



## Securities Management & Research, Inc.

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### Form ADV, Part 2A Brochure

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This brochure provides information about the qualifications and business practices of Securities Management & Research, Inc. ("SM&R"). If you have any questions about the contents of this brochure, please contact us at (855) 767-5700. 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 SM&R also is available at the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

SM&R is an SEC-registered investment adviser; however this does not imply any level of skill or training.

## **Material Changes**

There are no material changes since the last update of this brochure.

We may, at any time, update this brochure and offer to send you a copy or make it available on our website at [www.smrone.com](http://www.smrone.com).

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## Item 4 – Advisory Business

Securities Management & Research, Inc (“SM&R” or “Advisor”) has been in business as a licensed securities broker-dealer since 1964 and began providing advisory services in 2005. As was mentioned in the Material Changes section, SM&R was previously owned by American National Insurance Company and is now owned by One Financial, Inc., a subsidiary of Berthel Fisher & Company in Marion, IA. As of December 31, 2011 SM&R had approximately \$1 million of net equity.

SM&R provides fee-based investment advisory services and financial planning services to individuals and small businesses through the independent advisers registered with our firm. The firm practices custom management of portfolios, primarily on a discretionary basis, according to client objectives.

All managed accounts for SM&R are held at Fidelity Investments (“Fidelity”). Fidelity will execute all purchases and sales orders and perform all clearing and operational functions in the clients’ accounts. Fidelity will send trade confirmations upon execution of a transaction and account statements monthly or quarterly, depending on the activity in the account.

## Item 5 – Fees and Compensation

### SM&R Fees:

SM&R will be compensated for its advisory services by an ongoing quarterly fee based on the value of the assets in each account. These fees will be charged in advance at the beginning of the quarter and debited from the managed account, unless otherwise instructed by the client.

SM&R’s compensation for the services provided will be based upon the agreed upon percentage indicated in the following table. Execution of the Client Agreement will serve as acknowledgement of such compensation.

Assets Under Management	Asset Based Fee
\$ 20,000 to \$ 99,999	1.00 to 1.50 %
\$ 100,000 to \$ 249,999	.90 to 1.40%
\$ 250,000 to \$ 499,999	.80 to 1.30%
\$ 500,000 to \$1,000,000	.50 to 1.00%
\$1,000,000+	.25 to .50%

### Fidelity Fees and Charges:

Fidelity will charge various operational fees and ticket charges based on their pricing schedule in addition to the fees paid to SM&R for advisory services. The ***Fidelity Pricing Schedule*** will be provided to you at the time you open your account.

## **Item 6 – Performance-Based Fees and Side-by-Side Management**

SM&R is not involved in side-by-side management and does not charge performance-based fees.

## **Item 7 – Types of Clients**

SM&R offers its services to individuals, high net worth individuals, trusts and estates, and individual participants of retirement plans. In addition, we offer our services to small businesses and pension and profit sharing plans.

SM&R does not require a minimum account balance; however, Fidelity may impose a minimum account balance. Clients will be subject to any investment or balance minimums established by the mutual funds held in client account.

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

SM&R advisers may utilize fundamental or technical analysis techniques in formulating investment advice or managing assets for clients. SM&R uses primarily fundamental analysis in making recommendations to clients.

### Fundamental Analysis

Fundamental analysis of companies involves analyzing financial statements, management and competitive advantages and competitors in the marketplace. Analysis is performed on historical and present data, with the goal of making financial forecasts.

The main sources of information used to obtain the fundamental information are financial newspapers and magazines, research materials provided by other financial companies, corporate rating services, annual reports, prospectuses, filings made to the SEC and company press releases. SM&R advisers primarily rely on Morningstar research and use this workstation to prepare a client's Investment Policy Statement.

### Technical Analysis

Technical analysis, if used, is a method of evaluating securities by relying on the assumption that market data can help predict future (usually short term) market trends. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall.

SM&R does not primarily recommend a particular type of security. However, the focus is to manage the portfolio by using mutual funds with a smaller emphasis in common stock and cash or cash equivalents.

