

# **FIRM BROCHURE**

**Select Portfolio Management, Inc.**

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**March 30, 2017**

This firm brochure provides you information about the qualifications and business practices of Select Portfolio Management, Inc. If you have any questions about the contents of this brochure, please contact us at (949) 975-7900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about Select Portfolio Management, Inc. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An Investment Adviser’s registration with the SEC does not imply a certain level of skill or training.

## **ITEM 2: SUMMARY OF MATERIAL CHANGES**

This summary describes all of the material changes to our old firm brochure (Form ADV, Part 2A) dated April 7, 2016. We provide this summary to our existing clients and we may omit it from the current firm brochure that we provide to new clients who did not previously receive our old firm brochure. This summary does not describe all of the changes that were made, only those that we deemed to be material, and this summary is qualified in its entirety by our current firm brochure, which is available on our web site [www.selectportfolio.com](http://www.selectportfolio.com) or upon request by calling us at the telephone number or writing to us at the address shown on the cover page. Our current firm brochure is also available for viewing and downloading over the Internet from the Investment Adviser Public Disclosure website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Follow the website's instructions to search by our firm's name, and then use the navigation bar to locate, open and, if desired, download our current firm brochure.

There have been no material changes since our last filing April 7, 2016.

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## **INTRODUCTION**

In this brochure, references to “we”, “us”, “our”, or “our firm” refer to Select Portfolio Management, Inc. Individuals who serve as our directors, officers, and employees are referred to as our “representatives”. Our firm’s clients and prospective clients are referred to as “you”, “your” or “our clients”.

**This brochure contains important information. We encourage you to read it carefully and to ask questions if there is any information that you do not understand.** The format and content of this brochure have been prepared based on the instructions to Form ADV, Part 2A, which is prescribed for use by registered investment advisors under federal and state securities laws and related rules. Form ADV, Part 2A supersedes Form ADV, Part II.

## **ITEM 4: ADVISORY BUSINESS**

### **Our Owners and Principals**

Our firm was established by Carin R. Amaradio and commenced business in 1993. Ms. Amaradio serves as President, Chief Executive Officer and Chief Compliance Officer. Laurie A. Thompson serves as Vice President, Chief Operations Officer and Compliance Officer. They each have over 30 years of experience in the financial services industry.

**As of December 31, 2016, collectively, Select Portfolio Management, Inc. has over \$671,338,188 in advised assets, which includes discretionary and non-discretionary assets under management at our affiliated registered investment advisor, Select Money Management, Inc.**

### **General Investment Advisory Services for Individuals**

We offer general investment advisory services for individuals. These services include developing investment strategies based on your current and anticipated future financial needs. Our representative will meet with you, gather financial data, and discuss your current financial situation and future financial goals. You need to furnish us with all current information about your financial and investment circumstances. Your information, as well as our recommendations and advice, are confidential.

Based on your information, we will give you our recommendations for various investment products and services. You are always at liberty to follow or disregard our recommendations, in whole or in part. We will advise you, but you must make your own decision whether or not to make any investments or utilize any of our services.

After developing and recommending your investment strategy, we will periodically contact you for a financial review, typically at least annually. Our financial review will take into consideration the original investment strategy, any new investments, changes in your financial circumstances or goals, and any changes in the tax laws or other general economic conditions that may affect your current investment strategy. If requested, we will provide you with interim financial reviews. Typically, we do not provide periodic reports for our general investment advisory clients.

In most situations, we do not charge a fee for our general investment advisory services for individuals. We do not impose a minimum dollar value of assets in order for you to utilize the general investment advisory services for individuals.

### **General Investment Advisory Services for Businesses**

We offer general investment advisory services specifically tailored to the needs and special circumstances of businesses, including their pension and retirement plans. These services are generally provided in conjunction with other professionals and include investment management services for SEP & SIMPLE IRAs, 401(k) Plans, 403(b) Plans, 409(a) Plans, 457(b) Plans, Defined Benefit Plans, Defined Contribution Plans, Profit-Sharing Plans, Money-Purchase Plans, Deferred Compensation Plans.

We provide general investment advisory services specifically tailored to the needs of a trustee or other fiduciary, including but not limited to, someone meeting the definition of “fiduciary” under the Employee Retirement Income Security Act of 1974 (“ERISA”) or an employee benefit plan subject to ERISA.

We will periodically contact you for a financial review. Interim financial reviews are available upon request. We may provide regular reports regarding your accounts, depending on your needs. We do not impose a minimum dollar value of assets or other conditions for these services.

### **Portfolio Management Services**

We offer portfolio management services through our wrap fee program (the “Program”) through our affiliate registered investment advisor, Select Money Management, Inc. If you participate in the Program, we will charge your account a single, specified fee, which includes the costs of investment management, brokerage, custody, and other services provided under the Program.

A complete description of the Program and its fees are contained in Select Money Management, Inc.’s Wrap Fee Program Brochure (Form ADV, Part 2A Appendix). To request a copy, please contact your investment advisor representative or our office at 949-975-7900.

### **Managing the Managers**

We offer investment management services to identify, monitor, and manage unaffiliated third-party investment managers (sometimes referred to as “managing the managers”). We will select and recommend these managers based on a number of factors including, among others, their investment experience, specialty, and historical investment performance. We will discuss the background of these managers with you and determine whether one or more of them may be suitable to manage some or all of your account. We will provide and discuss with you their firm brochures (Form ADV, Part 2A).

Once selected, we will monitor and report to you about the investment performance of these third-party managers and advise you whether they are performing as anticipated in relation to appropriate investment benchmarks. We will also keep you advised as to any other circumstances that we feel are important to consider when determining whether or not to continue using their services. Our fees for this service vary and will be negotiated on a case by case basis and will be specified in a written agreement with you.

