



**VISION CAPITAL MANAGEMENT, INC.  
FORM ADV PART 2A – DISCLOSURE BROCHURE**

September 30, 2019

This brochure provides information about the qualifications and business practices of Vision Capital Management, Inc. If you have any questions about the contents of this brochure, please contact Clifford M. Yount, our Chief Compliance Officer at (503) 731-7309 or [Cliff@vcmi.net](mailto:Cliff@vcmi.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

You can find more information about us at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**ITEM 2 – MATERIAL CHANGES**

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This Item identifies and discusses only those material changes that have occurred since the last update of our firm brochure, which was dated March 31, 2019. Since that date,

- We relocated our office to 4380 SW Macadam Avenue, Suite 350, Portland, OR 97239.

**ITEM 3 – TABLE OF CONTENTS**

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Item 2 – Material Changes ..... 1

Item 3 – Table of Contents ..... 2

Item 4 – Advisory Business ..... 3

Item 5 – Fees and Compensation ..... 6

Item 6 – Performance-Based Fees and Side-By-Side Management..... 10

Item 7 – Types of Clients..... 10

Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss ..... 11

Item 9 – Disciplinary Information ..... 19

Item 10 – Other Financial Industry Activities and Affiliations ..... 19

Item 11 – Code of Ethics, Participation in Client Transactions, and Personal Trading ..... 20

Item 12 – Brokerage Practices ..... 21

Item 13 – Review of Accounts..... 25

Item 14 – Client Referrals and Other Compensation ..... 26

Item 15 – Custody ..... 28

Item 16 – Investment Discretion ..... 29

Item 17 – Voting Client Securities..... 30

Item 18 – Financial Information..... 30

## **ITEM 4 – ADVISORY BUSINESS**

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### **THE COMPANY**

Vision Capital Management, Inc. (“we,” “us,” “Vision,” or “Vision Capital”) has offered professional asset management services since it was formed in 1999. We have been registered with the SEC since 1999.<sup>1</sup> We are owned entirely by our employees. Our principal owners are:

Suzanne P. McGrath, President

Marina L. Johnson, Chief Investment Officer

Sarah Quist, Director of Client Relationships

Clifford M. Yount, Director of Compliance and Operations

### **ADVISORY SERVICES**

We provide traditional discretionary portfolio management for clients through separately managed accounts. We generally invest our clients’ assets in our proprietary risk-based Global Dynamic Strategy (GDS). Our internally managed individual equity and fixed income strategies may be utilized depending on account size and client preference. These strategies are described below in Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss.

### **PORTFOLIO MANAGEMENT**

The goal of Vision’s Global Dynamic Strategy is to construct a globally diversified portfolio that meets each client’s suitable level of risk. To accomplish this goal, our investment team deploys an active strategy to optimize risk adjusted returns using a diverse group of global asset classes. Portfolios include up to nine asset classes and can be implemented using ETFs, individual stocks or individual bonds, depending on the amount of investable assets and client preference.

The nine asset classes have been chosen due to their historical volatility and correlation characteristics, as well as our Team’s confidence in forecasted returns for each asset class. These statistical relationships allow us to alter the investment exposures without changing the level of expected portfolio volatility. Such alterations occur when the return

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<sup>1</sup> Registration as an investment adviser does not imply a certain level of skill or training.

potential for certain asset classes are anticipated to be higher relative to others and/or if certain asset classes temporarily exhibit above normal levels of risk.

Investment exposure in each asset class is an ongoing and active process. Adjustments to the asset allocations are made on a quarterly basis or as dictated by the market environment. The Team routinely forecasts 12 month returns for each asset class while considering changes in dynamics such as interest rates, credit spreads, equity valuations and prospects for economic growth. These forecasts are optimized to generate a set of allocations that we believe will provide the highest return for each level of assumed risk.

The asset classes we use to implement a GDS are: U.S. large-cap stocks (ETF, Vision Capital Large-Cap Growth strategy, or Vision Capital Dividend Growth strategy), U.S. mid-cap stocks (ETF), U.S. small-cap stocks (ETF), international developed stocks (ETF), emerging market stocks (ETF), REIT's (ETF), domestic investment grade corporate bonds (Vision Capital investment grade corporate bond strategy), cash and cash equivalents (Cash and short-term U.S. government securities), and U.S. government interest rate securities (actively managed individual rate securities).

Our proprietary equity (Large-Cap Growth, Dividend Growth) strategies and fixed income (Corporate Bond, Municipal Bond and Credit & Interest Rate) strategies are deployed for clients with larger investible assets while low-cost exchange traded funds (ETFs) are utilized for clients with smaller investible assets. If your account is invested primarily in individual securities, we generally invest a portion of your assets in ETFs to give you access to additional GDS asset classes as described above. We believe that these ETFs offer greater diversification and focused research analysis in areas such as small-capitalization, mid-capitalization, emerging growth, foreign markets, real estate and socially responsive strategies.

Our clients also have the opportunity to invest in Vision Vaxa Dynamic Portfolios, a diversified portfolio with an "Automated Investment Engine" that generates trade orders to implement automatic rebalancing and trading and, if applicable, tax-loss harvesting through Schwab's Institutional Intelligent Portfolios. This is an all-ETF portfolio option with a discounted management fee based on the level of service desired. Fees for Vision Vaxa Dynamic Portfolios are described below in Item 5 – Fees and Compensation.

## **WEALTH PLANNING**

We provide a wide range of wealth management services to our clients. In addition to investing your assets, we provide you with advice, assistance, and education on topics such as:

- Equity and fixed-income investing
- Financial planning
- Retirement planning
- Estate planning
- Divorce settlement planning
- Wealth transfers between generations and to charitable organizations
- College savings
- Insurance Planning

## **TAILORED ADVISORY SERVICES**

Our relationships with our clients are in-depth and personalized. We tailor our advisory services to meet your particular needs. We work directly with you and your other advisers to build and protect your wealth over the long term.

