change in the vast majority of our clients' portfolios that involves a specific security, we may place that security on our "Restricted List." When a security is placed on the "Restricted List" it will be at the direction of the Chief Compliance Officer (CCO) or designee. When a security is placed on the "Restricted List," all employees or related persons are prohibited from engaging in any transactions in that security until the restriction is lifted.

Sometimes individual representatives buy or sell, for their personal or related accounts, the same securities that we recommend for our clients at or about the same time. This presents a potential conflict of interest, which our code of ethics addresses as follows. Client transactions take priority: no employee or employee-related account may trade ahead of a client account, and when an employee or employee-related order is combined with client orders in an aggregated ("block") order, every account in the block—client and employee alike—receives the same average execution price, as described in Item 12. Access persons must obtain the prior approval of the Chief Compliance Officer (CCO) or a designee before acquiring any security in an initial public offering or a limited (private) offering. All trading in employee and employee-related accounts is recorded, and access persons must submit initial and annual holdings reports and quarterly personal securities transaction reports; the CCO or a designee reviews personal trading—including against client trading activity—no less frequently than quarterly, consistent with our code of ethics. No employee or employee-related account is

permitted to trade or give the appearance of trading against client accounts—that is, putting their personal interest before yours.

Item 12 • Brokerage Practices

The Custodian and Brokers We Use

We do not maintain custody of your assets that we manage and upon which we advise, although we are deemed to have custody of your assets solely because you authorize us to deduct our advisory fees directly from your account, as described in Item 15 – Custody. Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Charles Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we or you instruct them to do so. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so. The choice of another custodian must be mutually agreed upon by both you and us. If we do not mutually agree upon a custodian, then we cannot manage your account. You will open an account with Charles Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (“Your Brokerage and Custody Cost”). Not all investment advisers require their clients to maintain accounts at a particular custodian or group of custodians. Because we execute most transactions through the custodian that holds your account, we may not achieve the most favorable execution available for every individual transaction, and this practice may in some circumstances cost you more money; we believe, for the reasons described in this Item, that this arrangement is in our clients’ best interests overall.

How We Select Brokers/Custodians

We select a custodian/broker-dealer who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- The capability to execute, clear, and settle trades (buying and selling securities for your account)
- The capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange traded funds [ETFs], etc.)
- Availability of the lowest-cost share classes of mutual funds and ETFs
- Availability of investment research and tools that assist us in making investment decisions
- Quality of service
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices

- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us From Schwab”)

Your Brokerage and Custody Cost

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle in your Schwab account. Certain trades (many mutual funds, ETFs and common stock) do not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the un-invested cash in your account in Schwab’s Cash Features Program. The interest rate paid on cash in the Cash Features Program is generally lower than the yield available on money market mutual funds or other cash investments. Where a client account holds cash balances beyond its near-term needs, we may invest those balances in money market mutual funds as part of our management of the account. In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or trade-away fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How We Select Brokers/Custodians”).

Trade Execution by Third-Party SMA Managers

Where a portion of your portfolio is managed by a third-party SMA Manager (see Items 4 and 8), the SMA Manager—not VSM—selects the broker-dealer for, and executes, the purchases and sales in that separately managed account, generally through the account’s custodian. Where the separately managed account operates as a unified managed account, the SMA Manager executes the transactions for each sleeve of the account. If the SMA Manager executes a transaction through a broker-dealer other than the account’s custodian, the transaction may be subject to that broker-dealer’s compensation and to Schwab’s trade-away (“prime broker”) fee described above under “Your Brokerage and Custody Cost.” Responsibility for seeking best execution of those transactions rests with the SMA Manager. We evaluate the SMA Manager’s trading practices and execution quality as part of our initial and ongoing due diligence, as described in Item 8, and the SMA Manager’s own brokerage practices are described in its Form ADV disclosure brochure.

Products and Services Available to Us From Schwab

Schwab Advisor Services™ is Schwab’s business serving independent investment advisory firms like ours. Through it, Schwab provides us and our clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us. Following is a more detailed description of Schwab’s support services:

Services That Benefit You

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

Services That May Not Directly Benefit You

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

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Schwab Services That Generally Benefit Only Us

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

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

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody, and neither these services nor the commission rates applicable to our client accounts are conditioned on our clients collectively maintaining any minimum level of assets in accounts at Schwab. The availability of these services may nonetheless give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest.

