

David Smith Advisory

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This brochure provides information about the qualifications and business practices of David Smith Advisory. If you have any questions about the contents of this brochure, please contact us at (305) 666-9411. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about David Smith Advisory also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

March 21, 2018 – This Brochure is being updated to reflect a transition of registration to the Securities and Exchange Commission (“SEC”) in accordance with SEC Rule 203A-1.

The material changes discussed above are only those changes that have been made to this brochure since the firm’s last annual update of the brochure. The date of the last annual update of the brochure was February 14, 2018.

Item 3 -Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation.....	5
Item 6 – Performance-Based Fees and Side-By-Side Management.....	7
Item 7 – Types of Clients.....	7
Item 9 – Disciplinary Information.....	9
Item 10 – Other Financial Industry Activities and Affiliations	9
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Item 12 – Brokerage Practices.....	11
Item 13 – Review of Accounts	12
Item 14 – Client Referrals and Other Compensation	13
Item 15 – Custody	13
Item 16 – Investment Discretion	14
Item 17 – Voting Client Securities.....	14
Item 18 – Financial Information	14

Item 4 – Advisory Business

David Smith Advisory (“DSA” or “Advisor”) has been providing advisory services since 2010 and is solely owned by David N. Smith, President. As of December 31, 2018, DSA managed \$109,406,000 on a discretionary basis.

Investment Management Services:

DSA manages investment portfolios for individuals, qualified retirement plans, trusts, charitable organizations, corporations and small businesses. DSA will work with a client to determine the client's investment objectives and investor risk profile and will design a written investment policy statement. DSA uses investment and portfolio allocation software to evaluate alternative portfolio designs. DSA evaluates the client's existing investments with respect to the client's investment policy statement. DSA works with new clients to develop a plan to transition from the client's existing portfolio to the portfolio recommended by DSA. DSA will then continuously monitor the client's portfolio holdings and the overall asset allocation strategy and hold review meetings with the client regarding the account as necessary.

DSA primarily recommends open ended, passively managed, evidence-based mutual funds. Mutual funds that follow a passive philosophy generally have low holdings turnover, with the expectation of lower costs within the fund. In addition, DSA will utilize various other securities, including, but not limited to, exchange traded funds (ETFs), equity securities (stocks), corporate debt securities, certificates of deposit, variable investment company products, municipal/government bonds and closed end interval funds.

DSA will allocate the client's assets among various investments, taking into consideration the clients tolerance for risk and time horizon. Other considerations in designing portfolios include current and future cash flow needs, and the client's personal tax planning.

DSA manages mutual fund and equity portfolios on a discretionary or nondiscretionary basis. Clients may impose reasonable restrictions on DSA's discretionary authority, including restrictions on the types of securities in which DSA may invest client's assets and on specific securities, which the client may believe to be appropriate.

DSA may also recommend fixed income portfolios to investment management clients, which consist of managed accounts of individual bonds. DSA will request discretionary authority from investment management clients to manage fixed income portfolios, including the discretion to retain a third party fixed income manager. DSA will prepare a Fixed Income Investment Policy Statement for any client qualifying for separate fixed income portfolio services.

Pursuant to its discretionary authority, DSA will retain a fixed income securities manager. The fixed income securities manager will be provided with the discretionary authority to invest client assets in fixed income securities consistent with the client's Fixed Income Investment Policy Statement.

The manager will also monitor the account for changes in credit ratings, security call provisions, and tax loss harvesting opportunities (to the extent that the manager is provided with cost basis information). The manager will obtain DSA's consent prior to the sale of any client securities. DSA will provide to investment manager any updated client financial information or account restrictions necessary for investment manager to provide sub-advisory services.

On an ongoing basis, DSA will answer clients' inquiries regarding their accounts and review periodically with clients the performance of their accounts. DSA will at least annually review client's investment policy and risk profile and will re-balance clients' accounts as necessary.

In addition to managing the client's investment portfolio, DSA may provide financial planning services to clients on various financial areas including income and estate tax planning, business sale structures, college financial planning, retirement planning, insurance analysis, personal cash flow analysis, establishment and design of retirement plans and trust designs, among other things. DSA will not charge a separate fee for this service.