We ask you to complete an investor questionnaire to assist us in developing investment objectives that reflect your unique goals, needs, risk tolerance, and time horizon. You may have multiple accounts with us and each may have different investment objectives. We offer to review your questionnaire with you at least annually to be sure the objectives continue to meet your particular needs and goals.

Institutional clients generally provide us with an investment policy, which we use as a guideline for the account's investments.

In this process, we also assist you in developing appropriate asset allocation objectives. However, market volatility can change asset values. When this happens, the values of your assets may become inconsistent with your desired allocation objective. Taking into account trading costs, our investment team's expectations of the market, your allocation objectives, and other factors, we will monitor your account and rebalance its positions when we feel it is necessary. Rebalancing your portfolio can lead to additional trading costs.

Our clients may impose restrictions on investing in securities, industries, or sectors. You must advise us of any such restrictions in writing.

### **SUBADVISORY RELATIONSHIPS; WRAP FEE PROGRAMS**

We may serve as a subadvisor to other unaffiliated advisers who appoint us to manage a portion of their clients' assets. We do not currently act as a subadvisor for any other advisers.

We are approved to serve as a portfolio manager for "wrap fee programs" sponsored by unaffiliated broker-dealers. We are not currently actively engaged with any wrap fee programs.

### **ASSETS UNDER MANAGEMENT**

As of December 31, 2018, our assets under management were \$604.9 million. We manage all assets on a discretionary basis.

## **ITEM 5 – FEES AND COMPENSATION**

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### **AMOUNT OF OUR FEES**

Your custodian does not calculate our quarterly fee amount. We calculate our fees as a percentage of the assets we manage on your behalf. Fees are generally negotiable if the value of all your related accounts with us is more than \$10 million. We reserve the right to negotiate your fees in other situations. Your fees may vary depending on certain factors, including the type and size of the account, the range of additional services provided, and the total amount of assets managed for a group of related clients. Your fee is specified in your agreement with us.

### **PAYMENT OF OUR FEES**

We deduct our fees directly from your account at the beginning of each quarter, unless we both agree otherwise. If your agreement begins during a quarter, we will prorate the fee you pay for the initial partial quarter, based on the number of days from the beginning of your agreement until the end of the initial quarter.

On your request, we will deduct our entire fee from one or more related accounts rather than proportionally from all of your related accounts. If you do not have enough cash in your account to pay our fee, we may sell some of your account assets to pay the fee.

Clients typically pay our fees in advance. Whether you pay in advance or arrears, your payment terms will be specified in your agreement with us. Our client agreement may be terminated with 30 days written notice by either you or us. If you pay fees in advance and your agreement with us terminates during a quarter, we will refund a pro rata portion of the fee you paid for that quarter, based on the number of days between the end of the 30-day notice period and the end of the quarter.

Other than at the beginning and termination of a client relationship, we do not make adjustments to your quarterly fee due to assets you add or withdraw during a quarter.

#### **EQUITY AND BALANCED SEPARATELY MANAGED PORTFOLIOS FEE SCHEDULE:**

Our standard fee schedule for client accounts invested in our equity growth and balanced strategies on an annual basis is as follows:

- 1.00% on the first \$1 million
- 0.75% on the next \$4 million
- 0.60% on the next \$5 million
- 0.50% on the next \$10 million

Minimum Fee: For our equity and balanced separately managed accounts, we reserve the right to charge a minimum fee of \$2,500 per year.

#### **FIXED INCOME FEE SCHEDULE:**

Our fixed income fee schedule applies only to clients with all accounts and all assets invested in fixed income vehicles, including standard fixed-income securities, fixed-income mutual funds and fixed income ETFs. The fee schedule for fixed income accounts on an annual basis is as follows:

- 0.50% on the first \$1 million
- 0.375% on the next \$4 million
- 0.30% on the next \$5 million
- 0.25% on the next \$10 million

Minimum Fee: For our fixed income separately managed accounts, we reserve the right to charge a minimum fee of \$1,250 per year.

## VISION VAXA DYNAMIC PORTFOLIOS FEE SCHEDULE:

Our standard fee schedule for clients invested in a Vision Vaxa Dynamic Portfolios strategy is separated into two schedules (displayed on the following chart), which are based on the amount of interaction and servicing you prefer.

VISION VAXA DYNAMIC PORTFOLIOS	STANDARD ACCOUNT	SERVICED ACCOUNT
CUSTOMIZED EXCHANGE TRADED FUND PORTFOLIO MANAGED BY VISION. OPTIMIZED RISK & RETURN USING OUR PROPRIETARY GLOBAL DYNAMIC STRATEGY	✓	✓
TAX LOSS HARVESTING AVAILABLE ON TAXABLE ACCOUNTS	✓	✓
SECURE, USER FRIENDLY CLIENT WEBSITE VIA CHARLES SCHWAB	✓	✓
EMAIL NEWSLETTER FROM VISION	✓	✓
ABILITY TO CHANGE ALLOCATION AT ANY TIME ONLINE	✓	✓
AUTOMATED REBALANCING WITHIN A PRESCRIBED DRIFT TOLERANCE	✓	✓
ONE IN-PERSON MEETING PER YEAR WITH A VISION CLIENT RELATIONSHIP MANAGER		✓
COMPLIMENTARY ATTENDANCE AT VISION SPONSORED EDUCATIONAL SEMINARS		✓
MINIMUM INVESTMENT: \$50,000 UNLESS RELATED TO ANOTHER VISION CLIENT ACCOUNT	✓	
MINIMUM INVESTMENT: \$150,000 UNLESS RELATED TO ANOTHER VISION CLIENT ACCOUNT		✓
ANNUAL FEE: 0.50% ON THE FIRST \$1,000,000 AND 0.20% ON ALL ASSETS OVER \$1,000,000, \$250 MINIMUM FEE	✓	
ANNUAL FEE: 0.75% ON THE FIRST \$1,000,000 AND 0.20% ON ALL ASSETS OVER \$1,000,000, \$1,125 MINIMUM FEE		✓



## **IMPORTANT VISION VAXA DYNAMIC PORTFOLIOS DISCLOSURE:**

If a Standard Vision Vaxa Dynamic Portfolios account requires levels of communication and service comparable to a Serviced Vision Vaxa Dynamic Portfolios account, Adviser reserves the right to transfer such Standard account to a Serviced Account at the higher fee rate of 0.75% (or a minimum annual fee of \$1,125). Client will be notified in writing prior to such transfer. All fees are billed quarterly, in advance, at the beginning of each calendar quarter.