### **Third-party Wrap Fee Programs**

In conjunction with managing the managers, we act as a solicitor for, and offer advice about, various wrap fee programs for separately managed accounts sponsored by these third-party, unaffiliated investment advisors. In wrap fee programs, the program sponsor selects the investments, monitors and evaluates investment performance, executes your portfolio transactions without commission charges, and provides custodial services for your assets. All of these services are generally provided for a single fee (or “wrap fee”) which is paid to the program sponsor. These programs are described in separate wrap fee program brochures prepared and distributed by the program sponsor. When we discuss a wrap fee program, we will provide you with a copy of the sponsor’s brochure (Form ADV, Part 2A).

### **Financial Planning Services and Investment Advice through Consultation**

We offer investment advice programs, which are not considered part of General Investment Advisory Services and are included in the category of Financial Planning Services.

At Select Portfolio Management, Inc. we believe that every investor needs and deserves a meaningful goal-based Financial Plan that is Smart, Adaptable and Client Friendly. Whether you prefer Simplified Planning, a Comprehensive Financial "Blueprint", or only want an analysis prepared for one or two specific needs, our systems and software have been designed to give you a methodology to look at your progress towards long-term goals.

By using interactive software licensed through MoneyGuidePro<sup>TM1</sup> you can see how you are doing over time on most computers, tablets or smart-phones and then can make more appropriate financial decisions year after year. In the Financial Planning process we will provide you with an assessment of your current financial situation and make certain customized recommendations which relate to your goals.

Retirement Planning is generally at the core of most financial plans. Through SuperSolve<sup>®1</sup> enabled software licensed through MoneyGuidePro<sup>TM1</sup> we can create a Retirement Lifestyle Plan, a more Comprehensive Financial "Blueprint", or a stand-alone Retirement Zoomer<sup>®1</sup> analysis. Each service supports Financial Planning as an ongoing process where our clients view their plans as a reasonable range of possibilities to be managed and implemented.

### **Financial Planning Services List**

The following is a list of our Simplified Financial Planning, Comprehensive Financial "Blueprints", or Planning/Analysis modules for specific needs provided as stand-alone services:

- |  |   |
|--|---|
| • PreciseFP <sup>TM</sup> Financial Questionnaire  | • Comprehensive Financial "Blueprints"                              |
| • Retirement Zoomer <sup>®</sup> Plan <sup>1</sup><br>("Quick & Easy" Retirement Planning) | • College Funding Plan Summary<br>(with 529 Tuition Plans Analysis) |
| • Asset Allocation Planning  | • Social Security Maximization Analysis                             |

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<sup>1</sup> Retirement Zoomer<sup>®</sup>, MoneyGuidePro<sup>TM</sup>, and SuperSolve<sup>®</sup> enabled software are registered trademarks of PIEtech.

- Life Insurance Needs Analysis
- Asset Protection Consultation<sup>2</sup>
- Charitable Gifting Consultation<sup>2</sup>
- Retirement Lifestyle Planning
- Long-term Care Needs Analysis
- Estate Planning Analysis
- Succession Plan Consultation<sup>2</sup>
- Legacy Planning Consultation<sup>2</sup>

<sup>1</sup>Retirement Zoomer®, MoneyGuidePro™, and SuperSolve® enabled software are registered trademarks of PIEtech.

<sup>2</sup>Consultation is provided by one of SPM's CERTIFIED FINANCIAL PLANNER™ professionals collaborating with Tax Consultant or Estate Planning attorneys to gain their input and review of client's Comprehensive Financial "Blueprint" or as needed for stand-alone financial planning/consultation modules. The CERTIFIED FINANCIAL PLANNER™ and CFP® professional are trademarks of the Certified Financial Planner Board of Standards, Inc. PreciseFP™ is a trademark of Spectrum Input, LLC.

Except as described under the heading *Other Financial Industry Activities and Affiliations*, we are not affiliated with any other service provider or securities issuer, and we do not receive compensation from any source other than the fees we charge, as described above. Before investing in a fund, you should consider the total cost of fund-level fees, advisory fees, and any transaction-related commissions or charges. You may choose to invest in mutual funds, variable insurance products, or other securities directly, without our services.

## **ITEM 5: FEES AND COMPENSATION**

### **General Investment Advisory Services for Individuals**

These services are usually incidental and in association choosing whether to participate in our affiliate Select Money Management, Inc.'s Wrap Fee Program or any of the third-party wrap fee programs we make available. Therefore, in most situations, we do not charge a separate fee for our general investment advisory services for individuals. We also do not impose a minimum dollar value of assets or other conditions in order for you to utilize the general investment advisory services for individuals.

### **General Investment Advisory Services for Businesses**

Fees for our general investment advisory services for businesses are typically flat-rate fees negotiated on a case-by-case basis after an assessment of the complexities of the services to be rendered. We will formalize our specific fees in our written advisory agreement with you.

### **Portfolio Management Services – Select Money Management Wrap Fee Program**

If you utilize our affiliate Select Money Management Inc.'s Wrap fee Program, we charge you an inclusive, all-in-one annual fee based upon a percentage of the market value of your assets under our management. Our fee for the Program is called a "wrap fee" because our fee includes all transaction and custodial costs which otherwise would be separately incurred by you.

The fee schedule for our Program is negotiable. Generally, the range of fees is between 0.25% and 2.4%, depending on the assets under management, the complexity of your investment requirements, and the nature of your individual circumstance. You may be able to receive services similar to those offered through our Program from other investment advisers either separately or as part of a similar wrap fee program. These services or programs may cost more or less than our Program.

