

Form ADV Part 2A - Brochure



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This brochure provides information about the qualifications and business practices of Hanseatic Management Services Inc. If you have any questions about the contents of this brochure, please contact us at 505.828.2824 or info@hanseaticgroup.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Hanseatic Management Services Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

2. MATERIAL CHANGES

There have been material changes since the last annual update of Hanseatic Management Services, Inc. form ADV Part 2A which was on March 27, 2013.

Hanseatic Management Services, Inc. has made an update to the products it offers and to its standard investment management services fee schedule. (See Section 4, "Advisory Business" and Section 5, "Fees and Compensation")

Hanseatic Management Services, Inc., as an entity, trades its own account which is a 401K account for its employees. (See Section 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading")

Hanseatic Management Services, Inc. and Madrona Global Capital Management, LLC, an investment advisor registered with the SEC, are related entities pursuant to their common ownership and control, defined primarily by the dual employment of the portfolio team, the administration of the portfolios, direct interlock, and the co-located principal place of business within the Albuquerque, NM office. (See Section 10, "Other Financial Industry Activities and Affiliates")

3. TABLE OF CONTENTS

Form ADV Part 2A - Brochure	1
2. MATERIAL CHANGES	2
3. TABLE OF CONTENTS.....	3
4. ADVISORY BUSINESS	4
5. FEES AND COMPENSATION.....	4
6. PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT	6
7. TYPES OF CLIENTS.....	6
8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS	6
9. DISCIPLINARY INFORMATION.....	7
10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	7
11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	8
12. BROKERAGE PRACTICES	9
13. REVIEW OF ACCOUNTS	10
14. CLIENT REFERRALS AND OTHER COMPENSATION	10
15. CUSTODY	10
16. INVESTMENT DISCRETION	11
17. VOTING CLIENT SECURITIES.....	11
18. FINANCIAL INFORMATION.....	11
Form ADV Part 2B - Supplemental Brochure	12
BIOGRAPHIES	13

4. ADVISORY BUSINESS

Hanseatic Management Services, Inc. (“HMSI”) was founded in August, 1995. The firm is owned by two employees (Russell T. Sanderson owns 51.32%; Brian R. Stangel owns 48.68%). HMSI offers both discretionary and non-discretionary investment advisory services using proprietary, mathematical stock screening analytics and a consistent investment process to actively manage diversified equity portfolios. (See Section 8, “Methods of Analysis, Investment Strategies, and Risk of Loss”)

HMSI offers the following domestic equity products: Large Cap, All Cap, and Growth & Income.

HMSI tailors its services to the individual needs of its clients. It manages each portfolio in accordance with investment guidelines set by the client. Clients may impose restrictions on investing in certain securities or types of securities.

HMSI does not participate in wrap fee programs.

As of December 31, 2013 HMSI had \$228 million in assets under management. \$162 million were in discretionary accounts and \$66 million were in non-discretionary accounts.

5. FEES AND COMPENSATION

HMSI’s standard investment management fee schedule is listed in the table below. The actual fee schedule may be negotiated on a client-by-client basis and may differ from that below.

Product	Fee (BP’s)
Large Cap	75
All Cap	125
Growth & Income	125

The management fee is payable quarterly, in arrears, at the beginning of each calendar quarter based on the market value of the assets in the account on the last day of each of the preceding three calendar months. Asset value means the total account net asset value as computed by the custodian including cash, accrued interest, taxes and accrued income from pending cash dividends, rights and warrants (“Custodian NAV”).

Example:

Period	Custodian NAV	Annual Rate	Calculation	Monthly Fee
Month 1	\$1,000,000.00	1.25%	$\$1,000,000.00 \times .0125/12$	\$1,041.67
Month 2	\$1,100,000.00	1.25%	$\$1,100,000.00 \times .0125/12$	\$1,145.83
Month 3	\$900,000.00	1.25%	$\$900,000.00 \times .0125/12$	\$937.50
Quarterly Total			Sum	\$3,125.00

Total Quarterly Management Fee Assessed = \$3,125.00

If a client contributes funds to or withdraws funds from the account on a date other than the first day of a month, the account is charged a prorated portion of the management fee for that calendar month with respect to such contribution or withdrawal based on the number of days the funds were in the account.