## **ELEEMOSYNARY FEE SCHEDULE:**

For charitable organizations that exceed \$1,000,000 in assets, the fee schedule for eleemosynary accounts on an annual basis is as follows:

- 0.90% on the first \$1 million
- 0.65% on the next \$4 million
- 0.50% on the next \$5 million
- 0.40% on the next \$10 million

Minimum Fee: For our eleemosynary separately managed accounts, we reserve the right to charge a minimum fee of \$9,000 per year.

## **OTHER FEES**

If you have mutual funds or ETFs in your portfolio, you will incur fees in addition to our fees. For example, you may incur a commission or transaction fee when the mutual fund or ETF is purchased, and you will incur an annual management fee payable to the manager of the fund, neither of which is shared with us. If a fund also imposes sales charges, you may pay an initial or deferred charge. These fees and expenses are described in each fund's prospectus. When considering an investment in a mutual fund or ETF, we use a no-load, open-end fund when appropriate. We evaluate the relative annual costs as a part of our decision process.

Though you may invest in a mutual fund or ETF directly, it is one of our services to determine which, if any, mutual funds and ETFs are best suited for your financial condition and objectives. You should review the fees charged by the mutual fund and/or ETFs in combination with our fees to fully understand the total amount of fees you will pay and to evaluate the advisory services we provide.

All clients (whether or not they have mutual funds or ETFs in their portfolio) will also incur brokerage and other transaction costs, as discussed below in Item 12 – Brokerage Practices.

## **NO COMPENSATION FROM SALES OF SECURITIES**

Vision and its employees do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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Vision and its employees do not accept “performance-based fees” (fees based on a share of capital gains on or capital appreciation of your assets).

## **ITEM 7 – TYPES OF CLIENTS**

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We provide advice to the following types of clients:

- individuals, including their trusts, estates, individual retirement accounts (IRAs) and self-directed 401(k) accounts
- corporate pension and profit sharing plans
- foundations, endowments, and other charitable organizations
- corporations and other businesses
- municipalities

## **MINIMUM ACCOUNT SIZE**

We require clients invested in our Large-Cap Growth, Dividend Growth or Fixed Income strategies to have a minimum asset level of \$250,000 in related separately managed accounts.

We require clients invested in our Vision Vaxa Dynamic Portfolios to have a minimum of \$50,000 in assets. Vision Vaxa Dynamic Portfolios are offered through Charles Schwab’s Institutional Intelligent Portfolio Clients.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

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### **METHODS OF ANALYSIS AND INVESTMENT STRATEGIES WE USE TO MANAGE YOUR ASSETS**

#### **General**

We are an entrepreneurial organization and our investment process is team driven. Our approach allows for vetting of ideas and timely decision making. Our investment committee meets at least weekly to review general market conditions, as well as events and disclosures relevant to individual securities in client portfolios. At our meetings, the team follows a decision process that starts with a traditional top-down assessment of the overall economy, followed by allocation strategy discussions based on our overall economic assessment. Based on the processes discussed below in this Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss, one or more members of the committee then make specific investment recommendations on securities. In some cases, clients may wish to invest in one investment strategy as a portion of a larger portfolio. For others, we will use multiple asset types and classes to build a portfolio that seeks to optimize the risk/return tradeoff in the forecasted economic environment based on each client’s investment objective.

#### **Constructing Your Portfolio – Global Dynamic Strategies**

The goal of Vision’s Global Dynamic Strategy (GDS) is to construct a globally diversified portfolio to meet each client’s suitable level of risk. To accomplish this goal, our investment team deploys an active strategy to optimize risk adjusted returns using a diverse group of global asset classes. Portfolios include up to nine asset classes and can be implemented using ETFs, individual stocks, or individual bonds depending on the amount of investable assets and client preference. Other security types eligible for client accounts are limited to futures and options, which are used for specific client needs.

The nine asset classes have been chosen due to their historical volatility and correlation characteristics as well as our Team’s confidence in forecasted returns for each asset class. These statistical relationships allow us to alter the investment exposures without changing the level of expected portfolio volatility. Such alterations occur when the return potential for certain asset classes are anticipated to be higher relative to others and/or if certain asset classes temporarily exhibit above normal levels of risk.

Investment exposure in each asset class is an ongoing and active process. Adjustments to the asset allocations are made on a quarterly basis or as dictated by the market environment. The Team routinely forecasts 12 month returns for each asset class while

considering changes in dynamic variables such as interest rates, credit spreads, equity valuations and prospects for economic growth. These forecasts are optimized to generate a set of allocations that we believe will provide the highest return for each level of assumed risk.

## U.S. Large Cap Equity Strategies

The U.S. Large-Cap Growth and Large-Cap Dividend Growth strategies outlined below may be managed in isolation or as a part of the Global Dynamic Strategies explained above.

### Constructing Your Portfolio – Large-Cap Growth Strategy

The primary goal of the Large-Cap Growth strategy is to deliver superior long-term results by holding a concentrated portfolio of equity securities issued by firms that we believe have outstanding business models that have the ability to generate long-term sustainable growth in their intrinsic value, when available at attractive prices. We invest with a long-term perspective and anticipate that only 20-50% of your U.S. large-cap growth securities will be turned over (replaced) annually.