A complete description of the Program and its fees are contained in our affiliate Select Money Management, Inc.'s Wrap Fee Program Disclosure Brochure – Form ADV Part 2A Appendix. To request a copy, please contact your investment advisor representative or our office at 949-975-7900.

### **Managing the Managers & Third-party Wrap Fee Programs**

Typically, the program sponsor/manager pays us a portion of the fee that you pay to the sponsor/manager. The amount of our compensation is disclosed in a separate solicitor's disclosure brochure and is subject to negotiation. Our share of the fee is generally between 0.50% and 1.5%, depending on the assets under management, the complexity of your investment requirements and the nature of your individual circumstances. You may be able to receive services similar to those offered through these programs from other investment advisers either separately or as part of a similar wrap fee program. These services or programs may cost more or less than the programs we have recommended.

***Fee Negotiation*** – As discussed above, we may negotiate any of our fees, taking into consideration such things as the size of your account, the number of managed portfolios, your relationship with other clients, the length of our relationship with you, the complexity of your personal circumstances, the composition of your portfolio, the complexity of investment strategies, the frequency of desired meetings or special reporting, and other factors that affect our cost of providing services for you. If you, your family, or related persons also have accounts under our management, those accounts may be aggregated for fee calculation purposes. For these reasons, our fees may vary among clients who may be in similar circumstances.

Other investment advisors may charge higher or lower fees for comparable services. We will seek to assure that you are charged a competitive rate according to the size of the account being managed. We reserve the right to modify the fee schedule upon a minimum of thirty (30) days prior written notice to you.

***Other Third-party Fees*** – If you invest in mutual funds, exchange-traded funds, and other funds or investments that are managed or administered by third-parties, you will be paying additional fees and charges to others that are in addition to our fees.

For example, if you purchase mutual fund shares or a variable insurance product, then you will incur additional fees and charges at the fund level. Each mutual fund's or variable insurance product's prospectus or offering memorandum describes these fees and expenses. The additional fund-level fees may include, but are not limited to, a management fee, brokerage and custodian fees, other fund expenses, mortality and expense risk charge or possible distribution fee. If the product imposes a sales charge, you may pay an initial or deferred sales charge. Custodial fees may include wire transfer and electronic fund fees, check writing fees, custodial termination fees, and other fees and taxes on brokerage accounts and securities transactions.

Except as described under the heading *Other Financial Industry Activities and Affiliations*, we are not affiliated with any other service provider or securities issuer, and we do not receive compensation from any source other than the fees we charge, described above. Before investing in a fund, you should consider the total cost of fund-level fees, our advisory fees, and any transaction-related commissions or charges.



## **Fee Schedule for Financial Planning Services**

Current fees for Simplified Planning, Comprehensive Financial "Blueprint", Custom Planning Services or stand-alone Planning/Analysis Modules are stated in our Financial Goal Planning Agreement:

### **Level 1 – Simplified Financial Planning Service**

- From **\$500 to \$2,000** based upon the complexity of planning needed.

### **Level 2 – Financial Goal Planning Service**

- From **\$2,000 to \$4,000** based upon the complexity of planning needed.

### **Level 3 – Comprehensive ‘Financial Blueprint’ Service**

- From **\$4,000 to \$6,000** based upon the complexity of planning needed.

### **Customized ‘Financial Blueprint’ Service**

- Negotiated on a case-by-case basis, based upon the complexity of services requested.

### **Stand-Alone Planning Services or Enhanced Analysis Modules**

- From **\$500 to \$1,000** for each module chosen (optionally provided on an hourly fee basis).

**Initial Fee** – Before any services are initiated, all terms and conditions relating to initial financial goal planning services are outlined in the Financial Goal Planning Services Agreement. The agreement details services requested, fees for such services and any applicable travel expenses (e.g. plane flights, hotel, rental car, etc.). An initial plan/analysis is considered to include the time required to gather, assemble, and present a finished plan.

The software used is interactive in nature and clients will be required to enter (revise) data utilizing our online planning system working with a Financial Planner. Please Note: Initial Planning Fees will not include time spent on updates, revisions, or changes requested by the client or recommended by the Advisor. (See “Ongoing Fees”)

Generally, Financial Goal Planning/Analysis fees are determined as a flat fee. A deposit of 50% of the quoted flat fee plus any applicable travel expenses is due and payable at the time the “Financial Goal Planning Services Agreement” is signed and begins the process. At our discretion, fees may be quoted as an estimated aggregate hourly fee in the Financial Goal Planning Services Agreements. In this instance, we will charge an upfront retainer fee, which will be applied to future hours worked, equal to 50% of the total cost estimated to complete the task.

We will not perform hours of services or charge aggregate fees that exceed such estimates without providing you with written notice and an opportunity to reject additional services and related fees.

Any balance is due at the time your plan and/or analysis is presented/sent to you either online, electronically or physically.

**Ongoing Fees** – We recommend that plan updates be considered bi-annually. Interim financial plan updates are available at your request should changes necessitate a plan update earlier than semi-annually. Plan revisions will be based on the original plan and will take into account any changes in your financial, tax and legal risk management circumstances and needs that you are able to enter into our online software or otherwise provide to us. Plan updates are generally quoted as an hourly fee based upon the time anticipated in order to, review, revise, and present your Financial Goal Plan, “Blueprint” or Analysis.

The value and usefulness of our firm's financial planning services will be dependent upon the information that the Client provides and their active participation in the formulation and implementation of financial planning objectives. The Client will be required to complete an online questionnaire to assist us in formulating the Client's financial planning objectives. We may reasonably request certain of the following documents: insurance policies, wills, tax returns, investment statements, social security statements, and other documents depending upon the Client's circumstances, in order to permit a complete financial evaluation. The software we use is interactive in nature and you will be required to work with your Financial Planner to enter (update) your If you do not wish to enter your information online or prefer to complete a written questionnaire, an additional hourly cost may apply for data entry. All terms and conditions relating to plan updates are outlined in the Financial Goal Planning Services Agreement.