In performing its services, DSA shall not be required to verify any financial information received from the client or from the client's other professionals, and is expressly authorized to rely on the information provided. Moreover, clients are advised that it remains their responsibility to promptly notify DSA if there is ever any change in their financial situation or investment objectives for the purpose of reviewing/evaluating/revising their previous recommendations and/or services.

DSA does not participate in wrap fee programs.

Item 5 – Fees and Compensation

In certain circumstances, fees and account minimums may be negotiable.

DSA has contracted with BAM Advisor Services, LLC ("BAM") for services including trade processing, collection of management fees, record maintenance, report preparation, marketing assistance, and research. DSA has also contracted with BAM for sub-advisory services with respect to clients' fixed income accounts. DSA pays a fee for BAM services based on management fees paid to DSA on accounts which use BAM. The fee paid by DSA to BAM consists of a portion of the fee paid by clients to DSA and varies based on the total client assets participating in BAM through DSA. These fees are not separately charged to advisory clients. The fee charged by DSA to its clients includes all sub-advisory fees charged by BAM.

The specific manner in which fees are charged by DSA is established in a client's written agreement with DSA. DSA will request authority from Investment Management clients to receive quarterly payments directly from the client's account held by an independent qualified custodian. Clients may provide written limited authorization to DSA, which may be delegated to BAM, to withdraw fees from the account.

Investment Management clients will be invoiced in advance at the beginning of each calendar quarter based upon the value of the client's account at the end of the previous quarter. New accounts are charged a prorated fee for the remainder of the quarter in which the account is incepted (date of first trade). Market value will be based on independent third party sources or fair market value in the absence of market value. Client account balances on which DSA calculates fees may vary from account custodial statements based on independent valuations and other accounting variances, including mechanisms for including accrued interest in account statements. Clients will receive custodial statements showing the advisory fees debited from their account(s). BAM will calculate and debit DSA's fee and remit such fee to DSA.

A client may terminate an agreement without penalty by providing written notice of such cancellation to DSA within five (5) business days of the date hereof (the "Grace Period"). Thereafter, either party may terminate this Agreement without penalty upon thirty (30) days notice in writing to the other party. Termination of this Agreement will not affect (a) the validity of any action previously taken by DSA under this Agreement; (b) liabilities or obligations of the parties from transactions initiated before termination of this Agreement; or (c) Client's obligation to pay advisor fees (prorated through the date of termination). On the termination of this Agreement, DSA will have no obligation to recommend or take any action with regard to the securities, cash or other investments in the Account. Upon termination of an agreement, DSA will calculate the number of days left in a quarter and provide a refund to the client of those pre-paid, unearned fees from the date of termination. This refund will be provided to the client directly into the client's brokerage account or via check.

The client agreement contains a provision for confidentiality, which reflects that client grants DSA permission to consult with and to obtain information from client's attorney, accountant or other advisors to the extent necessary. DSA will hold in strict confidence all information regarding client's financial situation, as required by applicable laws. Client agrees that all information, recommendations and advice provided by DSA shall be regarded as confidential and shall not be disclosed to any other person or entity.

DSA's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. These fees will generally include a management fee and other fund expenses. All fees paid to DSA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders.

Such charges, fees and commissions are exclusive of and in addition to DSA's fee, and DSA shall not receive any portion of these commissions, fees, and costs.

Neither DSA nor any Supervised Person of DSA receive any compensation, including any commissions or markups, for the sale of securities or other investment products.

Advisory Fees

Investment Management Services:

The annual fee for investment management services will be charged as a percentage of assets under management. DSA's investment management fees range from 0.5% per annum to 1.5% per annum depending on the size of the account or overall relationship.

All accounts for members of the client's family (husband, wife and dependent children) or related businesses may be assessed fees based on the total balance of all accounts.

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

DSA does not charge performance-based fees.

Item 7 – Types of Clients

DSA provides services to individuals, qualified retirement plans, trusts, estates, charitable organizations, corporations and small businesses.

The Advisor's cumulative minimum account requirement for opening and maintaining an account is \$1 million. However, based on facts and circumstances the Advisor may, at its sole discretion, accept accounts with a lower value.