Clients need to be aware that investing in securities involves risk of loss that clients need to be prepared to bear. We will do our best in the management of your assets, however, we cannot guarantee any level of performance or that you will not experience a loss.

## **Item 9 – Disciplinary Information**

We do not have any legal, financial or other “disciplinary” item to report to you. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a Client/Adviser relationship, or to continue a Client/Adviser relationship with us.

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

SM&R is dually registered and a Registered Investment Adviser and broker-dealer and your investment adviser may be a Registered Representative with our firm. In his or her separate capacity as a registered representative of a broker-dealer, he/she may sell, for commissions, products such as mutual funds, 529 plans, variable annuity and variable life products to investment advisory clients. As such, your investment adviser may suggest that you implement investment advice by purchasing securities products through a commission-based account introduced through SM&R in addition to an investment advisory account. In the event that you elect to purchase these products through SM&R, your investment adviser, in the capacity as registered representative, and our affiliated broker-dealer, SM&R, will receive the normal and customary commission compensation in connection with the specific product purchased.

SM&R does not require your investment adviser to encourage you to implement investment advice through our affiliated broker-dealer. You are free to implement investment advice through any broker/dealer or product sponsor you may select.

Your investment adviser representative may be also licensed as a life insurance agent with SM&R or another agency and may sell insurance and annuity products to you. In the event that you buy life insurance or an annuity through your investment adviser in his or her separate capacity as an insurance agent, your investment adviser will receive separate and typical compensation for the insurance or annuity sale. You are not obligated by SM&R to utilize your investment adviser in his or her separate capacity as an insurance agent for life insurance or annuity transactions.

## **Item 11 – Code of Ethics**

As required by regulation (and because it's good business), we have adopted a Code of Ethics that governs a number of potential conflicts of interest we have when providing our advisory services to you. This Code of Ethics is designed to ensure we meet our fiduciary obligation to you, our Client and to drive home a "Culture of Compliance" within our firm.

An additional benefit of our Code is to detect and prevent violations of securities laws. Our Code is comprehensive, is distributed to advisers when they register with SM&R and they acknowledge these standards annually thereafter. We also supplement the Code with annual training and on-going monitoring of the adviser's business activity.

General principles of our Code include the following:

- Duty at all times to place the interests of clients first;
- Duty to conduct all personal securities transactions in a manner consistent with procedures and in such a manner to avoid any actual or potential conflict or abuse of a position of trust and responsibility;
- Refrain from actions or activities that allow a person to profit or benefit from his or her position with respect to a client, or that otherwise bring into question the adviser's independence or judgment;
- Requirement to maintain confidentiality in regards to client information obtained in the course of doing business;
- All personal securities transactions must be accomplished so as to avoid even the appearance of a conflict of interests with the client.

Our Code does not prohibit trading by our advisers (or our firm). As you may imagine, as a professional investment adviser, we follow our own advice. As a result, we may purchase or sell the same or similar securities (or securities that are suitable for an adviser or related account but which may not be suitable for particular clients) at the same time that we place transactions for your account and the accounts of our other clients. You may request a complete copy of our Code by contacting us at the address or telephone number on the cover page of this brochure.

## **Item 12 – Brokerage Practices**

SM&R firm does not recommend broker-dealers for client transactions. We do not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions.

Soft dollars are not solicited or received by us and as such we do not direct client transactions to a particular broker-dealer in return for soft dollars.

## **Item 13 – Review of Accounts**

Financial planning services terminate upon presentation of the written plan or completion of the consultation services. Therefore, no reviews are conducted for these accounts. If you elect to have a review and update to an original financial plan, additional fees may be charged and you may be required to sign a new client agreement.

For your asset management accounts, reviews are provided on an on-going basis; typically based on a schedule agreed upon by you and your investment adviser representative. SM&R does not impose a specific review schedule that all investment adviser representatives must follow. Generally the calendar is the main triggering factor for client reviews. However, more frequent reviews may be provided to any account depending on, among other issues, changes to your financial situation, personal situation or changes in market conditions.