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

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of your assets).

## **ITEM 7: TYPES OF CLIENTS**

We provide advisory services to individuals, high net worth individuals, businesses, corporate pension and profit-sharing plans, trusts and estates, charitable institutions, foundations, and endowments.

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

### **Methods of Analysis**

When advising you about your investments or managing your account, we typically use several methods to analyze the securities that we may select for your investment portfolio, including fundamental and technical analysis. We also consider cyclical factors affecting some industries and companies more than others. We also consider factors such as the strength of the company's or mutual fund's management team.

***Fundamental analysis*** is a technique that attempts to determine a security's value by focusing on the economic well-being of a company, as opposed to movements of its market price. In the course of our analysis, we will review a company's financial statements and consider factors including, but not limited to, the company's historical financial condition, prior operating results and trends, its projected revenue growth, its competitive advantages and disadvantages, the anticipated demand for its current and future products or services, the age and nature of its assets, and other factors affecting the company's anticipated results from future operations. Past performance does not assure similar future performance. A company's fundamental value can be adversely affected by many factors unrelated to its actual operating performance.

***Technical analysis*** is another method to evaluate potential investments. Unlike fundamental analysis, technical analysis does not analyze the company's value, but instead analyzes the movement of stock prices in the market, both individually and within an industry or sector of the economy. Technical analysis

studies the supply and demand in the market in an attempt to determine historical and future trends. Notwithstanding favorable market price movements, a company's financial condition and other unique factors can adversely affect its value. Technical analysis relies upon stock movements and volume reflected in historical stock charts, often compared with various market benchmarks.

**Cyclical factors** are relevant to some industries and some company's stocks more than others. A cyclical industry or stock is generally more sensitive to our economy's business cycle. Business cycles are the recurring and fluctuating levels of economic activity that our economy experiences over a period of several years. The five stages of the business cycle are growth (expansion), peak, recession (contraction), trough and recovery. Business cycles vary in frequency, magnitude and duration. The revenue for cyclical industries and stocks are generally higher in periods of economic prosperity and expansion and lower in periods of economic downturn and contraction. Some industries and stocks tend to be countercyclical. The revenue for counter-cyclical industries and stocks tend to be negatively correlated to the overall state of the economy. A counter-cyclical stock's price will tend to move in a direction that is opposite to the general economic trend.

We obtain information from a number of sources, both public and by purchase, including financial newspapers and magazines, inspection of corporate activities, research materials prepared by third-parties, corporate rating services, annual reports, prospectuses, reports filed with the SEC, and company press releases. We believe these resources are reliable and we regularly depend on these resources for making our investment decisions.

### **Investment Strategies**

We use a variety of investment strategies, depending on your circumstances, financial objectives and needs. We may recommend implementing one or more of the following investment strategies: long-term purchases (held at least a year), short term purchases (held less than a year), trading (held less than 30 days), margin transactions (purchase of a security on credit extended by a securities company), and option writing (selling an option) or a combination of these strategies to help you meet your investment objectives.

We may recommend implementing these strategies using stocks, bonds, mutual funds (held directly or held within variable annuities or life insurance products), municipal securities, options contracts, futures contracts and other types of investments. We often recommend mutual funds of different kinds to promote portfolio diversification within various asset classes, such as industry sectors, domestic/international, or equities/bonds. We may recommend periodic purchases, sales, and exchanges of those mutual fund shares within mutual fund families and between different mutual fund families when there are changes in your needs, market conditions, or economic developments. These recommendations will be implemented through our affiliated broker-dealer Securities Equity Group.

The following is a general summary of the investment strategies used in our Select Money Management Wrap Fee Program.

## **Tactically-Managed Model Portfolios**

At the core of our investment methodology is a rigorous due diligence process that relies on the expertise of a team of investment professionals with well over 100 years of collective experience evaluating managers, designing investment solutions, and overseeing portfolios. Our team's efforts are augmented by custody services and research capabilities of National Financial Services, LLC (NFS) - A Fidelity Investments Company, which provides detailed analysis regarding thousands of investments.

### **5 Equity Based Model Portfolios:**

#### **Tactical Equity Model (TE) \$100K Minimum**

The Tactical Equity Model Portfolio is a growth portfolio focusing on individual stocks that have historically consistent payment of dividends as well as growth. The model uses both fundamental and technical analysis to determine the stocks held in the portfolio. Approximately 1/2 of the portfolio is allocated into "core" (consistent dividend paying companies) and approximately 1/2 in "satellite" (growth oriented companies).

#### **Tactical Balanced Model (TBL) \$25K Minimum**

The Tactical Balanced Model Portfolio is designed for moderate investors seeking a balance of equity and fixed income. The Balanced Model Portfolio seeks exposure to equity & fixed income managers and may contain Mutual Funds, UITs, I & D Shares or ETFs. We evaluate 7 broad based asset classes weekly to determine the highest ranking to overweight based on model computations. Changes in asset weightings can change within the equity asset classes and fixed income asset classes as well as increase or decrease weighting from equity to fixed income.

#### **Tactical Growth Model (TG) \$25K Minimum**

The Tactical Growth Model Portfolio is a sector based model analyzing up to 40 market sectors weekly. We allocate in the top 8 to 10 sector groups based on model computations. It is our objective within the group of sectors we track to isolate those that show the best potential upside, even in down markets. The Tactical Growth Portfolio seeks capital appreciation through sector and broad based Mutual Funds, I & D Shares or ETFs.

