

Item 1 – Cover Page

September 29, 2017

Beneficial Investment Management

www.beneficial.com

Mailing address:

Stock Markets Institute
4281 Express Lane
Suite L4538
Sarasota, FL 34249

This Brochure provides information about the qualifications and business practices of **Beneficial Investment Management**, an investment management service powered by **Stock Markets Institute (SMI)**. If you have any questions about the contents of this Brochure, please contact us at +1 (727) 369 6893 or by email at contact@beneficial.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.

Stock Markets Institute is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Stock Markets Institute is also available on the SEC's website at www.adviserinfo.sec.gov

Business address: Udaltsova Street 52, office 1402, Moscow, 119607 Russia

Item 2 – Material Changes

Current Brochure, dated September 29, 2017, is an other-than-annual update to the Brochure dated July 18, 2017, prepared according to the SEC's requirements and rules.

Material changes since our last updating amendment on July 18, 2017, are as follows:

1. SMI has updated its Advisory Business (Item 4) to add the new trading strategies and to describe the new role of Prof. Dr. Sergey Perminov.
2. SMI has updated its Fees and Compensation (Item 5) to include the fees for new strategies.
3. SMI has updated its Methods of Analysis, Investment Strategies and Risk of Loss (Item 8) to include its new trading strategies.

Pursuant to the SEC Rules, SMI will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of SMI's fiscal year. SMI may further provide other ongoing disclosure information about material changes as necessary. SMI will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

The Brochure is also available on Beneficious web site <http://www.beneficious.com>

Item 3 -Table of Contents

| | |
|---|----|
| Item 1 – Cover Page | 1 |
| Item 2 – Material Changes..... | 2 |
| Item 4 – Advisory Business | 4 |
| Item 5 – Fees and Compensation | 4 |
| Item 6 – Performance-Based Fees and Side-By-Side Management | 6 |
| Item 7 – Types of Clients..... | 6 |
| Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss..... | 7 |
| Item 9 – Disciplinary Information | 10 |
| Item 10 – Other Financial Industry Activities and Affiliations..... | 11 |
| Item 11 – Code of Ethics | 11 |
| Item 12 – Brokerage Practices | 12 |
| Item 13 – Review of Accounts | 12 |
| Item 14 – Client Referrals and Other Compensation..... | 13 |
| Item 15 – Custody | 13 |
| Item 16 – Investment Discretion..... | 13 |
| Item 17 – Voting Client Securities | 14 |
| Item 18 – Financial Information..... | 14 |

Item 4 – Advisory Business

Beneficious Investment Management is an investment management service provided by Stock Markets Institute (SMI), a Registered Investment Adviser with the Securities and Exchange Commission since 2005. SMI was incorporated in 2002 under Delaware law by Prof. Dr. Sergey Perminov, a recognized thought leader on global ETF investing and behavioral finance, who served as the company's President and Chief Investment Officer for 15 years (2002-2017) and still remains SMI's Chief Scientific Advisor.

Beneficious Investment Management specializes in Alternative Global Macro and Systematic investment strategies currently offered through the managed accounts platform at Interactive Brokers (IB). Our objective is to deliver double-digit absolute returns, uncorrelated to equity markets, over the long term. We identify a market momentum by combining behavioral, technical and fundamental analysis, and capture the short term profits by engineering advanced trading vehicles, such as option spreads or condors on stocks, indices and ETFs. We also create systematic signals that identify market inefficiencies. We use limited types of investments, including options on U.S equities and indices, publically traded stocks, ETFs and ETNs.

Beneficious Investment Management does not currently tailor its advisory services to the individual needs of clients, and clients may not impose restrictions on investing in certain securities or types of securities.

SMI does not participate in wrap fee programs.

As of September 29, 2017, SMI manages approximately \$18 million of clients' assets on a discretionary basis.