Your asset management accounts are reviewed by your investment adviser representative to analyze if the account is being managed in accordance with the your chosen investment objective, that the account is properly balanced, if it is being managed according to a specific asset allocation model, and to verify the accuracy of account holdings and fee deductions.

SM&R encourages you to request a review with your investment adviser representative to discuss such things as account performance, changes in your investment objectives, goals, and financial situation, tax planning, estate planning, retirement planning and any other questions the client may have concerning their investment portfolio. If you only receive financial planning services from SM&R, you may be charged a separate fee for meetings with your investment adviser representative.

For asset management services, you are provided with transaction confirmation notices and regular summary account statements directly from the qualified custodian.

You are encouraged to always compare any reports or statements provided by your investment adviser against the account statements delivered from the qualified custodian. If you should have questions that you do not wish to discuss directly with your investment adviser, you may call the office listed on the cover page of this brochure.

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

SM&R currently has no referral arrangements.

Your investment adviser representative, in his or her separate capacity as a registered representative of our affiliated broker-dealer, SM&R, may receive commissions from the execution of securities transactions. In addition, your investment adviser representative may receive 12b-1 fees from certain mutual fund companies as outlined in the fund's prospectus. 12b-1 fees come from fund assets, therefore, indirectly from client assets.



The receipt of such fees could represent an incentive for your investment adviser representative to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a result, there is a potential conflict of interest. When managing ERISA and qualified accounts, your investment adviser representative must lower or offset the management fee by the amount of 12b-1 fees and other commissions received in the event such types of compensation are received by the your investment adviser representative in their individual capacity as registered representative of SM&R.

Your investment adviser representative may also be licensed as an insurance agent with SM&R and receive commissions and other incentive awards for the recommendation/sale of annuities and other insurance products. The receipt of this compensation may affect the judgment of your investment adviser representative when recommending insurance products to you.

While your investment adviser representative endeavors at all times to put the interests of you first, the receipt of commissions and additional compensation itself creates a conflict of interest, and may affect the judgment of your investment adviser representative when making recommendations. For additional information on a particular product's payment and compensation practices, please see the prospectus, offering documents or statements of additional information.

## **Item 15 – Custody**

Custody, as it applies to investment advisers, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

SM&R is deemed to have custody of client funds and securities whenever SM&R is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody SM&R will ever maintain.

For accounts in which SM&R is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent adviser of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from your investment adviser. If you have questions about your account statements, you may contact the office on the cover page of this brochure.

\*\* Please note that payment for fees, securities and any other items cannot be made payable to your investment adviser representative, his or her staff members or entities owned by your investment adviser representative. Payment for financial planning fees or asset management services should be made payable to SM&R. Payment for the purchase of securities and for the purpose of funding an account must be made payable to the qualified custodian of your account. The qualified custodian will never be your investment adviser representative or any entity controlled by your investment adviser representative.

## **Item 16 – Investment Discretion**

If you are participating in our asset management services, upon receiving your written authorization, your investment adviser will maintain limited trading authorization over your designated account and may implement trades on a **discretionary** basis. When discretionary authority is granted, your investment adviser will have the authority to determine the type of securities to be bought or sold and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction.

If you do not grant discretionary authority, this is considered **non-discretionary**, and your investment adviser will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, your investment adviser will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, and you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

## **Item 17 – Voting Client Securities**

Neither SM&R nor your investment adviser will vote proxies on behalf of your account. While there are some investment advisers that will vote proxies and other corporate decisions on behalf of their clients, we have determined that taking on the responsibility for voting client securities does not add enough value to the services provided to clients to justify the additional compliance and regulatory costs associated with voting client

securities. Therefore, it is your responsibility to vote all proxies for securities held in accounts managed by your SM&R investment adviser.

Clients will receive proxies directly from their qualified custodian or transfer agent and such documents will not be delivered by our firm. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact your investment adviser representative.

## **Item 18 – Financial Information**

SM&R does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.