#### **Tactical Based Country Model (TBC) \$100K Minimum**

The Tactical Based Country Portfolio seeks out opportunities within various countries by spanning the globe and identifying the strongest country ETF's based on our model rankings. The model groups up to 5 of the highest ranked countries together for diversification. By utilizing ETF's, the model can easily change amongst these various specific countries within our inventory. The Tactical aspects assures that the positions are being closely monitored and actively managed throughout the year. Investors allocating funds to this model, should be able to withstand greater volatility, while seeking higher growth potential.

#### **Tactical Special Opportunities ETF Model (TSO) \$100K Minimum**

The Tactical Special Opportunities ETF Model Portfolio is designed to seek out unique opportunities within the market and gain exposure to specialty segments that may otherwise be overlooked. This model uses mathematical computations to identify these opportunities that are considered to be thinking out of the box. We typically hold 5 positions on average, utilizing exchange traded funds (ETFs) as the funding vehicle. Investors allocating funds to this model should be able to withstand greater volatility, while seeking higher growth potential.

### **3 Fixed Income Based Model Portfolios:**

#### **Tactical Fixed Income Model (TFI) \$25K Minimum**

The Tactical Fixed Income Model Portfolio is a yield focus model, deriving its yield from multiple asset classes within the fixed income space. The Tactical Fixed Income Model focuses more on yield than principal stability. This model portfolio is well suited for those seeking income and can withstand fluctuating price levels. The Tactical Fixed Income Model Portfolio seeks exposure to fixed income managers and may contain Mutual Funds, UITs, I & D Shares or ETFs.

#### **Tactical Bond Model (TB) \$25K Minimum**

The Tactical Bond Model Portfolio uses a ladder allocation of individual bonds with a reasonably consistent yield and short term maturities. This model portfolio seeks to achieve this yield with low volatility and is designed for investors to hold to maturity. In most model positions maturity will be within 1-3 years. The Tactical Bond Model Portfolio seeks exposure to fixed income managers and may contain Mutual Funds, UITs, I & D Shares or ETFs.

#### **Tactical Low Duration Model (TLD)**

The Tactical Low Duration Model Portfolio is designed to generate short-term low risk returns.

Custom Strategies are also available for specific client needs. Please ask your Advisor for information on currently offered Custom Strategies and related fees & minimums for Custom Strategies.

### **Investment Risks and Rewards**

Investing in securities involves risk of loss that you should be prepared to bear. Securities, mutual funds, variable products, equity index annuities and other types of investments all bear different types and levels of risk. Upon request, we can discuss the types of investments and investment strategies that we believe may tend to reduce these risks in light of your personal circumstances and financial objectives.

For our affiliate Select Money Management's Wrap Fee Program, we use a proprietary methodology to determine when to buy/sell mutual funds or other securities for our separately managed accounts. No assurance can be given that any fee-based portfolio management service will result in profitable investments for you or that you will not incur losses. The results of any fee-based portfolio management service cannot be guaranteed and do not take into consideration the timing of your purchase of any particular security, how long you have held the security, your other investments, or the specific tax consequences of the sale or purchase of any securities. All risk of gain or loss in the investments and all expenses of the account(s) are your sole responsibility.

We provide no guarantee regarding the timing of a trade or exchange. While we attempt to execute trades within twenty-four (24) hours of a signal or decision, delays could occur. Processing time delays incurred by the mutual fund companies, insurance companies, brokerage firms, clearing firms and custodians are not our responsibility and in such event we assume no responsibility for any possible losses. In the event that a trade or exchange is missed with material losses resulting, we assume no responsibility for such losses. You will be required to waive any claim to specific, direct or consequential damages and agree

that your sole remedy shall be either (1) the refund of the quarterly fee and cancellation of the Agreement or (2) the account(s) will be managed without charge for a term to be determined by us.

While we design investment strategies to provide appropriate investment diversification, some investments have significantly greater risk than others. Obtaining higher rates of return on investments entails accepting higher levels of risk. Our investment strategies seek to balance risks and rewards to achieve investment objectives. Ask questions about investment risks you do not understand. Our representatives will be able to discuss them with you.

We strive to render our best judgment on behalf of our clients. However, we cannot assure you that investments will be profitable or assure that no losses will occur in an investment portfolio. Past performance is an important consideration with respect to any investment or investment advisor but is not a reliable predictor of future performance. We continuously strive to provide outstanding long-term investment performance, but many economic market variables beyond our control can affect the performance of an investment portfolio.

Generally, some common investment-related risks that may affect your investment portfolio include:

- Business risks are associated with a particular company or industry. For example, startup companies carry greater business risks than established companies. Companies developing new technologies carry greater business risks than manufacturers of well-established or widely used products or services.
- Financial risks are often associated with the ability of a company to raise capital or finance its operations, as well as its ability to repay indebtedness. Highly leveraged companies face greater financial risks than well-capitalized companies do.
- Market risks are related to the effects of economic, political, natural disasters, or other events on the price of a publicly-traded stock, bond, exchange-traded fund, or other securities. This type of risk is typically affected by extrinsic factors that often are not related to a particular company's financial condition, performance, or circumstances.
- Liquidity risks are associated with an investor's ability to readily convert a security or other asset into cash. Generally, there is greater liquidity for securities that are publicly traded on stock exchanges or trading facilities that match buy and sell orders. Privately offered securities may be highly illiquid because there is little or no trading or market activity.
- Concentration risks result from a lack of investment diversification, which may be expressed in terms of geography, industry, or economic sector. Mutual funds typically invest in a large number of different companies which may reduce the risk that occurs when the investment consists of only one or a smaller number of companies.
- Options are complex, derivative securities that involve special risks. Option contracts expire at a stated maturity date and have no further value. Unlike traditional securities, the value of an option

and the return from holding an option varies with the value of the underlying security from which it derives and other factors.

