

**Brochure**

**Form ADV Part 2A**

**Item 1 - Cover Page**



Ned Davis Research, Inc.  
**CRD# 112260**

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**December 23, 2014**

This brochure provides information about the qualifications and business practices of Ned Davis Research, Inc. ("NDR"). If you have any questions about the contents of this brochure, please contact us at (941) 412-2300 or [dpierce@ndr.com](mailto:dpierce@ndr.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

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

**Item 2 - Material Changes**

This Brochure is prepared in the revised format required by the SEC beginning in 2011. Registered Investment Advisers are required to use this format to inform clients of the nature of advisory services provided, types of clients served, fees charged, potential conflicts of interest and other information. The Brochure requirements include providing a Summary of Material Changes (the "Summary") reflecting any change to our policies, practices, or conflicts of interest made since our last required "annual update" filing on December 24, 2013. In the event of any material changes, such Summary is provided to all clients within 120 days of our fiscal year-end. Of course the complete Brochure is available to clients at any time upon request.

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#### ***Item 4 - Advisory Business***

##### **General Information**

Ned Davis Research, Inc. ("NDR", "us", "we", "the firm") was formed in 1980. The firm produces and publishes independent financial research and offers customized research services (i.e., investment advisory services). NDR markets the research primarily to registered investment advisers, brokerage firms, asset management firms, and other types of corporations. It also markets to pension and profit-sharing plans.

NDR is 84.82% owned by Euromoney Institutional Investor Holdings, Inc., an indirect wholly-owned subsidiary of Euromoney Institutional Investor PLC, and 13% owned by Nathan E. Davis.

Effective August 9, 2011, NDR no longer had any discretionary or non-discretionary assets under management.

#### **SERVICES PROVIDED**

##### **Independent Research Services**

NDR produces various publications on the economy and financial markets, covering a variety of sectors, world economies and investment strategies. A complete list of publications is available upon request.

##### **Custom Research Solutions**

In many cases, the publications mentioned above are supplemented by custom research to meet the individual client needs.

NDR's Custom Research Solutions (CRS) provides clients with timely, personalized solutions to their investment research challenges. Types of custom research includes: asset allocation, model & indicator development, quantitative analysis, charting, historical studies, portfolio backtesting & selection, interactive tools and materials for clients' marketing presentations.

CRS can create proprietary models that use momentum-based ranking systems to customize Allocation Models for proprietary use by clients. CRS has devised a technical methodology, incorporating input from the client (money manager), to provide timely allocation recommendations among predefined investment instruments. For these Models, NDR provides the model reading for the asset allocation categories; however, the client implements and executes the strategy as they see fit for their end client.

##### **Wrap Programs**

We do not participate in any wrap programs.

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

The following is a description of NDR's basic fee schedules, a description of how fees are charged, whether fees are negotiable, when compensation is payable, refund policies and other applicable information. For more detail on any product or service please reference your information services agreement.

### **Independent Research Services**

NDR's research publications and services are available on a fee basis under terms of a Research Products agreement between NDR and the client. Fees for subscription access to research can be up to \$1,000,000 per year, depending upon the combination and form requested by the client and the number of users at each client firm. Fees are quarterly in advance unless otherwise negotiated with the client.

### **Custom Research Services**

As described in Item 4, NDR provides customized research and analysis for which it charges an hourly rate starting at \$700 per hour, or a fixed rate starting at \$10,000 based on the complexity of the project and the estimated time to complete the project.

For customized (client specific) Allocation Models, NDR may be paid based on the dollar value of the assets under management that the clients have that utilize the NDR model. This fee starts at 10 basis points and is dependent upon the product and services NDR provides the client.

NDR agreements will vary based on each client. Generally, each agreement allows for the client (money manager) or NDR to terminate the agreement within an agreed upon time frame and upon written notification. Our pricing structure for the typical client varies due to the cafeteria approach and customization requested by each client, thus pricing will vary depending on the client's tailored product package and end use of the product. The subscription fee is non-refundable.

### **Participation in CSAs and Other Compensation**

From time to time, NDR enters into a Commission Sharing Agreement ("CSA") with one or more firms, under which NDR will create and sell research products and services directly to broker-dealers or affiliates of broker/dealers. NDR may refer clients who are interested in paying for our products using commissions to such broker/dealers or their affiliates.

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

"Side by Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because NDR does not manage assets, it has no side-by-side management arrangements nor performance-based compensation arrangements.

### ***Item 7 - Types of Clients***

As noted in Item 4 above, NDR primarily markets its services to registered investment advisers, broker-dealers, corporations and retirement plans. Based on our business model, we do not require a minimum account size for opening or maintaining an account.

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

NDR does not manage individual client assets; however, our allocation models entail certain analysis and investment strategies as described below.