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

Methods of Analysis and Investment Strategy

DSA's services are based on long-term investment strategies incorporating the principles of Modern Portfolio Theory. DSA's investment approach is firmly rooted in the belief that markets are "efficient" over periods of time and that investors' long-term returns are determined principally by asset allocation decisions, rather than market timing or stock picking. DSA recommends diversified portfolios, principally through the use of passively managed, asset class mutual funds. DSA selects or recommends to clients' portfolios of securities, principally broadly-traded open-end mutual funds, closed-end funds, or conservative fixed income securities to implement this investment strategy.

Although all investments involve risk, DSA's investment advice seeks to limit risk through broad diversification among asset classes and, as appropriate for particular clients the investment directly in conservative fixed income securities to represent the fixed income class. DSA's

investment philosophy is designed for investors who desire a buy and hold strategy. Frequent trading of securities increases brokerage and other transaction costs that DSA's strategy seeks to minimize.

In the implementation of investment plans, DSA therefore primarily uses mutual funds, exchange traded funds (ETFs), and as appropriate, portfolios of conservative fixed income securities, or closed-end interval funds.

Clients may hold or retain other types of assets as well, and DSA may offer advice regarding those various assets as part of its services. Advice regarding such assets will generally not involve asset management services but may help to more generally assist the client.

DSA's strategies do not utilize securities that we believe would be classified as having any unusual risks, and we do not recommend frequent trading, which can increase brokerage and other costs and taxes.

DSA receives supporting research from BAM Advisor Services and from other consultants, including economists affiliated with Dimensional Fund Advisors ("DFA"), Bridgeway Capital Management, Inc., AQR Capital Management, LLC and Stone Ridge Asset Management LLC. DSA utilizes primarily DFA mutual funds in client portfolios. DFA mutual funds follow a passive asset class investment philosophy with low holdings turnover. DFA provides historical market analysis, risk/return analysis, and continuing education to DSA.

Analysis of a Client's Financial Situation

In the development of investment plans for clients, including the recommendation of an appropriate asset allocation, DSA relies on an analysis of the client's financial objectives, current and estimated future resources, and tolerance for risk. To derive a recommended asset allocation, DSA may use a Monte Carlo simulation, a standard statistical approach for dealing with uncertainty. As with any other methods used to make projections into the future, there are several risks associated with this method, which may result in the client not being able to achieve their financial goals. They include:

- The risk that expected future cash flows will not match those used in the analysis
- The risk that future rates of return will fall short of the estimates used in the simulation
- The risk that inflation will exceed the estimates used in the simulation
- For taxable clients, the risk that tax rates will be higher than was assumed in the analysis

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

All investments present the risk of loss of principal – the risk that the value of securities (mutual funds, ETFs, CD's, individual stocks and individual bonds), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other

words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

The mutual funds and ETFs utilized by DSA may include funds invested in domestic and international equities, including real estate investment trusts (REITs), corporate and government fixed income securities and commodities. Equity securities may include large capitalization, medium capitalization and small capitalization stocks. Mutual funds and ETF shares invested in fixed income securities are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.

Among the most volatile mutual funds used in DSA's investment strategies funds are the U.S. and International small capitalization and small capitalization value funds, emerging markets funds, and commodity futures funds. Conservative fixed income securities have lower risk of loss of principal, but most bonds (with the exception of Treasury Inflation Protected Securities, or TIPS) present the risk of loss of purchasing power through lower expected return. This risk is greatest for longer-term bonds.

Certain funds utilized by DSA may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

More information about the risks of any particular market sector can be reviewed in representative mutual fund prospectuses managing assets within each applicable sector.

Item 9 – Disciplinary Information

Neither DSA nor its management persons have had any legal or disciplinary events, currently or in the past.

Item 10 – Other Financial Industry Activities and Affiliations

Neither DSA nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither DSA nor any of its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

DSA does not currently have any relationships or arrangements that are material to its advisory business or clients with either a broker-dealer, municipal securities dealer, or government securities dealer or broker, investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund" and offshore fund), other investment advisor or financial planner, futures commission merchant, commodity pool operator, or commodity trading advisor, banking or thrift institution, accountant or

accounting firm, lawyer or law firm, pension consultant, real estate broker or dealer or sponsor of syndicator of limited partnerships.