Item 5 – Fees and Compensation

SMI has the following fees and compensation schedule for its Beneficious Investment Management services:

- (a) An investment management fee ("Management Fee"), which will be assessed and paid by the Custodian on a daily basis based on the liquidation value of the Client's Account as of the close of business each day.

(b) If the Client is a “qualified client”, the Client shall also pay SMI a quarterly performance fee (“Performance Fee”) assessed as a percent of the Net Trading Profits in the Client’s Account over the Prior High Account Value. “Net Trading Profits” equals the increase in the value of the Client’s Account between the first day of the quarter (or the date the Client retains SMI, if other than the first day of a calendar quarter) and the last day of the quarter (or the date the Agreement between Client and SMI is terminated, if other than the last day of a calendar quarter), adjusted appropriately for any additions to or withdrawals from the Account during the quarter. “Prior High Account Value” is the highest account value at the end of quarter in the year prior to the date the performance fee is being determined immediately after the determination and payment of a Performance Fee with respect to the Account, adjusted appropriately for any additions to or withdrawals from the Account since the determination of the Performance Fee.

(c) All open positions shall be valued at their then market value as determined by the Custodian, which means the settlement price as determined by the exchange on which trading in that instrument is effected, or by the most recent appropriate quotation supplied by the broker or banks through which such trading is effected. If there are no trades on the date of the calculation, the position shall be valued at fair value as of the close of the then most recent trading day.

2. The fee payable to SMI will depend on whether the Client is a “qualified client” as such term is defined in SEC Rule 205-3 (a “Qualified Client”).

(a) Class A clients are “qualified clients” and non-US residents. For Class A clients, the Management Fee is 1%, and the Performance Fee is 20%.

(b) Class B clients are the US residents who are not “qualified clients”. For Class B clients, the Performance Fee is not charged, and the Management Fee is 4.5% for accounts using Beneficial Leveraged Momentum Diversified strategy, Volatility Roll Yield and Hedged Overnight Momentum, and 5% for accounts using Beneficial Leveraged Momentum Aggressive strategy.

Fees are debited directly from the account in accordance with the terms set forth in the Investment Advisory Agreement. As part of the billing process, the Custodian is advised of the amount of the fee to be deducted from the client's account.

SMI’s fees may be subject to negotiation.

Clients also incur brokerage fees for the executed trades. SMI is not a party to its clients' agreements with their brokers and does not receive any compensation or other benefits from the brokers. Please see Item 12. Brokerage Practices for more information.

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

SMI enters into Performance and Management Fee arrangements with its Beneficial Investment Management clients (as defined in the SEC Rule 205-3), see Item 5 above.

There exists the potential for conflicts of interest to arise, such as where SMI may have an incentive to favor the accounts charged a Performance Fee. SMI is cognizant of its duty to deal fairly and equitably with all its clients irrespective of the fee arrangement that may apply to their account(s). Among ways to deal with the possibility of conflicts of interest, SMI may utilize block trading to buy or sell and then allocate securities respectively to clients across accounts.

Item 7 – Types of Clients

SMI provides its Beneficial Investment Management services primarily to individuals, high net worth individuals and family offices. SMI classifies its clients based on the size of the clients' accounts, and their ability to satisfy the "Qualified Client" requirements, as such term is defined in SEC Rule 205-3 (see Item 5 above).

There is a minimum account size of \$100,000 for the first account and \$20,000 for each additional account. Minimum account size requirement may be waived at the discretion of SMI.

Beneficial Investment Management clients need to open a dedicated account at Interactive Brokers (IB) who has its own requirements for opening or maintaining such account.

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

We currently offer two discretionary and two systematic investment strategies to our clients. The focus of all strategies is capital appreciation, and neither strategy expects to generate any material interest or dividend income.