For clients invested in our U.S. large-cap growth strategy, we typically hold 35-40 stocks. Our search for growth companies spans to the economy and generates a portfolio diversified on a sector basis. Our initial screening process to identify potential opportunities includes:

- Screening a broad database of over 10,000 stocks to find growth stocks that have a market capitalization greater than \$3.0 billion.
- Sorting those results, using our proprietary multi-factor model that emphasizes fundamental business characteristics, growth prospects and growth volatility.

This process results in an investable list of stocks with a score above the median within each sector, and ranks the individual stocks on a relative basis. The investable list is narrowed to a watch-list of around 100 stocks. Securities are then analyzed from a fundamental perspective. This means that we study many different factors that can affect a security's risks and rewards. Considering the state of the overall economy and applicable industry conditions, we seek to identify firms that exhibit the following traits:

- Compelling business franchises and competitive advantages that allow their intrinsic value to increase.

- Solid existing business fundamentals (balance sheet strength, cash flow growth, etc.) as well as opportunities for enhancement over the long term.
- Operate in industries that not only offer growth opportunities, but also allow the firm to operate profitably.
- Managed by experienced professionals focused on delivering returns to shareholders.
- Attractive valuations. We appreciate the difference between a great company and a great stock. We expect our investments to have both a margin of safety and the opportunity for meaningful price appreciation.

After our evaluation process is complete, we construct your portfolio on a stock-by-stock basis with attention to maintaining a balance between types of growth stocks within the portfolio.

### Constructing Your Portfolio – Dividend Growth Strategy

The primary goals of the Dividend Growth strategy are 1) to achieve a dividend yield that exceeds the S&P 500 Index and 2) to invest in companies with the ability to grow their dividends over time.

For clients invested in our Dividend Growth strategy, we typically hold 30-35 stocks. Our search for dividend growth companies spans to the economy and generates a portfolio diversified on a sector basis. Our initial screening process to identify potential opportunities includes:

- Screening a broad database of over 10,000 stocks to find stocks that have a minimum market cap of \$3 billion and a minimum dividend rate of 1%.
- Sorting those results, using our proprietary multi-factor model that emphasizes fundamental business characteristics, growth prospects and growth volatility.

This process results in an investable list of stocks with a score above the median within each sector, and ranks the individual stocks on a relative basis. The investable list is narrowed to a smaller group of stocks for further review. Securities are then analyzed from a “fundamental” perspective. This means that we study many different factors that can affect a security’s risks and rewards. Considering the state of the overall economy

and applicable industry conditions, we seek to identify firms that exhibit the following traits:

- Significant current dividend rates that will help us achieve our dividend objective.
- Compelling business franchises and competitive advantages that allow their dividends to grow over time.
- Solid existing business fundamentals (balance sheet strength, cash flow growth, etc.) as well as opportunities for enhancement over the long term.
- Managed by experienced professionals focused on delivering returns to shareholders.
- Attractive valuations within the context of the dividend paying universe.

After our evaluation process is complete, we construct your portfolio on a stock-by-stock basis, with a goal of creating a diversified portfolio with a dividend rate that is at least 50 basis points above the S&P 500 Index dividend rate and no less than 30 basis points above this rate.

#### **FIXED INCOME STRATEGIES:**

The Fixed Income Strategies outlined below may be managed in isolation or as a part of the Global Dynamic Strategies explained above.

#### **Constructing Your Portfolio – Fixed-Income Instruments**

We manage clients' fixed-income portfolios with the same fundamental, intrinsic value investment philosophy used to manage our equity portfolios. Fixed income securities are evaluated on a total return basis, considering income and capital appreciation potential. They may be used as a portion of multi asset, risk managed portfolios. When it is appropriate we may use U.S. rate securities, municipal bonds or corporate bonds rather than ETFs for the fixed income portion of a client's portfolio, depending on the individual's goals, objectives, risk tolerance and tax bracket.

We use the following process to select securities in each fixed income asset class:

#### **U.S. Rates**

Bonds that are backed by the credit of the U.S. treasury or a U.S. government agency may be used for a portion of a client's portfolio. These instruments are backed by the

full faith and credit of the U.S. government. Our U.S. Government rates portfolio consists of one or more targeted tenors.

### Municipal Bonds

Home state municipal bonds may be ideal for taxable accounts because the interest is tax free at the state and federal levels. In this case, a diverse portfolio of municipal bonds will be selected based upon availability, yield to maturity and duration. We will seek opportunities to purchase municipal securities on the new issue. The secondary market for municipal bonds can be illiquid, making it challenging to find attractive instruments in some cases.

### Corporate Bonds

The corporate bond selection process begins by screening the investible universe of U.S. investment grade bonds with a market cap above \$3 billion. The results are sorted by option adjusted spread within each economic sector. The team then considers the credit quality (default risk), yield, duration and liquidity of the individual securities.

The result of the screening and selection process is a portfolio of approximately 20 equally weighted bonds. The portfolio is constrained by sector within a range that mimics the broad investment grade bond universe. The portfolio is monitored against the pool of investable fixed income instruments on a regular basis. If an existing holding reaches what we deem to be fair value or if credit concerns arise, the position will be replaced. A position may also be replaced if there is a better portfolio opportunity.

### Monitoring and Selling Equity Securities

We regularly monitor your existing holdings and consider (but do not necessarily require) selling:

- if there is a change in the original reasoning for selecting the security, such as a deterioration or change in the firm's fundamentals
- if we need to make room for a more compelling opportunity
- if our target price has been met and the security is no longer attractive from a valuation perspective
- to reduce a position that exceeds 5% of the client's total portfolio
- if a price declines significantly

## Equity and Fixed Income Trading Strategies

In trading equity and fixed income securities, we generally purchase for long-term investment (at least one year). However, for the reasons outlined above, we may sell a security within a year.