Example: Withdrawal of \$500,000 on 12/22/13

Period	Custodian NAV	Annual Rate	Calculation	Monthly Fee
10/31/13	\$1,000,000.00	1.25%	$\$1,000,000.00 \times .0125/12$	\$1,041.67
11/30/13	\$1,100,000.00	1.25%	$\$1,100,000.00 \times .0125/12$	\$1,145.83
12/21/13	\$1,200,000.00	1.25%	$\$1,200,000.00 \times .0125/12 \times 21/31$	\$846.77**
12/31/13	\$700,000.00	1.25%	$\$700,000.00 \times .0125/12 \times 10/31$	\$235.22**
			Sum of pro-rated monthly fee.	\$1,081.99**
Quarterly Total			Sum	\$3,269.49

**Pro-rated monthly amount.

Total Quarterly Management Fee Assessed = \$3,269.49

Payment of the management fee is made by one of three ways:

- i. The client gives prior authorization to the custodian that (a) authorizes HMSI to debit the account for the management fee up to a client-specified maximum amount, based on the account size and management fee to be charged, and (b) authorizes the custodian to pay HMSI directly no sooner than five (5) business days after the account statement is available at the custodian. The client is responsible for understanding and verifying the amount debited through the client's monthly custodian statement.
- ii. HMSI sends a quarterly invoice by email to the client and the custodian, and the client (a) authorizes HMSI to instruct the custodian to debit the account for the management fee and (b) authorizes the custodian to pay HMSI directly no sooner than five (5) business days after the account statement is available at the custodian. The client is responsible for understanding and verifying the amount debited through the client's monthly custodian statement.
- iii. HMSI sends a quarterly invoice by email to the client and the client pays the fee directly to HMSI. The client authorizes payment as per item 1 or 2 above if payment has not been received by HMSI within fifteen (15) days of the later of the transmission of the invoice and the availability of the account statement.

HMSI's clients may also pay custodial fees, administrative expenses, and brokerage and other transaction costs. (See Section 12, "Brokerage Practices") HMSI does not accept payment of fees in advance. Neither HMSI nor its employees accept any compensation for the sale of securities or other investment products.

6. PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

HMSI charges no performance-based fees on any of its accounts.

7. TYPES OF CLIENTS

HMSI provides investment advisory services primarily to institutional clients, including but not limited to, pension and profit sharing plans, and corporations. Some of these client relationships are established through an Investment Manager/Sub-Advisor contract, where HMSI is the Sub-Advisor. HMSI also provides investment advisory services to private clients.

HMSI's minimum account size is \$500,000; however, on a client-by-client basis, HMSI may accept a smaller account size.

Regardless of client type or minimum account size, each HMSI client must execute a written contract that governs HMSI's investment advisory relationship with the client.

8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

HMSI uses a proprietary mathematical model based on work started in the early 1980's by HMSI's Chief Investment Officer, Harry "Ed" Meihaus. All HMSI portfolios are managed with the same investment process. The investment process is disciplined, unbiased, and consistent. The universe of equities is different based on the product, but the strategy is the same: to actively construct diversified portfolios that adapt to market environments based on risk and reward.

The proprietary mathematical stock screening analytics identify stocks with positive price trends using mathematically-derived, risk/return probabilities with price as the only input. The portfolio team actively constructs equity portfolios that dynamically adapt to various indices or benchmarks. The portfolios adapt to market environments as stocks are bought and sold through the buy and sell disciplines. Position sizing algorithms are used to adjust holdings to manage the overall portfolio risk/return balance. HMSI's Defensive Index separately indicates more favorable sectors for investment as the market cycles through risk-on, risk-off periods and bear markets. HMSI's ability to outperform the market *has historically* been generated in two ways: (i) buying stocks with a strong positive trend and selling stocks before they enter a secular downtrend or trading range (i.e. stock selection); and (ii) actively managing the selection and weight of stocks in the portfolio to increase exposure to the right stocks and sectors while

adapting to the overall market's offensive / defensive posture. The consistency of past performance has also been derived from an investment process that limits cognitive and other biases that may influence the decisions of many investors.

Investing in securities involves risk of loss that clients should be prepared to bear. HMSI makes no representation that its investment program will be successful. Its investment program is not intended as a complete investment program. HMSI's past performance is not a guarantee of future results.

HMSI's investment strategies are designed for investors with long term investment goals, as they involve substantial risks. The risks of HMSI's investment process include, but are not limited to, HMSI's skill in constructing portfolios and implementing the process, equity market risk, and market capitalization risk. In addition, highly rotational market environments, like the ones that existed from 2000 through December of 2013, and which may continue, can increase portfolio turnover. HMSI expects turnover to be somewhere between 150% and 250% per year during rotational market periods. During periods of more sustained and low volatility leadership, portfolio turnover will be lower. HMSI's sell disciplines are the single factor determining portfolio turnover. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

9. DISCIPLINARY INFORMATION

HMSI and its management personnel are not subject to any legal or disciplinary event that is material to any current or potential client's evaluation of HMSI's advisory business or to the integrity of HMSI's management.