#### **Methods of Analysis and Investment Strategies**

The Allocation Models are constructed on objective, empirically based analysis. We believe in a "weight of the evidence" approach as data relationships change and one does not want to be tied to just a few indicators. Our models vary in time frame (short- intermediate- and long-term), and

various asset classes can be utilized. The methods of analysis used in each model can vary depending on the objective of the model. NDR models can incorporate: fundamental analysis, technical analysis, sentiment, and/or macro-economic analysis.

Fundamental analysis involves the analysis of financial statement-related data at the equity index level. For example, the price/earnings ratio for an equity index may be analyzed.

Technical analysis involves the analysis of past and current market price and breadth data. For example, the percentage of stocks above their moving average may be evaluated. Another example would be to monitor percentage reversals in an index.

Sentiment analysis involves monitoring the market participants' behaviors and optimistic or pessimistic views on the market being analyzed.

Macro-economic analysis involves the analysis of trends in macro-economic related data. Examples of data sets that could be examined include: yield curve, gross domestic product, coincident indicators, interest rates, oil, and industrial production.

#### Material Risks Involved

The Allocation Models utilize domestic and international equity securities and are designed to identify market trends and potential market risk. Investing in such strategies presents risks of losses and draw-downs, especially in the short-term.

Investing in financial markets involves a risk of loss that clients should be prepared to bear, and past performance is not a guarantee of future results.

#### ***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 a client's evaluation of NDR or the integrity of NDR's management. NDR has no disciplinary events to report.

#### ***Item 10 - Other Financial Industry Activities and Affiliations***

Neither NDR nor its Management Persons have any other financial industry activities or affiliations to report.

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

##### Code of Ethics and Personal Trading

NDR has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. NDR's Code has several goals. First, the Code is designed to assist NDR in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, NDR owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires persons associated with NDR (managers, officers and employees) to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits such associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for NDR's associated persons. Under the Code's Professional Standards, NDR expects its associated persons to put the interests of its

clients first, ahead of personal interests. In this regard, NDR associated persons are not to take inappropriate advantage of their positions in relation to NDR clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time NDR's associated persons may invest in the same securities recommended to clients. Under its Code, NDR has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that could disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

#### Participation or Interest in Client Transactions

Because associated persons may invest in the same securities as those recommended to clients, NDR has established a policy requiring its associated persons to pre-clear transactions in certain of these securities with the Chief Compliance Officer. The goal of this policy is to avoid any conflict of interest that may present itself in these situations. Some types of securities, such as CDs, treasury obligations and open-end mutual funds are exempt from this pre-clearance requirement. However, in the event of other identified potential trading conflicts of interest, NDR's goal is to place client interests first.

Consistent with the foregoing, NDR maintains policies regarding participation in initial public offerings (IPOs) and private placements to comply with applicable laws and avoid conflicts with client transactions. If a NDR associated person wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer.

#### ***Item 12 - Brokerage Practices***

Based on our business model, we do not select broker-dealers for client transactions, nor receive research or other products or services from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"). NDR does have CSA agreements with some of our clients as disclosed in Item 5 above.

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

Based on our business model, we do not review individual client accounts.

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

We do not receive an economic benefit from a non-client for providing investment advice or other advisory services to our clients, nor do we or a related person directly or indirectly compensate any person who is not our supervised person, or receive compensation from another for client referrals.

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

NDR does not currently have custody of client securities, nor do we have the authority to deduct our fees directly from client accounts. However, given that NDR may require prepayment of fees greater than \$1,200 per client and six months or more in advance, we are required to make certain financial disclosures to our clients.

***Item 16 - Investment Discretion***

Based on our business model, we do not manage securities accounts on our client's behalf. Therefore, we do not have discretionary authority to determine which securities to buy or sell on your behalf, determine the amount of securities to be bought or sold on your behalf, the broker or dealer in which to execute such securities transactions, and determine what transaction fee rate shall be paid on your behalf. When we create asset allocation models for our clients, the implementation of our recommendations is entirely at the discretion and is the responsibility of our clients. We do not execute any investments.

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

As a policy and in accordance with NDR's client agreement, NDR does not vote proxies related to securities held in client accounts. The custodian of the account will normally provide proxy materials directly to the client.

***Item 18 - Financial Information***

NDR has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to our clients given that we do not have discretionary authority or custody of client funds or securities. However, NDR may require prepayment of fees greater than \$1,200 per client and six months or more in advance. As such, we have included the balance sheet as of our most recent fiscal year prepared in accordance with generally accepted accounting principles, audited by an independent public accountant.

NDR is not currently, nor at any time in the past ten years been, the subject of a bankruptcy petition.