Option and future contracts can be utilized for tax management strategies, income generation, hedging to reduce volatility, and managing concentrated positions. We do not use derivative securities speculatively.

Some clients wish to use margin in their accounts. In a margin transaction, the client pays a portion of the cash needed for the investment and borrows the rest. Clients determine the maximum amount of margin, if any, they will use.

## **RISKS ASSOCIATED WITH OUR METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

### General

All investments in securities include a risk of losing your principal (invested amount), any borrowed amount if you elect to use margin, and any profits that you have not realized. You should be prepared to bear these risks. Stock and fixed income markets fluctuate substantially over time. In addition, as global and domestic economic events have shown, the performance of any investment is not guaranteed.

Our judgment about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect, and there is no guarantee that the securities we select will perform as anticipated. The value of an individual security can be more volatile than the market as a whole, or our intrinsic value approach may fail to produce the intended results. Our estimate of a security's intrinsic value may be wrong or, even if our estimate of intrinsic value is correct, it may take a long time before the price and intrinsic value converge. We seek to reduce your risk through diversification. Although we will do our best in managing your assets, we cannot guarantee any level of performance or that you will not experience a loss in your assets.

Our agreement with you states that we are not liable to you for:

- any loss you suffer because of any investment decision we make or other action we take or do not take in accordance with our agreement with you
- any loss you suffer because we follow your oral or written instructions
- any act or failure to act by any custodian or broker



Nevertheless, nothing in our agreement with you constitutes your waiver of any legal right under applicable federal or state securities laws or any other law whose applicability may not be waived through contract. If there is a discrepancy between the information in this brochure and your agreement with us, your agreement will control.

## **RISKS ASSOCIATED WITH OUR PRIMARY CLIENT INVESTMENTS**

We primarily invest client assets in individual equity securities, individual fixed-income securities (including corporate bonds, government bonds and municipal bonds), and ETFs. A non-exhaustive list of the principal risks of these investments are specified below. The order in which these risks are presented are not an indication of their significance.

- **Market Risk** – Overall stock market risks may affect the value of investments in equity strategies. Factors such as U.S. economic growth and market conditions, interest rates, and political events that are unrelated to, or beyond the control of, any specific firm may affect the value of an investment.
- **Equity Risk** – Equity securities represent an ownership interest in a firm and are, therefore, more sensitive to the firm's earnings and financial condition, making them generally more volatile than debt securities. An equity's value is affected by both actual and perceived aspects of the firm's business including management performance, earnings, financial leverage, etc. In addition, the rights of a firm's creditors are senior to those with an equity interest, so shareholders are the last in line to receive any value should the firm file for bankruptcy.
- **Asset Allocation Risk** – For accounts that hold both equity and fixed income securities, the allocation between the two, as well as the allocation between asset classes (ie: Large Cap, Mid Cap, US Government), will affect an account's performance. Asset classes may underperform relative to our expectations.
- **Options Risk** – Long equity index put positions will experience a total capital loss should the option expire out of the money. An out-of-the-money closed long position prior to expiration may also experience a loss. Long equity index puts would only be used as a hedge against long common equity positions. Short covered call positions may prevent the realization of total potential gain should the covered short call expire or become assigned well in-the-money.
- **Futures Risk** – Short equity index futures positions are susceptible to unlimited loss should the reference index increase in unlimited value until the expiration of

the contract. Short equity index futures would only be used as a hedge against long common equity positions.

- Interest Rate Risk – Fixed-income securities increase or decrease in value based on changes in interest rates. If rates increase, the value of fixed-income securities generally declines. On the other hand, if rates fall, the value of the fixed-income securities generally increases. The longer the remaining maturity of a debt security, the more its value will be affected by changes in interest rate movements.
- Credit Risk – There is a risk that issuers and counterparties will not make interest and/or principal payments on the securities they issue or that their payments will not be made when due. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security, and that may affect liquidity and our ability to sell the security. Although the interests of debt holders are senior to other investments in a firm, the firm's ability to repay its debt may be affected by actions such as mergers, restructuring, and filing for bankruptcy. General economic conditions that can be unrelated to, or beyond the control of, a firm may also affect its ability to repay its debt.
- Call Risk – There is a risk that an issuer of fixed-income securities will redeem (call) its high-yielding fixed-income securities before their maturity date. An account may be forced to reinvest the proceeds of a called bond at a lower interest rate or higher credit risk.
- Liquidity Risk – The risk than an account may not be able to sell an investment, forcing the account to hold the position as the value of the investment declines and preventing the account from taking part in other investment opportunities. A lack of liquidity may also result in a lack of an active market with which to accurately value the security.
- Municipal Bond Risk – While municipal bonds face many of the same risks as corporate bonds, there are some additional risks worth noting. Bankruptcies of municipalities, though uncommon, can cause the bonds to be cancelled without payment. Issuances of municipal debt may also be less liquid than those of corporate debt.
- Sector ETF Risks. If held, a sector ETF (which invests in a single industry, such as finance) is at risk that its price will decline due to developments in its sector.

- Small- and Mid-Cap Company ETF Risks – Investments in ETFs holding small and mid-cap companies may be riskier than investments in larger, more established companies. The securities of these companies may trade less frequently and in smaller volumes than securities of larger companies. In addition, small- and mid-cap companies may be more vulnerable to economic, market and industry changes. Because smaller companies may have limited product lines, markets or financial resources, or may depend on a few key employees, they may be more susceptible to particular economic events or competitive factors than larger-capitalization companies.
- Foreign Securities and Emerging Market ETF Risks – Though we do not hold any foreign or emerging market securities in their local currency, ETFs holding foreign securities face risks due to foreign currency fluctuations, political, social and economic developments abroad, as well as less established legal, regulatory, and accounting systems than those in domestic markets. These risks are greater in emerging markets due to more volatility in the aforementioned areas.