A. Discretionary Leveraged Momentum strategies

Beneficial Investment Management's Leveraged Momentum strategies focus on early identification of global macroeconomic and investment themes. Within each theme, our proprietary trading model allows us to identify the probable vehicles to utilize to capture the market direction indicated by the theme (the likelihood of a market segment's upward, downward or neutral dynamics within one to four months). We generally identify several investable themes per year with risk orientation of an aggressive investor. Investments in themes are made using specifically engineered option vehicles on ETFs tracking global, industry, and commodity and other indices, and blue chip stocks. The strategy's return has historically low correlations to other asset classes as a result of its lack of structural long or short bias and the selection of uncorrelated underlying investment themes.

Beneficial Leveraged Momentum Diversified Strategy:

This strategy involves a limited exposure to any given investment theme. The Diversified strategy utilizes simultaneous investments in loosely correlated short-term opportunities, thus generating lower volatility and lower correlation to other asset classes.

Beneficial Leveraged Momentum Aggressive Strategy:

This strategy involves a maximum exposure of 50% to any given investment theme. This allows us to allocate a significant part of the portfolio to a high-confidence investment theme, potentially increasing both the overall profitability and volatility of the strategy.

At any given time, neither strategy may be diversified by industry, country or company size. A limited number of holdings may comprise a significant percentage of Client's portfolio, within the parameters described above. Additionally, we typically do not liquidate positions that have increased in value in order to "rebalance" the portfolio.

We will sometimes hold significant percentages of cash or cash equivalents, including money market funds or treasury securities, depending on the availability of attractive investment themes. We do not try to "time the market".

We widely use option spreads to implement Beneficial trading strategies. While there are risk management practices in place to mitigate the risk of leverage, option spreads have a possibility of losing their value within relatively small movement of underlying stocks.

A considerable share of the portfolio is invested in UVXY (Ultra VIX Short-Term Futures ETF) option strategies. UVXY is designed to return two times the daily performance of the S&P 500 VIX Short-Term Futures Index. An investment in UVXY vertical put option spread attempts to capitalize on long-term price erosion of UVXY shares. Compared to our other trading vehicles, UVXY spreads have a higher risk/return profile. We normally expect to close the spreads before their expiration, when they reach our profitability target. In other cases we run a calculated risk of such option spreads losing a part or all of their value in case of a market volatility spike at the time of option's expiration. In some instances we hedge UVXY spreads with corresponding VIX or VXX call spreads, this strategy provides lower returns with lower risks.

B. Systematic strategies

We believe that applying systematic, rules-based investment processes focused on aligning portfolio exposures with trends in capital markets may prove to be a successful investment approach. Therefore, we have created a trading platform that interacts with our broker to trade assets on clients' accounts, using signals that express our investment strategies. Each strategy is back-tested using real minutely or daily market information, going back several years. After launching such systematic strategy, we monitor its performance and work to continuously re-evaluate and, where possible, improve the strategy.

Volatility Roll Yield:

This systematic strategy uses a proprietary signal to invest in either XIV or VXX ETNs.

To track VIX in the best possible way, the ETNs hold positions in the first two monthly expirations of the Volatility Index so that weighted average maturity is constant (one month). The positions are rebalanced daily to maintain this balance. In the case of XIV, the ETN provider holds weighted short positions for both expirations (while VXX holds long positions). Thus, to keep the balance, everyday XIV provider should buy back proportion of earlier month and sell some more of later month.

During "contango" (upward facing slope of the futures term structure), given the same value of VIX, VXX erodes and XIV appreciates every day. Similarly, during "backwardation" (downwards facing slope of the futures term structure), given the same value of VIX, VXX

appreciates and XIV erodes every day. The efficient use of this specific behavior is the main idea behind the current strategy.

SMI may trade similar ETFs or ETNs instead of XIV or VXX ETNs. The VXX and XIV are exchange traded notes (ETN) rather exchange traded funds (ETFs). ETNs are debt instruments – they do not own anything but a promise to track an index. If an ETN provider goes bankrupt, investors will not receive their investment back because an ETN is considered an unsecured debt instrument. The issuer of the VXX is Barclays Bank PLC and the issuer of the XIV is Credit Suisse AG. Equivalent ETFs that follow the same methodology are available such as VIXY and SVXY that actually hold underlying assets. Please read the prospectus of each and make sure you understand your risks.