- Interest-rate risks are associated with changes to investment prices due to increasing or decreasing interest rates. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline. Generally, the principal value of the bond is received upon the particular bond's maturity, even though you may have purchased it at a premium or a discount from its face value. The impact of interest rate changes is different for bonds held inside of a mutual fund or pooled investment where a particular bond is not held until its maturity.
- Inflationary and deflationary risks are associated with the purchasing power of the dollar, which is affected by broad economic, monetary, governmental policies, and the balance of supply and demand for products and services.
- Reinvestment risks are typically related to fluctuations in the potential interest rate at which future investment proceeds may have to be invested.
- Currency risks are primarily associated with foreign investments. For example, a company's earnings in a foreign country may be affected by fluctuations in the value of the dollar against that foreign currency. Similarly, the investment return of a foreign security may be affected by changes in currency exchange rates.
- The use of portfolio models by our affiliate Select Money Management, Inc. is a cost effective way to manage a large number of accounts; however, when models are used, the trading that occurs typically does not take into consideration the specific circumstances of an investor such as the investment horizon, holding period, and tax considerations.

## **Types of Investments**

We provide investment advice with respect to a wide range of investments, including no-load mutual funds, indexed funds, exchange traded funds (generically referred to as "*funds*"), unit investment trusts, stocks, bonds, annuities and other types of investment securities. Advice may also be given to clients with interests in partnerships investing in other business activities such as real estate investment trusts (REITs), and various types of insurance products that may include investment features.

We often offer advice about separately managed accounts by unaffiliated investment advisors, mutual funds, exchange-traded funds, and variable annuities. Our representatives will answer any questions you may have about these kinds of investments and investment programs.

***Mutual Funds*** offer several "classes" of their shares which may be purchased by different types of investors or investors with different investment objectives. These are also described in the mutual funds' prospectuses. Depending on your investable assets, investment objectives, and time horizon, different classes may be more appropriate. We will be able to discuss the available classes of mutual fund shares that may be available, the different purposes for which they may be purchased, and the differences in commissions and charges that are associated with each share class.

**Variable Annuities** are highly complex financial products offered by insurance companies. Investments in a variable annuity contract are subject to both general market risk and the insurance company's credit risk. These and other risks are described in the variable annuities' prospectuses. Variable annuities are regulated under both securities and insurance laws and related rules and regulations. Variable annuities offer various benefits and features which may or may not have value to you depending on your circumstances. Like other types of investments, commissions are paid for the purchase of variable annuities and there may be substantial surrender charges. Commission, surrender charges, and other expenses are disclosed in the fund's prospectus.

## **ITEM 9: DISCIPLINARY INFORMATION**

As a registered investment adviser, we are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our firm or the integrity of our management. We have no legal or disciplinary events to disclose.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**

We are affiliated by common ownership with Select Portfolio Management, Inc., another investment advisor registered with the SEC. We may refer you to Select Portfolio Management, Inc. for its advisory services. Its services, fees, and additional important information are disclosed in its own firm brochure, which you will receive before engaging in its advisory services.

Tony Amaradio, Daniel Amaradio, Semir Amin, Mark Goldsmith, Gary McCarver, Park Randazzo and Carin Amaradio are also investment advisor representatives of affiliate Select Portfolio Management, Inc. and may earn fees on services that they may have recommended.

We are also affiliated by common ownership with broker-dealer, Securities Equity Group, member FINRA and SIPC. Securities Equity Group acts as a fully disclosed introducing broker-dealer for National Financial Services, LLC, who holds client assets and executes transactions for client accounts. Securities Equity Group is not affiliated with National Financial Services, LLC. For more information about Securities Equity Group and its brokerage services, see the discussion under the heading *Brokerage Practices*. Daniel Amaradio, Semir Amin, Mark Goldsmith, Gary McCarver, Park Randazzo and Carin Amaradio are all registered representatives of broker-dealer Securities Equity Group and may earn commissions on securities transactions that they may have recommended. Commissions may be higher or lower at Securities Equity Group than at other broker-dealers. Our firm and our representatives receive no commission if you choose to purchase securities through a broker-dealer other than Securities Equity Group.

We are also affiliated by common ownership with SPM Insurance Services, Inc. an independent wholesale insurance agency. We may refer you to licensed agents of SPM Insurance Services, Inc. for fixed annuity and insurance products. Daniel Amaradio, Mark Goldsmith, Gary McCarver, Park Randazzo and Carin



Amaradio have insurance licenses and may earn commissions on fixed insurance and annuity products that they may have recommended.

Commissions earned on insurance products are typically higher and in some instances substantial compared to commissions earned on mutual funds or other securities. Because of this, there exists a potential conflict of interest in the recommendation made by the representative that serves as an investment advisor representative, a registered representative and/or a licensed insurance agent who earns commission on the products that they may have recommended.

Other than investment recommendations in our Program, you are under no obligation to implement investment and insurance recommendations through Securities Equity Group or through any insurance companies our representatives are contracted with.