## **ITEM 9 – DISCIPLINARY INFORMATION**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management.

Vision has no legal or disciplinary events to report.<sup>2</sup>

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

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We are obligated to disclose if we, any of our “supervised persons” (meaning our employees and independent contractors, or any of our affiliates) are involved in other financial industry activities, such as those of a broker-dealer, commodity pool operator or a futures commission merchant. We are also obligated to disclose if we receive compensation from other advisers for recommending or selecting those advisers for you.

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<sup>2</sup> We note that registered advisers are required to report, in Part 1A of Form ADV, all disciplinary events regardless of whether they are material. Vision has no disciplinary events of any kind to report.

We do not have any other financial industry activities or affiliations to report to you. In fact, we are not affiliated with any other company. Furthermore, we do not receive compensation from other advisers for recommending or selecting them.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

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### **CODE OF ETHICS**

We have adopted a code of ethics that applies to all our supervised persons. All supervised persons must comply with our code of ethics as a condition to working with us. Our Chief Compliance Officer administers and enforces our code of ethics.

Our code of ethics requires our supervised persons to:

- comply with applicable federal and state securities laws
- conduct themselves with integrity and act ethically in their dealings with the public, clients and professional associates
- fulfill their duty of loyalty by acting solely in our clients' best interests
- strive to provide long-term client satisfaction
- disclose any conflict of interest
- adhere to our policies limiting the giving or receiving of gifts and business entertainment
- adhere to our policies limiting the giving of political contributions
- report any violation of our compliance manual to our Chief Compliance Officer as soon as possible
- submit reports of securities beneficially owned by them and their related persons, and submit reports of securities transactions by them and their related persons, subject to certain permitted exceptions. No reports are required for accounts held at Vision.

We prohibit our supervised persons from investing in initial public offerings, and they must receive the approval of our Chief Compliance Officer before they invest in any private placement.

Our clients or prospective clients may request a copy of our Code of Ethics by contacting our Chief Compliance Officer using the contact information on the cover page of this brochure.

## **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Our employees/supervised persons may: (a) buy or sell the same securities we buy or sell for your account; or (b) buy or sell the same securities we buy or sell for your account and engage in the transaction at the same time. As a result, there may be a conflict of interest that arises between you and us (or one of our supervised persons) in the allocation of profitable trades. To address potential conflicts, we always allocate trades to you before we allocate them to our employees/supervised persons, or at the same time if all transactions are done in a trade block. All employee/supervised persons trades must be pre-approved by our Chief Compliance Officer.

If one of our clients is employed by a publicly traded company, the firm and/or its supervised persons may invest client assets in that company's securities during periods when the firm does not have any material, nonpublic information about that company.

## **ITEM 12 – BROKERAGE PRACTICES**

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### **BROKER SELECTION**

Our management discretion for individual clients generally includes the selection of the security, the amount to be purchased or sold, the broker to be used, and the commission to be paid. We select brokers for our individual clients on the basis of the broker's overall assistance in effecting the transaction. We consider many factors, including:

- adequate execution capabilities
- commission rate
- financial responsibility
- responsiveness to us
- any research-related products and services provided to us

Commission rates paid may be higher than the lowest commission rate available. Your custodian generally charges a minimum fee for each transaction in your account. Because of this minimum fee, it typically is not economically feasible to select any

broker other than your custodian for your equity, mutual fund and ETF transactions. See Item 14 – Client Referrals and Other Compensation below for our discussion of benefits we and our clients receive from our individual clients’ custodial arrangements.

When practicable, we trade fixed-income securities through a bidding process that considers similar factors, as they apply, in agents we use to facilitate trades in those securities.

### **RESTRICTED BROKERAGE ACCOUNTS**

Our individual clients generally utilize Charles Schwab, Fidelity and TD Ameritrade as custodians, and we consider these accounts to be “restricted brokerage” accounts. Restricted brokerage accounts tend to utilize a custodian that applies minimum fees or “ticket charges” to each trade, and that practice often makes that custodian’s owned broker-dealer the most economically responsible location for us to execute a trade in accordance with our duty of best execution. Such fees generally make executing trades with a variety of other broker-dealers economically impractical for equity, mutual fund and exchange traded fund (“ETF”) transactions.

### **UNRESTRICTED BROKERAGE ACCOUNTS**

Clients with accounts that provide us with unlimited broker-dealer discretion to trade their assets are considered to have “unrestricted brokerage” accounts. These unrestricted brokerage accounts are most often institutional accounts with a custodian that does not impose minimum charges on transactions. This allows us more freedom to select from many brokers to trade those assets.

### **DIRECTED BROKERAGE**

As explained above in this Item 12 – Brokerage Practices, your agreement with us generally gives us discretion to choose a broker or dealer to execute your trades. However, sometimes unrestricted brokerage clients direct us to use a specific broker or dealer to trade a certain percentage of their assets. These unrestricted accounts are considered to utilize “directed brokerage.” For accounts utilizing directed brokerage, we are not responsible for negotiating the terms with the broker where the trades are being directed. Our clients are responsible for negotiating the terms and arrangements for the client’s account with the broker.

In addition, for directed brokerage accounts, we may not be able to (a) seek best execution or negotiate prices on commissions from other brokers, or (b) aggregate the client’s transactions with orders for other accounts advised or managed by us. As a result, we

may pay materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case. On the other hand, you may be able, by directing brokerage, to participate in new issues offered through the broker that are not available to our other clients.

Certain institutional clients may also instruct us to direct a certain portion of brokerage associated with an institutional account to brokers that are members of a historically underrepresented minority group. This practice generally impedes our ability to seek best execution or aggregate trades with orders for other accounts.