10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As described in HMSI's ADV Part 1, Schedule D, Section 7.A., HMSI and Madrona Global Capital Management, LLC ("MGCM"), an investment advisor registered with the SEC, are related entities pursuant to their common ownership and control, defined primarily by the dual employment of the portfolio team, the administration of the portfolios, direct interlock, and the co-located principal place of business within the Albuquerque, NM office.

HMSI and MGCM maintain a common investment philosophy and process, trading process and compliance infrastructure. HMSI and MGCM dually employ the following portfolio team members: Harry "Ed" Meihaus, Brian R. Stangel, and Russell T. Sanderson.

The calculation of assets under management encompasses data from both HMSI and MGCM. (See Section 4, "Advisory Business")

Conflicts may arise between the interests of HMSI clients and Madrona Global clients (collectively the “investment advisers”). The HMSI board monitors events to identify any material conflicts and, if such conflicts arise, determine what action, if any, should be taken. While the investment objectives and policies may be similar across products managed by the investment advisers, the product's investment results may be higher or lower, and may not be comparable, across products. In all possible circumstances, the same products are managed as identically as possible, including but not limited to, average price fills across the same equities within the products. When average price fills are not possible, brokers are rotated to ensure equal treatment of accounts. (See Section 12, “Brokerage Practices”)

11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

HMSI has adopted a code of ethics, contained within its Corporate Policies & Procedures Manual, which includes policies addressing business ethics, personal trading by employees, insider trading, ongoing ethics training, anti-money laundering, anti-fraud, professionalism in the workplace, and privacy and control of client information. A copy of the HMSI Corporate Policies & Procedures Manual is available upon request.

HMSI's personal trading policies apply to HMSI, its employees and their immediate family members, and to HMSI's related entity, its employees and their immediate family members (“Access Persons”). Personal trading policies cover any purchases and sales of equities, options on equities, or options on any other publicly traded commodity or security, commodity futures contract, derivative contract and fixed income securities, not just to securities and other assets held in client portfolios managed by HMSI.

In the event any of HMSI's Access Persons has a material financial interest in a security that is in a client portfolio managed by HMSI, HMSI's board will determine on a case by case basis what action should be taken to avoid any conflict that might disadvantage a HMSI client.

It is HMSI's policy to conditionally allow personal trading accounts by Access Persons. If an Access Person wishes to trade in individual equities, the personal trading account must be held at an HMSI approved custodian and must be contained within one of HMSI's or its related entity's GIPS-defined composites to be traded alongside client accounts. For example, HMSI trades its own account which is comprised of an employee 401K account within the All Cap product. As described in Section 12, “Brokerage Practices”, HMSI aggregates orders for execution on a pre-allocated pro rata basis to help ensure fair and equitable treatment across various accounts.

If an Access Person wishes to trade in futures, commodities, corporate bonds/treasuries, or exchange-traded funds (ETFs), trading is allowed without pre-approval in all except for the SPY ETF. Trading in the SPY ETF will require pre-approval by HMSI's chief compliance officer or chief executive officer or its related entity's chief executive officer/chief compliance officer or president.

HMSI's Access Persons who engage in personal trading must provide HMSI with an initial holding report upon becoming an Access Person, monthly statements of their trading, and an annual holding report.

Adhering to the policies incorporated into HMSI's Corporate Policies & Procedures Manual is a condition of employment at HMSI. If a HMSI employee is found to be in breach of HMSI's policies, then HMSI's chief compliance officer or board will take action ranging from a verbal warning to dismissal, depending on the circumstances of the breach.

12. BROKERAGE PRACTICES

In selecting and suggesting broker-dealers ("brokers") for client transactions, HMSI considers (i) the reputation of the broker in the financial community; (ii) past business experience, if any, with the broker; (iii) the range and quality of ancillary services provided by the broker; (iv) the broker's ability to execute in a timely, efficient, and error-free manner; (v) the expertise of the broker's registered representatives; (vi) the broker's ability to execute transactions in all of the markets in which HMSI offers products; and (vii) any client-specific requirements, e.g., a ceiling on brokerage costs. HMSI determines the reasonableness of the broker's commissions based on (i) HMSI's assessment of the broker's performance in the context of the foregoing seven factors and (ii) whether the broker commissions are reasonable in comparison to the charges of comparable brokers.

HMSI accepts no "soft dollar" benefits (i.e., research or other products or services from brokers who execute client transactions) nor does it direct brokerage as a reward for client referrals.