Hedged Overnight Momentum Strategy:

This systematic strategy aims to capture an overnight appreciation and depreciation of global equities. We seek to identify companies that have the highest likelihood of creating the maximal and minimal overnight returns by analyzing the momentum of a wide range of stocks, using computer models, and pick top candidates for overnight investments for the short and the long parts of the portfolio. Since our long and short exposures are matched, the volatility of the strategy is significantly limited, including during the market shock events.

A particular implementation of the Volatility Roll Yield strategy, which only deploys funds during the US exchange hours, can be combined with another particular implementation of the Hedged Overnight Momentum strategy, which only invests in US stocks overnight, on a single account. This is possible as one strategy holds 100% cash as the other one invests, and vice versa.

Investing in securities involves risk of loss that subscribers and clients should be prepared to bear. Option trading involves risk and may not be suitable for all investors. SMI strongly suggests that prior to investing in option strategies, you should read the “Characteristics and Risks of Standardized Options” booklet, written and published by the Options Clearing Corporation.

All investments involve risk, losses may exceed the principal invested, and the past performance of a security, industry, sector, market, or financial product does not guarantee future results or returns.

Item 9 – Disciplinary Information

On September 21, 2012, a consent order was entered in an administrative proceeding initiated by the Securities & Exchange Commission (the “SEC”) on the same date, which proceeding is styled *In the Matter of Stock Markets Institute, Inc. and Sergey Perminov, Administrative Proceeding File No. 3-15038*. The SEC alleged that the Dr. Perminov and SMI violated Sections 206(2) and 206(4) of the Investment Advisers Act of 1940, and Rules 206(4)-1(a)(2) and (5) thereunder. The SEC alleged that in 2009 SMI’s website misrepresented the performance of the recommendations made by two of its newsletters in fiscal 2008. In the consent order, SMI and Dr. Perminov (a) agreed to cease and desist from violating Sections 206(2) and 206(4) of the Investment Advisers Act of 1940, and Rules 206(4)-1(a)(2) and (5) thereunder in the future, (b) were censured, (c) agreed to pay monetary penalties of \$75,000 and \$40,000, respectively, and (d) agreed to hire an independent consultant to perform an annual compliance review as of December 31, 2012 and 2013, to provide the SEC with a copy of the independent consultant’s report, and to adopt any recommendations of the independent consultant.

In compliance with the SEC consent order, SMI has retained services of an independent compliance consulting firm that has since been assisting SMI with establishing internal procedures and controls to ensure the accuracy of SMI’s representations regarding the performance of its trading recommendations to any investor or potential investor, including those on its website. The independent compliance consulting firm has also performed annual reviews of SMI’s internal controls, policies and procedures, performance representations, and advertising materials for compliance with the Advisers Act. Monetary penalties levied on SMI and Dr. Perminov have been paid to SEC in full.

Complete performance histories for all SMI’s newsletters from the date that control accounts were instituted for the newsletter have been made available to current and potential subscribers.

Item 10 – Other Financial Industry Activities and Affiliations

Registered investment advisers are required to disclose all material facts regarding any other financial activities and affiliations. SMI has no information applicable to this Item.

Item 11 – Code of Ethics

SMI has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its newsletter subscribers. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at SMI must acknowledge the terms of the Code of Ethics annually, or as amended.

SMI anticipates that, in appropriate circumstances, consistent with clients' investment objectives, SMI may recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which SMI and/or its clients, directly or indirectly, have a position of interest or may buy or sell at or about the same time. SMI's employees and persons associated with SMI are required to follow SMI's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of SMI and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Beneficial Investment Management clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of SMI will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Beneficial Investment Management's clients or prospective clients may request a copy of SMI's Code of Ethics by sending an email to contact@beneficial.com

Item 12 – Brokerage Practices

SMI has selected Interactive Brokers (IB) as a custodian and broker for Beneficial Investment Management services. We selected Interactive Brokers because of, among other factors, their low commission costs, ease of administration, quality and speed of execution and complimentary block trade allocation services (IB aggregates orders for all client accounts, then allocate the resulting transaction to individual accounts). SMI is not a registered representative of IB and does not receive commissions or fees for recommending IB.