Set forth below is the Summary of Material Changes for Ned Davis Research, Inc.:

Date of Change	Description of Item
July 2014	David Pierce became the Chief Compliance Officer of Ned Davis Research, Inc.
October 2014	Eric Lankinen is no longer the CEO of Ned Davis Research, Inc.



**NED DAVIS RESEARCH, INC.**

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

NED DAVIS RESEARCH, INC.

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Certified Public Accountants and Business Advisors

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders  
Ned Davis Research, Inc.

We have audited the accompanying balance sheets of Ned Davis Research, Inc. (a C corporation) as of September 30, 2014 and 2013, and the related notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the statements of financial condition in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the balance sheets referred to above presents fairly, in all material respects, the financial position of Ned Davis Research, Inc. as of September 30, 2014 and 2013, in accordance with accounting principles generally accepted in the United States of America.

Atlanta, Georgia

December 8, 2014

NED DAVIS RESEARCH, INC.  
BALANCE SHEETS  
SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<u>Current assets</u>		
Cash	\$ -	\$ 206,312
Accounts receivable - trade, net	9,593,371	12,103,481
Prepaid expenses	757,399	543,079
Deferred income tax asset	<u>2,174,796</u>	<u>475,471</u>
Total current assets	<u>12,525,566</u>	<u>13,328,343</u>
<u>Property and equipment, net</u>	<u>796,866</u>	<u>916,870</u>
<u>Other assets</u>		
Note receivable - related parties	28,900,114	26,282,847
Deposits	<u>52,630</u>	<u>9,630</u>
Total other assets	<u>28,952,744</u>	<u>26,292,477</u>
	<u>\$ 42,275,176</u>	<u>\$ 40,537,690</u>

See auditors' report and accompanying notes

NED DAVIS RESEARCH, INC.  
BALANCE SHEETS  
SEPTEMBER 30, 2014 AND 2013

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2014</u>	<u>2013</u>
<u>Current liabilities</u>		
Cash overdraft	\$ 182,533	\$ -
Accounts payable	47,907	276,618
Accrued liabilities	4,287,110	3,953,136
Income taxes payable	-	1,475,498
Due to affiliate	2,632,421	2,727,092
Deferred revenue	<u>9,765,598</u>	<u>10,171,714</u>
Total current liabilities	<u>16,915,569</u>	<u>18,604,058</u>
<u>Stockholders' equity</u>		
Common stock, \$1 par value, 200,000 shares authorized; 6,767 shares issued and outstanding	6,767	6,767
Additional paid-in capital	4,781,030	4,781,030
Retained earnings	<u>20,571,810</u>	<u>17,145,835</u>
	<u>25,359,607</u>	<u>21,933,632</u>
	<u>\$ 42,275,176</u>	<u>\$ 40,537,690</u>

See auditors' report and accompanying notes

NED DAVIS RESEARCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013

**Note A**

**Summary of Significant Accounting Policies**

General:

Ned Davis Research, Inc. (the Company) is registered with the United States Securities and Exchange Commission as a registered investment advisor. Its primary activities include producing and distributing investment research, reports, services, and products for use by its customers or their clients in the United States and overseas. In addition, the Company acts as investment advisor to affiliated and non-affiliated investment companies.

On July 29, 2011, the Company sold 5,740 shares of its issued and outstanding voting stock, to EII Holding, Inc., a subsidiary of Euromoney Institutional Investor PLC, a public company limited by shares under the laws of England and Wales.

As the acquired company, Ned Davis Research, Inc. is not required to record acquisition accounting adjustments under accounting principles generally accepted in the United States of America and no such adjustments have been recorded.

Cash:

The Company maintains cash in various U.S. financial institutions that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Property and Equipment:

Property and equipment are carried at cost. Expenditures for maintenance and repairs are expensed currently, while improvements that enhance the property are capitalized if they materially extend the life of an asset. The cost of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation are eliminated from the accounts, and any resulting gain or loss is recognized.

Property and equipment are depreciated over their estimated useful lives ranging from three to four years, using the straight line method. Leasehold improvements are depreciated over the lesser of the expected lease term or estimated useful lives using the straight line method.

NED DAVIS RESEARCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013

**Note A**

**Summary of Significant Accounting Policies (Continued)**

Impairment of Long Lived Assets:

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the long-lived assets may not be recovered. The carrying amount of an asset or asset group is deemed not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. When the carrying amount is determined to be not recoverable, an impairment charge is recognized in an amount equal to the excess of the carrying amount of the asset or asset group over its fair value. No impairment charge was recognized during the years ended September 30, 2014 and 2013, respectively.

Revenue Recognition:

The Company recognizes revenue as earned. When services to be rendered extend beyond one month, the Company ratably recognizes revenue over the total period that services are to be provided. When the Company collects revenue in advance of being earned, a deferred revenue liability is recorded for the unearned portion.