Clients directing brokerage to a particular broker may incur higher commission and other transaction costs than clients who authorize HMSI to select the broker. For example, if an HMSI client directs HMSI to place its trades with a certain broker, HMSI might be limited in its ability to negotiate commissions or volume discounts.

In the interest of best execution and to help ensure a fair and equitable basis for allocating trades among various clients, where possible and permitted by the client, HMSI aggregates orders for execution. Trades within an order are typically pre-

allocated pro rata among client accounts in accordance with client guidelines. If the order is not completely filled, executed trades are allocated pro rata in accordance with the pre-allocations. If more than one trade is executed, the trades are booked to client accounts at an average price and commission rate. When average price fills are not possible, brokers are rotated to ensure equal treatment of accounts.

13. REVIEW OF ACCOUNTS

All securities positions held by HMSI's clients are reviewed daily by HMSI's portfolio team. Harry "Ed" Meihaus, Chief Investment Officer, is the lead portfolio team member for HMSI's Large Cap and Large Cap Custom products and its related entity's Large Cap Institutional and Large Cap High Quality products. Brian R. Stangel is the co-lead portfolio team member for HMSI's All Cap and Growth & Income products and its related entity's Multi Cap and Large Cap products. Russell T. Sanderson is the co-lead portfolio team member for HMSI's All Cap and Growth & Income products and its related entity's Multi Cap and Large Cap products. All portfolios are screened daily with the buy and sell disciplines, reviewed for relative and absolute performance, and individual position sizes are assessed by the team leaders at a minimum. At least two team members must review each final decision prior to execution within any portfolio.

At least quarterly, HMSI furnishes to clients written statements of gains and/or losses, as well as any further analyses required by the client. At a minimum, each client receives an overview of performance and a basic attribution for the period relative to the specified benchmark and an outlook of the upcoming quarter.

14. CLIENT REFERRALS AND OTHER COMPENSATION

HMSI receives no compensation from non-clients for any activity related to its advisory business. HMSI does not pay third parties for client referrals.

15. CUSTODY

HMSI does not take physical custody nor act as a custodian of client funds or securities. Clients receive account statements directly from their qualified custodians. HMSI encourages clients to carefully review all custodian statements and to compare those statements with any statements received from HMSI.

HMSI may be deemed to have custody of client assets if it has the authority to withdraw its management fees from a client's account. HMSI follows the SEC's rules regarding this 'deemed' custody.

16. INVESTMENT DISCRETION

HMSI generally has discretionary authority to determine, without obtaining client consent, the securities to be bought or sold, the amount of such securities, the broker to be used, and the commission to be paid. This authority is given in the client contract. Any exception to this authority is dictated on a case by case basis per the client contract. In such cases, the client may be put at a disadvantage in terms of securities selection and execution of trades.

17. VOTING CLIENT SECURITIES

HMSI votes proxies only if required under the client contract. If required under the client contract, HMSI votes according to the client's proxy voting guidelines. Absent client guidelines, HMSI votes to maximize long-term shareholder value, to maintain shareholder control, and to generally approve routine corporate matters. HMSI evaluates some issues on a case-by-case basis, e.g., stock option and bonus plans, corporate combinations and divestments, shareholder proposals, and social/political proposals. Conflicts may arise with respect to voting, especially in cases where a client is the issuer of the securities being voted. HMSI's board will monitor events to identify any material conflicts and, if such conflicts arise, determine what action, if any, should be taken. HMSI utilizes ProxyEdge as its proxy service. A copy of HMSI's proxy voting policies, including its current standing instructions with ProxyEdge, is available upon request. Specific proxy votes cast by HMSI are available upon request to clients who require HMSI to vote their securities.

18. FINANCIAL INFORMATION

HMSI does not require nor solicit prepayment of fees. HMSI has not been the subject of a bankruptcy petition at any time.

Form ADV Part 2B - Supplemental Brochure



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January 22, 2014

This brochure supplement provides information about Harry "Ed" Meihaus, Russell T. Sanderson, Brian R. Stangel and Amy M. Stangel that supplements Hanseatic Management Services, Inc.'s brochure. You should have received a copy of that brochure. Please contact Amy Stangel/Chief Compliance Officer at 505 828 2824 or info@hanseaticgroup.com if you did not receive Hanseatic Management Services, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Brian R. Stangel is available on the SEC's website at www.adviserinfo.sec.gov.