We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How We Select Brokers/Custodians") and not Schwab's services that benefit only us.

Research and Other Soft Dollar Benefits

Other than the Schwab support products and services described above, which are not provided to us in connection with client securities transactions, we do not receive research or other products or services other than execution from a broker-dealer or third party in connection with client securities transactions. In exchange for receiving research or other products, some advisers will place their clients' trades through a specific broker-dealer. This can result in clients paying a higher rate of commission or mark-up in the securities they purchase. Such a practice is known as "soft dollar benefits." We do not participate in or receive soft dollar benefits.

Brokerage for Client Referrals

We do not receive or participate in any client referral program with any broker-dealer or third party. A client referral program is where an adviser will receive referrals from a broker-dealer or some third party in exchange for the adviser using that broker-dealer or the third party's services. We do not participate in any such programs.

Client-Directed Brokerage

We do not permit clients to direct brokerage. Directed brokerage is when a client requests or requires us to execute transactions for their account through a specified broker-dealer other than the broker-dealer who has custody of the account. By allowing directed brokerage we might be unable to ensure the most favorable execution of client transactions, and it could mean extra cost for the client. As described above, we do require that your account be maintained at a qualified custodian upon which you and we mutually agree—in almost all cases, Schwab—and the conflict of interest associated with our recommendation of Schwab is described above under "Products and Services Available to Us From Schwab."

Aggregating Orders for Client Accounts

When purchasing or selling securities for client accounts, we sometimes have the opportunity to aggregate or "bunch" the orders. Aggregating or bunching orders happens when the same security is going to be bought or sold for various client accounts. Instead of separate trades being placed for each individual account, one large "block" order is placed and executed. If the execution price varies, the total sum of the order is calculated and an average price is determined. This is done to ensure no one client is favored over another. The securities are then allocated to the client accounts. Generally, aggregating or bunching orders results in a better execution for the clients. We may not aggregate orders for a number of reasons—for example, because of timing differences, client-specific circumstances, restrictions, or cash flows in individual accounts, or because transactions in a separately managed account are executed by the SMA Manager rather than by us, as described above under "Trade Execution by Third-Party SMA Managers." When we do not aggregate orders, client accounts trading in the same security at different times during the day may receive different prices.

Item 13 • Review of Accounts

The investment counselor assigned to your account provides continuous and regular supervision and management of your portfolio.

The Chief Investment Officer (or their designee) or the Chief Compliance Officer (or their designee) reviews client accounts monthly for cash flows and net returns for the period. In addition, we may review accounts at any time for various reasons such as market volatility, change in interest rates, geopolitical events, or if the client notifies us of material changes in the client's situation that would affect the way the portfolio is being managed. It is the client's responsibility to notify us of material changes in the client's financial situation, investment needs, goals, or risk tolerance. In addition, the client may request a review at any time.

We issue written quarterly portfolio reports for each client account for which we provide portfolio management services. This report is divided into three segments:

1. The Portfolio Statement, which provides a description of each investment, its percentage weighting, the quantity, cost basis, current value, and unrealized gain or loss.
2. The Portfolio Performance Summary, which provides (one year and year to date) the beginning value of the portfolio, net contributions, ending value, investment gain or loss, and percentage return for the period.
3. The Billing Statement, which provides an itemized account of how your management fee was calculated for the period (see Fees and Compensation).

Other reports are available upon request, such as: Realized Gains and Losses, Income Report, Expense Report, and Deposit/Withdrawals.

The custodian statements are the official record of your account. You should compare the statement you receive from the custodian (in most cases that will be Charles Schwab) of your account with the reports you receive from us. If there are any discrepancies or if there is something you do not understand you should contact us or the custodian promptly to get clarification. We welcome your questions at any time.

Item 14 • Client Referrals and Other Compensation

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

We do not compensate any person or other entity for client referrals.