IB provides clients with statements and various reporting tools for their accounts.

SMI's clients enter into customer agreements with their brokers. SMI is not a party to these agreements. SMI does not pay any commissions or fees to the broker to execute the orders; rather, SMI's clients pay the commissions and fees to execute orders and carry their accounts. SMI and the brokers do not pay any consideration to each other to refer customers or promote each other's businesses.

SMI does not receive any research, products, client referrals, or other services from a broker-dealer or third party in connection with client-based securities transactions (i.e. soft dollars).

Item 13 – Review of Accounts

SMI continually monitors its Beneficial Investment Management clients' accounts as part of an ongoing process to ensure that the proportion of positions held on the account corresponds, to the greatest extent possible, to the aggregated proportion of positions held on all accounts within the given investment strategy. Frequency of more in-depth account reviews is determined by such factors as clients' requests, personal changes in clients' circumstances, concerns regarding investment suitability or unanticipated cash needs. Regular account reviews, including account holder's profile, investment preferences and their fit with the selected investment strategy, are conducted on at least an annual basis by the Chief Investment Officer.

Clients are encouraged to contact SMI immediately with any changes to their financial situation as such changes may impact the status of their investment account(s). SMI may also contact investment advisory clients from time to time to review its previous services

and/or recommendations and to discuss the impact of any changes in the client's financial situation and/or investment objectives.

Clients receive written statements from custodian. In addition, clients may receive other supporting reports from SMI.

Item 14 – Client Referrals and Other Compensation

As of July 10, 2012, SMI engages Mr. Gary Brown as a Solicitor to market SMI's services and to solicit and refer prospective clients to SMI for whom SMI's investment advisory services would be suitable, upon the terms and conditions of Solicitation Agreement signed with Gary Brown.

As a Solicitor, Gary Brown receives from SMI compensation in the form of referral fees based on the amount of revenue billed and collected from Referred Clients according to the following schedule:

- (i) 25% of any revenues billed and collected from a Referred Client in the first year of the Referred Client's subscription;
- (ii) 10% of any revenues billed and collected thereafter.

Item 15 – Custody

SMI has selected Interactive Brokers (IB) as the custodian of its Beneficial Investment Management clients' assets. SMI is only deemed to have custody of client assets for the sole purpose of debiting advisory fees (as disclosed in "Fees and Compensation" section (Item 5) of this Brochure). SMI otherwise does not (directly or indirectly) have authority to obtain possession of client funds or securities for any other purpose.

Item 16 – Investment Discretion

SMI accepts discretionary authority on behalf of its Beneficial Investment Management clients to manage their securities accounts held by the Custodian.

Clients sign a Discretionary Trading Authorization/Power Of Attorney For Financial Advisor.

Client grants SMI complete and unlimited discretionary trading authorization and appoints SMI as agent and attorney-in-fact with respect to the client's account. Pursuant to such authorization, SMI may in its sole discretion purchase, sell, exchange, convert, or otherwise in the securities and other investments in the client's account, as well as arrange for delivery and payment in connection with the above, and act on behalf of the client in all other matters necessary or incidental to handling the account. SMI IS NOT AUTHORIZED TO WITHDRAW ANY MONEY, SECURITIES, OR OTHER PROPERTY IN THE NAME OF THE CLIENT IN THE ACCOUNT, except for the fees described in Item 5, without consent from the client.

Item 17 – Voting Client Securities

As all assets are controlled by the clients, SMI does not have any authority to and does not vote proxies on behalf of its clients.

Item 18 – Financial Information

SMI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients, and has not been the subject of a bankruptcy proceeding.