Due to the relationships between the affiliated companies, potential conflicts of interest may arise with advisor recommendations. We address these potential conflicts by disclosing these relationships and the compensation we may earn when you engage in our services.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING**

### **Code of Ethics**

We have adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Advisers Act describing the standards of business conduct we expect all officers, directors, employees and investment advisory representatives to follow. In summary, the Code prohibits our employees from taking inappropriate advantage of their positions and the access to information concerning the investments or investment intentions of our clients, or their ability to influence such investment intentions, for personal gain or in a manner detrimental to the interests of its clients. Rule 204A-1 makes it unlawful for our employees to engage in conduct which is deceitful, fraudulent, or manipulative, or which involve false or misleading statements in connection with the purchase or sale of securities. The Code acknowledges the general principles that we, along with our employees: (1) owe a fiduciary obligation to its clients; (2) have the duty at all times to place the interests of their clients first; (3) must conduct all personal securities transactions in such a manner as to avoid any actual or potential conflict of interest or abuse of an individual’s position of trust and responsibility; (4) should not take inappropriate advantage of their positions in relation to client accounts; (5) must comply with the federal securities laws; and (6) must safeguard nonpublic information. The Code also describes certain reporting requirements with which particular individuals associated with or employed by us must comply. We will provide a copy of the Code to any client or prospective client upon request.

### **Participation or Interest in Client Transactions**

Our employees may, from time to time, buy or sell securities for their own accounts that are the same as, similar to or the opposite of those that we recommend to you for purchase or sale. Differences can arise due to variations in personal goals, investment horizons, risk tolerance and the timing of purchases and

sales. Our Chief Compliance Officer or one of her designees receives and reviews the quarterly brokerage statements belonging to employees for possible conflicts of interest.

## **ITEM 12: BROKERAGE PRACTICES**

Our brokerage practices vary depending on the type of advisory services you select. If you engage in our portfolio management services under our Program, you will direct us to place all securities transactions for your account through our affiliated broker-dealer, Securities Equity Group, and its clearing and custodial broker-dealer, National Financial Services, LLC.

This recommendation is based upon, among other things, the level of service and efficiency that is available by using our affiliated broker-dealer and the administrative convenience associated with using the same individuals in their different capacities.

Select Money Management, Inc. has the following policy regarding trade errors that may occur in investment advisory accounts. The trader or other employee who discovers an error will immediately report the error to the Chief Operations Officer/Compliance Officer. Under no circumstances will an employee correct a trade error without supervisory approval. The firm will have the trade corrected and reversed out of the client account. Select Money Management, Inc. maintains an error account where trade errors are moved to and then reconciled. At year-end this account is reviewed and should there be a positive balance in the account it will be donated to charity.

Securities Equity Group does not hold any customer accounts and is not a market-maker in any security. Securities transactions in our Program will be placed through Securities Equity Group and transaction costs and related charges will be included in our advisory fees. The conflicts of interest related to directing securities transactions through Securities Equity Group are described under the heading *Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading*. Transactions placed for execution by registered representatives of Securities Equity Group through other broker-dealers would be subject to special supervision under FINRA rules and are generally avoided because of those complexities and related costs.

## **ITEM 13: REVIEW OF ACCOUNTS**

**Reviews and Reviewers** – Reviewers include: Tony Amaradio, Daniel Amaradio, Semir Amin, Mark Goldsmith, Gary McCarver and Park Randazzo. All representatives are expected to provide review services as specified by our firm and the number of accounts assigned to each representative will vary. Many accounts are reviewed periodically by more than one representative. You are contacted periodically for reviews and interim financial reviews are available upon request.

**Account Reporting** – Monthly and/or quarterly statements showing account value and billing information are available online or will be mailed in paper version depending on your election with the custodian. You will also receive a confirmation of each purchase and sales transaction that occurs within your account directly from the custodians that hold your investments.

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

As described above under the heading *Advisory Business*, we are a solicitor for, and may recommend that you engage the services of a third-party investment advisor or through a third-party wrap fee program. If you do, we will receive a portion of the wrap fee you pay to the program sponsor/manager. Our solicitor's compensation is described in the sponsor's wrap fee brochure and in a solicitor's disclosure statement. You will not pay the program sponsor/manager any additional fees by virtue of our having made the referral and we do not charge any additional fees with respect to your assets invested through a third-party wrap fee program.

We will seek to assure that the fees charged to our clients by program sponsors/managers are competitive and consistent with fees charged to that program sponsor's/manager's other clients.

From time to time we may engage solicitors to market our services. We pay solicitors for their services, as described in a separate solicitor's brochure that you should have received, together with a copy of this firm's brochure, when the solicitor introduced you to our firm. The amount of compensation we pay solicitors is typically a share of the fees you pay us. The amount may vary by solicitor and may vary over time. Our method of computing the solicitor's compensation is described in the solicitor's brochure. Compensation paid or received in connection with these relationships creates potential conflicts of interest that you should carefully consider in evaluating and acting upon our recommendation.

## **ITEM 15: CUSTODY**

While we do not have physical custody of the assets held in your account, if you engage our investment management services, then we will have authority to bill your custodian for our fees and, upon billing, to receive our fees by deducting them directly from your account as described under the heading *Fees and Compensation*. This fee-deduction authority gives us the ability to obtain money from your account and so is deemed to constitute limited custody of your account assets.

You should receive monthly and/or quarterly statements from the broker-dealer, or other qualified custodian you select to hold your account assets. We urge you to carefully review your broker-dealer and/or custodian's periodic statements and to compare those records with the reports that we may periodically provide to you. Our reports are not intended to replace or supersede your custodian's periodic statements and may vary based on accounting procedures, reporting dates, or valuation methodologies.

## **ITEM 16: INVESTMENT DISCRETION**

As explained under the heading *Advisory Business*, within our affiliate Select Money Management, Inc.'s Program, you have granted us limited discretionary authority over your account, which includes authority to select the identity and amount of securities to be bought or sold for your benefit and risk. Our discretion will be exercised in accordance with your stated investment objectives. You may provide us with written investment guidelines or restrictions to limit our discretionary authority or we may develop an investment policy statement or similar document with you.