### **Equity, ETF, and Mutual Fund Trading, Execution, and Allocation**

All portfolio strategy trades that are destined for the same broker are aggregated. Trades that have client or Vision directed restrictions may be pulled out from such aggregated orders (block orders) and reviewed and executed outside of the block. Accounts that do not participate in block orders, but do transact the same security, on the same day, and in the same direction as the block order, will be reviewed and documented by the Compliance Department.

We rotate the order of executions between the three custodians of its clients, Charles Schwab, Fidelity, and TD Ameritrade for its portfolio strategy trades. As a result of the trade rotation, accounts may receive materially different execution prices than those of accounts at a different broker for the same security on the same trade date.

Ad-hoc equity trades that are not part of strategy decisions made by the research team can be submitted any time during the day and are, therefore, not required to be aggregated. If the employee responsible for executing trades notices like trades (ie: same security, direction, and broker) that have not yet been executed, they may aggregate the orders for execution.

If there were to ever be a partially filled equity, ETF, or mutual fund order, the incomplete fills would be randomly allocated.

Client Relationship Managers may not create, approve and execute an order.

### **Fixed Income Trading, Execution, & Allocation**

All portfolio strategy trades that are destined for the same broker are aggregated. Trades that have client or Vision directed restrictions may be pulled out from such aggregated orders (block orders) and reviewed and executed separately. Accounts that do not participate in block orders, but do transact the same security, on the same day,

and in the same direction as the block order, will be reviewed and documented by the Compliance Department.

A fixed income order may be partially filled for different reasons. A partial fill may occur because we attempted to fill its entire order at a particular price, but received less than the entire order from the broker. A partial fill may also occur because we purposefully looked to fill only part of an order based on our understanding of the supply of the security at certain prices. Regardless of the reason for a partially filled order, we will allocate non-municipal bond fixed income orders to accounts at different custodians on a rotating basis and randomly, when not all of the orders for a particular custodian can be filled.

It is common for rates strategy trades to be odd lots. To avoid taking odd lots to market, we take a lesser, more executable face quantity to market. We allocate these orders on a rotating basis, determined by the percentage of managed assets held at different custodians. For three out of four strategy trades, we will allocate the executable quantity first to accounts at TD Ameritrade and Fidelity, then to accounts at Charles Schwab. Accounts at Charles Schwab and TD Ameritrade will receive the first allocation every fourth strategy trade, with Fidelity receiving any remaining executed quantity. Client TD Ameritrade fixed income assets (not including fixed income ETFs) account for a de minimis percentage of firm-wide fixed income assets and, therefore, will always be a part of the primary allocation at this time. The trade rotation will be reviewed on, at least, an annual basis.

In the case of Fidelity and Charles Schwab accounts, as a result of the random allocation on a rotating basis, accounts may receive materially different execution prices than those of accounts at the same broker that took part of a different block order. As a result of the trade rotation, accounts may receive materially different execution prices than those of accounts at a different broker for the same security on the same trade date. The Compliance Department will review this rotation on at least an annual basis and make adjustments as the balance of assets shift.

Ad-hoc fixed income trades that are not part of strategy decisions made by the research team can be submitted any time during the day and are, therefore, not required to be aggregated. If the employee responsible for executing trades notices like trades (ie: same security, direction, and broker) that have not yet been executed, they may aggregate the orders for execution.

Client Relationship Managers may not create, approve and execute an order.



Daily municipal security needs for clients are unique and exceed offered quantities or bid inquiries of relevant bonds. In the rare occurrence when an available municipal bond is suitable for multiple accounts, the Trading Department will take into account factors such as the number of bonds an account needs, the size of the order, and the length of time an account has needed a bond. The Trading Department maintains a log of municipal bond requests for clients and tracks the required bond characteristics for each client.

### **BROKERAGE FOR REFERRED CLIENTS**

We participate in an adviser referral service with Fidelity Investments (“Fidelity”) called Fidelity Wealth Advisor Solutions. Our participation in this service may raise potential conflicts of interest. Although none of our clients are required to use Fidelity for custody, our agreement with Fidelity Wealth Advisor Solutions gives us an incentive to have clients that it refers to us retain Fidelity as their custodian and for us to execute their transactions through Fidelity. For the reasons discussed under the “Broker Selection” section, we generally execute transactions for such clients with Fidelity. Being a referral from Fidelity in no way excludes a client from our duty of best execution. For more information about the Fidelity Wealth Advisor Solutions referral service, see Item 14 – Client Referrals and Other Compensation below.

### **TRADE ERRORS**

When a trade error occurs, the client will retain any net gains resulting from the error correction, and we will compensate the client wholly for any loss resulting from the error correction. Details regarding the trade error are documented and retained by the Compliance Department.

### **COMMISSION SHARING & SOFT DOLLAR BENEFITS**

We currently do not engage in any commission sharing or soft dollar transactions.

### **ITEM 13 – REVIEW OF ACCOUNTS**

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Your account is routinely reviewed to ensure your asset allocation is consistent with your investment objectives. In addition, on a quarterly basis we ask you to notify us of any significant personal or financial changes and if so, to contact us to schedule a meeting to consider whether any changes to your current investment policy should be made. We prefer to meet with our full service clients on a quarterly basis to review your portfolio and investment objectives.

We issue written reports to our clients each quarter. Our reports generally include a list of assets in your account, investment results for your account, and other statistical data about your account. We urge you to carefully review these reports and compare the statements that you receive from your custodian to the reports that we provide. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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### **COMPENSATION WE PAY FOR CLIENT REFERRALS**

#### **Fidelity Wealth Advisor Solutions®**

Vision Capital Management, Inc. participates in the Fidelity Wealth Advisor Solutions® Program (the “WAS Program”), through which we receive referrals from Fidelity Personal and Workplace Advisors, LLC (“FPWA”), a registered investment adviser and Fidelity Investments company. Vision Capital Management, Inc. is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not supervise or control Vision Capital Management, Inc., and FPWA has no responsibility or oversight for our provision of investment management or other advisory services.