Item 15 • Custody

Under government regulations, we are deemed to have custody of your assets because you authorize us to instruct Schwab to deduct our advisory fees directly from your account. We do not accept authority to move your money to another person's account, and, as stated below, we neither allow nor endorse third-party standing letters of authorization.

Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. The custodian's statements are the official statement of your accounts and holdings.

We neither allow nor endorse third-party standing letters of authorization. When you receive your statement from Charles Schwab or another qualified broker-dealer you should review it carefully. You should compare and reconcile the statement with the quarterly one you receive from us. Please notify us and/or the custodian promptly if you identify any discrepancy.

Item 16 • Investment Discretion

We accept and use discretionary authority to manage accounts on behalf of our clients. When you grant us discretion you authorize us to buy, sell or otherwise trade securities or other investments in your account without discussing these transactions with you in advance. Such securities may include, but are not limited to, stocks, bonds, no-load mutual funds, exchange traded funds, money market mutual funds, options, foreign securities, and securities of the U.S. government and its agencies. In essence, this gives us full decision-making authority regarding investments and transactions in your account, except as described below with respect to accounts managed by third-party SMA Managers. It also authorizes us to take any other necessary action in connection with the completion and payment of transactions in your account. Our discretionary authority relates to investments and transactions in your account; it does not include the authority to vote proxies, which is addressed in Item 17 below.

Where we engage a third-party SMA Manager (including for a unified managed account, as described in Items 4 and 8), we exercise our discretionary authority by selecting, retaining, and replacing the SMA Manager; by establishing and modifying the mandate, sleeve allocations, client-specific restrictions, and tax-management parameters; and by terminating the strategy when we believe doing so is in your best interest. Within the mandate we establish, the security-level purchase and sale decisions in the separately managed account are made by the SMA Manager, not by VSM, as described in Items 4, 8, and 12.

While we have discretion in your account, you may choose to have varying levels of involvement with the management of your portfolio. In some cases you may choose to place restrictions on your account regarding specific securities or investment vehicles. If you choose to place any restrictions or limitations you must do so in writing.

Our discretionary authority is granted to us in the written investment advisory agreement that you sign with us before we begin managing your account. That authority is then implemented at the broker-dealer that has custody of your assets (in almost all cases, Charles Schwab) through a limited power of attorney or trading

authorization that you grant when you open your account. Generally this authorization is encompassed in the new account agreement that you sign with the broker-dealer; sometimes it is a separate document. It may appear as "Limited Trading Authorization," "Trading and Disbursement Authorization," or "Trading Authorization." Any disbursement authority contained in the custodian's authorization is limited to the deduction of our advisory fee as described in Item 15 and to transfers between your own identically registered accounts; it does not authorize us to move your money to any third party. You should review both your advisory agreement and the custodian's authorization carefully for a full understanding of what they authorize us to do on your behalf.

Item 17 • Voting Client Securities

VSM does not vote, and will not accept the authority to vote, proxies on behalf of its clients. You retain full authority and responsibility for voting proxies for the securities held in your account. We have adopted a written policy reflecting that we do not accept proxy-voting authority, and we will provide a copy of that policy to any client or prospective client upon request.

Because we do not vote proxies, you will receive your proxy materials and other solicitations directly from the custodian of your account (generally Charles Schwab) or from the relevant transfer agent. We will not take any action with respect to, and will not advise you on how to vote, any proxy. You may contact us with questions about a particular solicitation, but the decision whether and how to vote, and the responsibility for casting the vote, remain solely with you.

In the same manner, VSM does not advise on, and will not take any action on behalf of clients with respect to, securities-related legal proceedings, including class-action lawsuits or bankruptcy proceedings, involving securities currently or formerly held in client accounts. Any notices, claim forms, or related materials concerning such proceedings will be sent to you directly by the custodian or the administrator of the proceeding, and you are responsible for determining whether and how to participate.

Item 18 • Financial Information

This Item requires us to disclose certain financial information in certain circumstances, which are not applicable to us. Specifically:

If an adviser requires or solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, it must provide a balance sheet for its most recent fiscal year. We do not engage in this practice.

An adviser is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. We suffer from no such condition.

An adviser is required to disclose whether it has ever been subject to a bankruptcy petition. We have never been subject to a bankruptcy petition.