Revenues invoiced but relating to future periods are deferred and treated as deferred income on the balance sheet. As of September 30, 2014 and 2013, approximately \$7,421,000 and \$7,500,000, in customer billings was invoiced and remained outstanding in accounts receivable in the accompanying balance sheet for the services relating to future periods, respectively.

**Note B**

**Accounts Receivable**

Accounts receivable consist of the following:

	<u>2014</u>	<u>2013</u>
Trade accounts receivable	\$ 9,904,148	\$ 13,059,333
Other	31,697	33,968
Less: allowance for doubtful accounts	<u>(342,474)</u>	<u>(989,820)</u>
	<u>\$ 9,593,371</u>	<u>\$ 12,103,481</u>

Trade accounts receivable consist of amounts due from customers generally in the financial services industry. The Company requires no collateral for these financial instruments subject to credit risk. If this amount became uncollectible, the accounting loss would be the entire balance.

NED DAVIS RESEARCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013

**Note C**  
**Property and Equipment**

The components of property and equipment are as follows:

	<u>2014</u>	<u>2013</u>
Computer equipment	\$ 1,145,273	\$ 925,716
Computer software and development	1,243,669	1,079,714
Furniture and equipment	203,358	197,750
Leasehold improvements	<u>1,096,432</u>	<u>1,096,432</u>
	3,688,732	3,299,612
Less accumulated depreciation	<u>(2,891,866)</u>	<u>(2,382,742)</u>
Net property and equipment	<u>\$ 796,866</u>	<u>\$ 916,870</u>

During the year ended September 30, 2013, the Company wrote off certain fully depreciated assets approximating \$3,750,000. There were no such write-offs during the year ended September 30, 2014.

**Note D**  
**Retirement plan**

The Company offers a 401(k) profit sharing plan to eligible employees. The Company matches 50% of all qualifying employee contributions up to a maximum of 6% of the employee's compensation in accordance with Internal Revenue Service regulations.

**Note E**  
**Commitments**

The Company leases office space from related parties with common ownership and certain equipment under operating leases. Minimum future lease payments under non-cancelable operating leases with terms in excess of one year, are as follows:

<u>September 30,</u>	<u>Amount</u>
2015	\$ 808,062
2016	280,094
2017	<u>33,402</u>
	<u>\$ 1,121,558</u>

**Note F**  
**Related Parties**

The Company's stockholders also own Davis, Mendel and Regenstein, Inc. (DMR), a broker/dealer, who has common ownership with the Company. At September 30, 2014 and 2013, \$2,632,421 and \$2,727,092 was due to DMR and reported as due to affiliate.

On September 30, 2014, the employment of one of Company's executives was terminated. The executive's employment contract included a severance agreement, of which the Company recorded a liability of \$672,150 which is included in accrued expenses in the accompanying balance sheet.



NED DAVIS RESEARCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013

**Note G**

**Note Receivable - Related Parties**

As of September 30, 2014 and 2013, the Company has advanced \$28,900,114 and \$26,282,847 to EII Holdings, Inc. and affiliates, respectively. These affiliates have common ownership with the Company. Interest is payable monthly at 12 month LIBOR, adjusted monthly. The note receivable is due on demand and unsecured. Because the intent is to roll the balance from year to year, the note receivable has been classified as a noncurrent asset.

**Note H**

**Income Taxes**

The Company accounts for income taxes using the asset and liability approach. Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred temporary differences are expected to be recovered or settled. The effect of a change in enacted tax rates on the deferred tax assets and liabilities is recognized in income in the financial statement period when the new tax rates are enacted. The Company assesses the recoverability of its deferred tax assets annually and records a valuation allowance when it is determined more likely than not that a deferred tax asset will not be realized in full.

As of September 30, 2014, the net deferred tax asset is comprised of net operating losses of approximately \$1,382,000, accrued liabilities' and depreciation timing differences of approximately \$5,591,000, or a deferred tax asset of approximately \$2,175,000 after applying a valuation allowance of approximately \$280,000.

As of September 30, 2013, the net deferred tax asset is comprised of accrued liabilities' and depreciation timing differences of approximately \$2,615,000, or a deferred tax asset of approximately \$475,000 after applying a valuation allowance of approximately \$500,000.

The Company is no longer subject to income tax examinations for years prior to 2011.

The Company files consolidated income tax returns with its parent, EII US, Inc. and records its share of the consolidated provision for income taxes on a separate return basis.

In the future, should there be Company taxable income and EII US, Inc. has net operating losses that are used to offset taxable income, the Company would record current income taxes payable to EII US, Inc.

**Note I**

**Subsequent Events**

The Company has evaluated subsequent events through December 8, 2014, when these financial statements were available to be issued. The Company is not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on the financial statements.