BIOGRAPHIES

Harry “Ed” Meihaus (Born 1946) Chief Investment Officer/Chairman, (BSME, University of Louisville; MBA, University of Memphis), joined Hanseatic (HMSI predecessor) in 1985. Mr. Meihaus is the architect of HMSI’s mathematical investment framework, primarily the set of disciplines that underlie HMSI’s equity products. Mr. Meihaus oversees the investment philosophy and process as well as research and development. Mr. Meihaus is lead portfolio team member for HMSI’s Large Cap and Large Cap Custom product. Mr. Meihaus has no disciplinary history. Since January 2014, Mr. Meihaus is a member of, and also serves as CIO and board member to, Madrona Global Capital Management, LLC (“MGCM”), an investment advisor registered with the SEC. (See ADV Part 2A, Section 10, “Other Financial Industry Activities and Affiliations”) Mr. Meihaus is lead portfolio team member for MGCM’s Large Cap Institutional and Large Cap High Quality product. Mr. Meihaus is supervised by HMSI’s board, whose members can be contacted at 505-828-2824.

Russell T. Sanderson (Born 1963) Chief Executive Officer/Portfolio Manager, (BUS, University of New Mexico), joined Hanseatic (HMSI predecessor) in 1989. Mr. Sanderson provides day-to-day oversight of the business: all revenue generating, cost reduction, and risk mitigation objectives. Mr. Sanderson maintains the primary technical role in the oversight and application of the mathematical investment framework which is used to manage HMSI’s equity products. Over the years, Mr. Sanderson worked in all major aspects of the firm’s operations, focusing primarily on systems development and IT. Mr. Sanderson co-leads HMSI’s All Cap and Growth & Income products. Mr. Sanderson has no disciplinary history. Since January 2014, Mr. Sanderson is a member of, and also serves as portfolio team member and board member to, Madrona Global Capital Management, LLC (“MGCM”), an investment advisor registered with the SEC. (See ADV Part 2A, Section 10, “Other Financial Industry Activities and Affiliations”) Mr. Sanderson co-leads MGCM’s Multi Cap and Large Cap products. Mr. Sanderson is supervised by HMSI’s board, whose members can be contacted 505-828-2824.

Brian R. Stangel (Born 1970) Chief Marketing Officer/Portfolio Manager, (BA, University Wisconsin-Milwaukee, Series 65), joined Hanseatic (HMSI predecessor) in 1993. Mr. Stangel is responsible for facilitating HMSI’s overall marketing strategy. Mr. Stangel oversees all marketing and client services efforts. Over the years, Mr. Stangel developed knowledge and experience in each of the major operational and support areas of the business, including trading, compliance and performance accounting. Mr. Stangel holds the Series 65 license. The Series 65 is a “criterion based” minimum competency examination. The exam is administered to professionals within the investment industry. Criterion based means that a minimum passing criterion is established. The Series 65, officially known as The Uniform Investment Adviser Law Exam, is designed to test an individual’s knowledge and ability to advise clients in the area of investing and discuss general financial concepts. Mr. Stangel co-leads HMSI’s All Cap and Growth & Income products. Mr. Stangel has no disciplinary history. Since January 2014, Mr. Stangel is a member of, and also serves as portfolio team member

and board member to, Madrona Global Capital Management, LLC (“MGCM”), an investment advisor registered with the SEC. (See ADV Part 2A, Section 10, “Other Financial Industry Activities and Affiliations”) Mr. Stangel co-leads MGCM’s Multi Cap and Large Cap products. Mr. Stangel is supervised by HMSI’s board, whose members can be contacted at 505-828-2824.

Amy M. Stangel, IACCP® (Born 1970) Chief Compliance Officer, (MBA/Accounting Concentration, University of New Mexico, BA International Relations, University of Wisconsin-Milwaukee), joined HMSI in 2012. Ms. Stangel is responsible for overseeing and maintaining HMSI’s compliance program as well as providing support to back office and accounting activities. Ms. Stangel obtained her IACCP® (Investment Adviser Certified Compliance Professional) designation in December 2013 after (i) completing a two-year educational program, co-sponsored by National Regulatory Services (NRS) and the Investment Adviser Association (IAA), (ii) passing a certifying exam, (iii) meeting the two year work experience requirement, (iv) agreeing to abide by the NRS IACCP® *Code of Ethics and Professional Standards of Conduct*, and (v) agreeing to complete IACCP® continuing education requirements. Prior to joining HMSI, Ms. Stangel was employed as Membership Director and Cultural Department Associate by the Jewish Community Center of Greater Albuquerque. Ms. Stangel cumulatively has over two decades of experience in administration and control in a variety of businesses, including financial services. Ms. Stangel has no disciplinary history. Ms. Stangel is supervised by HMSI’s board, whose members can be contacted at 505-828-2824.