## **ITEM 17: VOTING CLIENT SECURITIES**

Many of the companies who issue the securities held in your investment account will solicit proxies for the election of directors and voting on questions presented to shareholders at annual or special meetings. We do not vote proxies on your behalf. You are responsible for voting proxies. Proxy solicitation materials will be forwarded directly to you by your account custodian. If you have any questions about a particular proxy voting matter, please do not hesitate to ask.

## **ITEM 18: FINANCIAL INFORMATION**

We have no financial liabilities, obligations, or commitment that impairs our ability to meet our contractual and fiduciary commitments to you. We have not been the subject of a bankruptcy proceeding.

## **ITEM 19: ADDITIONAL INFORMATION**

### **PRIVACY POLICY - NOTICE REGARDING PRIVACY OF CUSTOMER INFORMATION**

This notice is provided to you on behalf of Select Portfolio Management, Inc., Select Money Management, Inc., and Securities Equity Group (collectively referred to in this notice as “we”, “us”, “our”, or “Affiliated Companies”). Protecting our customers’ privacy is of paramount importance. We recognize that an individual’s financial matters are private and sensitive in nature, and we have adopted policies that assist us in protecting your privacy and, at the same time, help us to provide you with a broad range of high quality financial products and services.

This Privacy Policy will explain the types of information we collect about you, how we use and share that information, and how you can instruct us to limit certain types of information sharing. Information we obtain from all customers and former customers is treated in the same manner.

#### **How We Protect Your Information:**

We protect your data and safeguard it from those not authorized to see it by adopting internal policies and procedures. Under no circumstances will we sell confidential customer information to anyone.

#### **What Information We Collect about You:**

- We collect information from you when you open an account or enroll in one of our services. The information we collect may include, but is not limited to: your name, address, phone number, email address, social security number and date of birth, as well as details about your investments and investment experience.
- Once you have opened an account with us, we collect and maintain confidential customer information about your account activity, including your transactions, balances, positions, and history. This information allows us to provide the services you have requested.
- We may collect information about you from information services and consumer reporting agencies to verify your identity, employment, or creditworthiness, or to better understand your financial needs.

- The law permits us to share information about our current and former customers with government agencies or authorized third parties under certain circumstances. For example, we may be required to share such information in response to subpoenas or to comply with certain laws.

### **How We Share Information About You With Affiliated Companies:**

Select Portfolio Management, Inc. (“SPM”) and Select Money Management, Inc. (“SMM”) are federally regulated registered investment advisors which are affiliated via common ownership with Securities Equity Group (“SEG”), an independent broker-dealer, member of FINRA and SIPC, and with SPM Insurance Services, Inc., an independent wholesale insurance agency. We may share information we collect about you among our Affiliated Companies to:

- help provide you with better service or perform services on your behalf;
- respond to communications from you or as you authorize or request;
- make it more convenient for you to open a new account; and
- allow an Affiliated Company to provide you with information about their products and services that we believe may benefit or interest you.

You may instruct us not to share information about you with our Affiliated Companies for certain purposes, as explained under *How to Limit the Sharing of Information about You*.

### **How We Share Information About You With Non-Affiliated Companies:**

We provide access to information about you to outside companies and other third parties in certain limited circumstances, including:

- to help us process transactions for your account;
- when we use another company to provide services for us, such as printing or mailing statements; and
- if we believe that disclosure is required or permitted under law. For example, we may be required to disclose personal information to cooperate with regulatory or law enforcement authorities, to report your tax-related information to federal and state governments, to resolve consumer disputes, to perform credit/authentication checks, or for risk control.

If your SPM/SMM Investment Advisor Representative or SEG Registered Representative leaves us to join another firm, they are permitted to retain copies of your information to facilitate the transfer of your account to a new broker-dealer or investment advisor in order to serve you at their new firm. Their continuing use of your information will be subject to the new firm’s privacy policy. You are not obligated to transfer your account if your SPM/SMM Investment Advisor Representative or SEG Registered Representative leaves us, and you may instruct us **not** to allow the sharing of information as explained.

### **How to Limit the Sharing of Information about You:**

If you prefer, you may choose to limit the information we share about you with our Affiliated and Non-Affiliated Companies. Specifically, you may instruct us:

- **not** to allow our Affiliated Companies to market their financial products or services to you;
- **not** to share confidential customer information about you with a Non-Affiliated company for joint marketing purposes;

- **not** to allow your SPM/SMM Investment Advisor Representative or SEG Registered Representative to take your information to facilitate the transfer of your account(s) should they leave any of our Affiliated Companies.

You may exercise your choice by writing us at Select Portfolio Management, Inc., Attn: Compliance Department, 26800 Aliso Viejo Parkway – Suite 150, Aliso Viejo, CA 92656. Your choice will be applied to you as an individual and will automatically be extended to all of your accounts with any of our Affiliated Companies. You may make your privacy choice at any time and it will remain in effect until you change it in writing.

### **Safeguarding Your Information, Maintaining Your Trust:**

We take precautions to ensure the information we collect about you is protected and is accessed only by authorized individuals or organizations. Our employees are trained about privacy and are required to safeguard confidential customer information. We maintain physical, electronic, and procedural safeguards to protect confidential customer information.

### **Contact Us with Any Questions:**

If you have any questions or concerns, or if you identify any information that you believe is no longer accurate, you may contact your, SPM/SMM Investment Advisor Representative, SEG Registered Representative, or Financial Planner or you can write to:

**Select Portfolio Management, Inc.  
Attn: Compliance Department  
26800 Aliso Viejo Parkway – Suite 150  
Aliso Viejo, CA 92656  
1-800-445-9822**