As described above in Item 4, DSA may exercise discretionary authority provided by a client to select an independent third party investment manager for the management of portfolios of individual fixed income securities. DSA selects BAM for such fixed income management. DSA also contracts with BAM for back office services and assistance with portfolio modeling. DSA has a fiduciary duty to select qualified and appropriate managers in the client's best interest, and believes that BAM effectively provides both the back office services that assist with its overall investment advisory practice and fixed income portfolio management services. The management of DSA continuously makes this assessment. While DSA has a contract with BAM governing a time period for back office services, DSA has no such fixed commitment to the selection of BAM for fixed income management services and may select another investment manager for clients upon reasonable notice to BAM.

Affiliated Insurance Firm

David N. Smith is the sole shareholder and a licensed insurance agent of Financial Wealth Strategies, Inc. He is engaged in the business of selling of life, health and other insurance products through this entity. Mr. Smith will spend approximately 20% of his time with the insurance related business. In his capacity as an insurance agent, Mr. Smith will be able to purchase insurance products for clients in need of such services and will receive separate, yet typical commission compensation for the purchase of those products. While Mr. Smith endeavors at all times to put the interest of the clients first, clients should be aware that the receipt of additional compensation itself creates a conflict of interest. Clients are under no obligation to purchase insurance products through Mr. Smith.

As a fiduciary, Smith has certain legal obligations, including the obligation to act in clients' best interest. Smith maintains a Business Continuity and Succession Plan and seeks to avoid a disruption of service to clients in the event of an unforeseen loss of key personnel, due to disability or death. To that end, Smith has entered into a succession agreement with Buckingham Asset Management, LLC. Smith can provide additional information to any current or prospective client upon request to David N. Smith at (305) 666-9411.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Smith is registered with the Securities and Exchange Commission and maintains a Code of Ethics pursuant to SEC rule 204A-1 that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the adviser. In addition, the Code of Ethics governs personal trading by each employee of Smith deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of Smith are conducted in a manner that avoids any conflict of interest between such persons and clients of the adviser or its affiliates. Smith collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve conflicts of interest. Smith maintains a code of ethics and they will provide a copy to any client or prospective client upon request.

Item 12 – Brokerage Practices

DSA arranges for the execution of securities transactions with the assistance of BAM. Through BAM, DSA participates in the Fidelity Institutional Wealth Services (FIWS) program offered to independent investment advisors, sponsored by Fidelity Brokerage Services, LLC ("Fidelity"), member FINRA/SIPC. Fidelity is an unaffiliated SEC-registered broker dealer and FINRA member broker dealer.

The Fidelity brokerage program will generally be recommended to advisory clients for the execution of mutual fund and equity securities transactions. DSA regularly reviews this program to ensure that its recommendation is consistent with its fiduciary duty. This trading platform is essential to DSA's service arrangements and capabilities, and DSA may not accept clients who direct the use of other brokers. As part of these programs, DSA receives benefits that it would not receive if it did not offer investment advice (See the disclosure under Item 14 of this Brochure).

As DSA will not request the discretionary authority to determine the broker dealer to be used or the commission rates to be paid for mutual fund and equity securities transactions, clients must direct DSA as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that DSA will not have authority to negotiate commissions among various brokers or obtain volume discounts, which may increase cost, and best execution may not be achieved. Not all investment advisers require clients to direct the use of specific brokers.

DSA will not exercise authority to arrange client transactions in fixed income securities. Clients will provide this authority to a fixed income manager retained by DSA on client's behalf by designating the portfolio manager with trading authority over client's brokerage account. Clients will be provided with the Disclosure Brochure (Form ADV Part 2) of portfolio manager.

FIWS does not generally charge clients a custody fee and is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through FIWS or that settle into the clients' accounts at FIWS. Trading client accounts through other brokers may result in fees (including mark-ups and mark-downs) being charged by the custodial broker and an additional broker. While DSA will not arrange transactions through other brokers, the authority of the fixed income portfolio manager includes the ability to trade client fixed income assets through other brokers.

DSA does not have any arrangements to compensate any broker dealer or third party for client referrals.

DSA does not enter into any soft dollar arrangements.