Under the WAS Program, FPWA acts as a solicitor for Vision Capital Management, Inc. and we pay referral fees to FPWA for each referral received based on our assets under management attributable to each client referred by FPWA or members of each client’s household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to Vision Capital Management, Inc. does not constitute a recommendation or endorsement by FPWA of our particular investment management services or strategies. More specifically, we pay the following amounts to FPWA for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as “fixed income” assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. For referrals made prior to April 1, 2017, these fees are payable for a maximum of seven years. Fees with respect to referrals made after that date are not subject to the seven year limitation. In addition, we have agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are not passed on to you and does not impact the fee schedule of any client.

To receive referrals from the WAS Program, Vision Capital Management, Inc. must meet certain minimum participation criteria, but we may have been selected for participation

in the WAS Program as a result of our other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC (“FBS”). As a result of our participation in the WAS Program, we may have a potential conflict of interest with respect to our decision to use certain affiliates of FPWA, including FBS, for execution, custody and clearing for certain client accounts, and we may have a potential incentive to suggest the use of FBS and its affiliates to our advisory clients, whether or not those clients were referred to us as part of the WAS Program. Under an agreement with FPWA, we have agreed to not charge clients more than the standard range of advisory fees disclosed in our Form ADV 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, we have agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when our fiduciary duties would so require, and we have agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA’s affiliates to another custodian; therefore, we may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit our duty to select brokers on the basis of best execution.

Currently, we have no third-party solicitation arrangements other than our participation in the Fidelity WAS Program.

## **BENEFITS FROM CUSTODIANS**

### General

We receive no compensation for suggesting a particular broker or bank as your custodian. However, certain custodians provide products and services that benefit us and our client accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- provide research, pricing information and other market data
- facilitate payment of our fees from our clients’ accounts

- assist with back-office support, recordkeeping and client reporting

Many of these services may be used to service all or a substantial number of our accounts, including accounts not maintained with that particular broker. These products and services benefit us by allowing us to more quickly and accurately service our clients.

Various brokers also make available to us other services intended to help us manage and further develop our business. These services may include:

- publications and conferences on practice management
- information technology
- business succession planning
- regulatory compliance
- marketing

In addition, brokers may make available, arrange and/or pay for these types of services when provided to us by independent third parties. The brokers may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to us. As a fiduciary, we seek to act in our clients' best interests. However, our recommendation that clients maintain their accounts with these brokers may be based in part on the benefit of these products and services, and not solely on the nature, cost or quality of custody or brokerage services these brokers provide. Although this may create a potential conflict of interest, we believe these products and services are in the best interests of our clients.

## **ITEM 15 – CUSTODY**

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Your assets are required to be held by a bank, registered broker-dealer or other "qualified custodian." We are not a qualified custodian and do not hold your assets. Unless otherwise agreed through your signed authorization in our Investment Advisory Agreement, we deduct advisory fees directly from your account which is considered limited custody. We have custody of assets where you have a standing letter of authorization ("SLOA") with your custodian to wire money or move money from your account to a third-party. For any situation where we are deemed to have custody of your assets, your approval is required in advance. As a firm with custody of client assets, we are required to have an annual surprise custody exam. As a part of this exam, you may be contacted by our auditors (Geffen Mesher) and requested to provide information in

relation to your statement of assets provided to you by Vision Capital Management and your statement of assets provided to you by your custodian. We kindly request you participate if contacted.

You should receive statements directly from your custodian at least quarterly. We urge you to carefully review the custodial statements and compare them to the reports we send you. The information in our reports may vary from your custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities. If the information from your custodian differs from the information we provide, we encourage you to contact our Chief Compliance Officer.

## **ITEM 16 – INVESTMENT DISCRETION**

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### **GENERAL**

Our authority in managing your account includes the full discretionary power to purchase, sell and exchange securities and other instruments, exercise all rights conferred on the holder of such assets, and reinvest all proceeds.

Your agreement with us gives us the authority to exercise full discretion, except for filing claims in connection with class action settlements, as described below. In addition, we observe investment limitations and restrictions that you provide to us in writing.

### **CLASS ACTION CLAIMS**

We provide class action litigation monitoring and securities claim filing services through an independent third party, Institutional Shareholder Services (“ISS”). As a client of Vision, you are included in this service unless you choose to opt out. You may change your opt-out election at any time by notifying us in writing. We have the right to change the provider of this service.

Because we are providing this service through a vendor, we do not monitor class action suits or process claim forms on your behalf (whether or not you participate in the service ISS provides). We are not responsible or liable for: (a) any assistance we provide the

vendor concerning monitoring or processing class action claims or (b) any vendor act in monitoring or processing such claims.

## **ITEM 17 – VOTING CLIENT SECURITIES**

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### **GENERAL**

Institutional Shareholder Services (“ISS”) is our proxy voting vendor. We outsource all proxy voting services to ISS and have adopted the ISS annual voting guidelines based on their research and due diligence. ISS votes the proxies, records voting decisions, keeps record of votes and reasons for voting, all on behalf of our participating clients. Upon your written request, you may vote your own proxies.

We may disregard the ISS voting guidelines if we determine your best interest would be served by voting otherwise.

You may obtain a copy of the ISS proxy voting guidelines or information on how your proxies were voted by contacting our Chief Compliance Officer using the contact information on the cover page of this brochure.

### **DIRECTED VOTING**

All of our clients may direct our vote on specific matters, but they must do so in writing.

## **ITEM 18 – FINANCIAL INFORMATION**

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We must disclose any financial condition that could impair our ability to meet our contractual obligations to you. We must also disclose if we have been the subject of any bankruptcy proceeding within the last 10 years.

We have no such financial condition to disclose to you, and we have never been the subject of any bankruptcy proceeding.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.