DSA does not maintain any client trade error gains. DSA makes clients whole with respect to any trade error losses incurred by client caused by DSA.

DSA generally does not aggregate any client transactions in mutual fund or other securities. Client accounts are individually reviewed and managed, and transaction costs are not saved by aggregating orders in almost all circumstances in which DSA arranges transactions. BAM Advisor Services, LLC, in the management of fixed income portfolios, will aggregate certain transactions among client accounts that it manages, in which case a DSA client's orders may be aggregated with an order for another client of BAM Advisor Services, LLC who is not a DSA client. See BAM Advisor Services, LLC Form ADV Part 2.

Item 13 – Review of Accounts

Reviews:

Account assets are supervised continuously and periodically reviewed by David Smith. The periodic review process may contain some of the following elements:

- a. assessing client goals and objectives;
- b. evaluating the employed strategy(ies);
- c. monitoring the portfolio(s); and
- d. addressing the need to rebalance.

Additional account reviews may be triggered by any of the following events:

- a. a specific client request;
- b. a change in client goals and objectives;
- c. an imbalance in a portfolio asset allocation; and
- d. market/economic conditions.

Clients are advised that it remains their responsibility to advise DSA of any changes in their investment objectives and/or financial situation. Clients are encouraged to review their investment objectives and account performance with a representative of DSA on an annual basis.

For fixed income portfolios, certain account review responsibilities are delegated to a third party investment manager as described above in Item 1.D.

Reports:

All investment management clients will receive written or electronic quarterly performance reports from DSA that summarize the client's account and asset allocation. Clients will also receive at least quarterly statements from their account custodian, which will outline the client's current positions and current market value.

Item 14 – Client Referrals and Other Compensation

As indicated under the disclosure for Item 12, FIWS provides DSA with access to services which are not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis at no charge.

These services benefit DSA but may not benefit its clients' accounts. Many of the products and services assist DSA in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of DSA's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of DSA's accounts. The recommended broker, FIWS, also makes available to DSA other services intended to help DSA manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. DSA does not, however, enter into any commitments with FIWS or any other broker for transaction levels in exchange for any services or products from FIWS or any other broker. While as a fiduciary, DSA endeavors to act in its clients' best interests, DSA's requirement that clients maintain their assets in accounts at FIWS may be based in part on the benefit to DSA of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the broker, which may create a potential conflict of interest.

DSA also receives software from DFA, which DSA utilizes in forming asset allocation strategies and producing performance reports. DFA may also provide continuing education for DSA personnel. These services are designed to assist DSA plan and design its services for business growth.

Client Referrals

DSA may compensate persons or firms for client referrals in compliance with the Investment Adviser's Act and state securities rules and regulations. The fees paid to referral sources do not affect the fees clients pay to DSA. In each instance, a written agreement will exist between the Advisor and the referral source. At the time of a referral, prospective advisory clients will receive the Advisor's Brochure and a Solicitor's Disclosure Document. Smith has established policies and procedures to ensure that its solicitation activities are compliant with the requirements under Rule 206(4)-3 of the Adviser's Act and state securities rules and regulations.

Item 15 – Custody

DSA does not have custody of client funds or securities, except for the withdrawal of advisory fees directly from client accounts. However, as noted in Item 13 above, clients will receive statements not less than quarterly from the qualified custodian, and we encourage you to review those statements carefully. Any discrepancies should be immediately brought to the firm's attention.

Item 16 – Investment Discretion

DSA generally has discretion over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from the client. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by Smith.

Discretionary authority will only be authorized upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of an Investment Advisory Agreement containing all applicable limitations to such authority. All discretionary trades made by DSA will be in accordance with each client's investment objectives and goals.

Item 17 – Voting Client Securities

DSA will not vote, nor advise clients how to vote, proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. Also, DSA cannot give any advice or take any action with respect to the voting of these proxies. The client and DSA agree to this by contract.

Item 18 – Financial Information

DSA does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance and is not required to file a balance sheet.

DSA has discretionary authority over client accounts and is not aware of any financial condition that will likely impair its ability to meet contractual commitments to clients. If DSA does become aware of any such financial condition, this brochure will be updated and clients will be notified.

DSA has never been subject to a bankruptcy petition.