

*ADV Part 2 Brochure for*  
***Smithbridge Asset Management, Inc.***  
*6 Hillman Drive, Suite 101, Chadds Ford, PA 19317*

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***ADV Part 2 Brochure Statement***

This brochure provides information about the qualifications and business practices of Smithbridge Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 610-361-9141 or [jkavanagh@smithbridgeasset.com](mailto:jkavanagh@smithbridgeasset.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.

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

## ***Item 2. Summary of Material Changes***

As of the last annual filing dated February 27, 2019, we have had the following material changes:

- Item 4 – Stephen L. Hyde is no longer a Principal owner of Smithbridge.
- Item 10 – We are no longer affiliated with HFM Investment Advisors, Inc.

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#### ***Item 4. Advisory Business***

Smithbridge Asset Management, established in January of 1997, is an independent investment advisor. Our primary focus is managing the investments of individuals, trusts and smaller pension and endowment funds. Smithbridge is committed to disciplined investment management and personalized service. We manage each client's account individually, according to that client's particular goals and guidelines. As of December 31, 2019 we manage \$291,981,520 in discretionary assets and \$19,226,529 in nondiscretionary assets.

Smithbridge is a conservative manager of stocks, bonds, exchange traded funds (ETFs), and mutual funds. We believe in controlling risk through diversified portfolios of high-quality securities and carefully considered asset allocation for each client. In managing equities, discipline and continuity are key concepts. The same process of stock evaluation is always used, and that process is heavily influenced by fundamental factors. The investment process concentrates on large capitalization stocks primarily of U.S. corporations. These companies tend to have global business models and long operating track records. Shares of foreign companies listed on U.S. exchanges (ADRs) are also used and may be 10% to 15% of the portfolio. Smithbridge may also include actively managed mutual funds in the portfolio if it serves the clients interest. Bonds are managed in a low risk manner, with various maturities and usually relatively short average duration. Bonds of the highest investment grades are emphasized. Depending on the tax status of the client or type of account, municipal bonds may be utilized. ETFs are used for further diversifying the portfolios.

Portfolio managers work with individual clients to determine their proper risk tolerance and asset allocation. Smithbridge manages taxable client portfolio in a tax efficient manner. Clients may impose restrictions on investments in specific securities and types of securities. Each client has an individualized written investment goals and guidelines statement that is generally reviewed with the client annually. We encourage personal meetings with clients at least once a year.

Jonathan F. Kolleand Shawn R. Keane are the principal shareholders.

#### ***Financial Planning***

Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. The key defining aspect of financial planning is that through the financial planning process, all questions, information and analysis will be considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service will receive a written or an electronic report, providing the client with a detailed financial plan designed to achieve his or her stated financial goals and objectives. The client always has the right to decide whether or not to act upon our recommendations. If the client elects to act on any of the recommendations, the client always has the right to affect the transactions through anyone of their choosing.

In general, the financial plan will address any or all of the following areas of concern. The client and advisor will work together to select the specific areas to cover. These areas may include, but are not limited to, the following:

- **Business Planning:** We provide consulting services for clients who currently operate

their own business, are considering starting a business, or are planning for an exit from their current business. Under this type of engagement, we work with you to assess your current situation, identify your objectives, and develop a plan aimed at achieving your goals.

- **Cash Flow and Debt Management:** We will conduct a review of your income and expenses to determine your current surplus or deficit along with advice on prioritizing how any surplus should be used or how to reduce expenses if they exceed your income. Advice may also be provided on which debts to pay off first based on factors such as the interest rate of the debt and any income tax ramifications. We may also recommend what we believe to be an appropriate cash reserve that should be considered for emergencies and other financial goals, along with a review of accounts (such as money market funds) for such reserves, plus strategies to save desired amounts.
- **College Savings:** Includes projecting the amount that will be needed to achieve college or other post-secondary education funding goals, along with advice on ways for you to save the desired amount. Recommendations as to savings strategies are included, and, if needed, we will review your financial picture as it relates to eligibility for financial aid or the best way to contribute to grandchildren (if appropriate).
- **Employee Benefits Optimization:** We will provide review and analysis as to whether you, as an employee, are taking the maximum advantage possible of your employee benefits. If you are a business owner, we will consider and/or recommend the various benefit programs that can be structured to meet both business and personal retirement goals.
- **Estate Planning:** This usually includes an analysis of your exposure to estate taxes and your current estate plan, which may include whether you have a will, powers of attorney, trusts and other related documents. Our advice also typically includes ways for you to minimize or avoid future estate taxes by implementing appropriate estate planning strategies such as the use of applicable trusts.

We always recommend that you consult with a qualified attorney when you initiate, update, or complete estate planning activities. We may provide you with contact information for attorneys who specialize in estate planning when you wish to hire an attorney for such purposes. From time-to-time, we will participate in meetings or phone calls between you and your attorney with your approval or request.

- **Financial Goals:** We will help clients identify financial goals and develop a plan to reach them. We will identify what you plan to accomplish, what resources you will need to make it happen, how much time you will need to reach the goal, and how much you should budget for your goal.
- **Insurance:** Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **Investment Analysis:** This may involve developing an asset allocation strategy to meet clients' financial goals and risk tolerance, providing information on investment vehicles and strategies, reviewing employee stock options, as well as assisting you in establishing your own investment account at a selected broker/dealer or custodian. The strategies and

types of investments we may recommend are further discussed in Item 8 of this brochure.

- **Retirement Planning:** Our retirement planning services typically include projections of your likelihood of achieving your financial goals, typically focusing on financial independence as the primary objective. For situations where projections show less than the desired results, we may make recommendations, including those that may impact the original projections by adjusting certain variables (e.g., working longer, saving more, spending less, taking more risk with investments).

If you are near retirement or already retired, advice may be given on appropriate distribution strategies to minimize the likelihood of running out of money or having to adversely alter spending during your retirement years.

- **Risk Management:** A risk management review includes an analysis of your exposure to major risks that could have a significantly adverse effect on your financial picture, such as premature death, disability, property and casualty losses, or the need for long-term care planning. Advice may be provided on ways to minimize such risks and about weighing the costs of purchasing insurance versus the benefits of doing so and, likewise, the potential cost of not purchasing insurance (“self-insuring”).
- **Tax Planning Strategies:** Advice may include ways to minimize current and future income taxes as a part of your overall financial planning picture. For example, we may make recommendations on which type of account(s) or specific investments should be owned based in part on their “tax efficiency,” with consideration that there is always a possibility of future changes to federal, state or local tax laws and rates that may affect your situation.

We recommend that you consult with a qualified tax professional before initiating any tax planning strategy, and we may provide you with contact information for accountants or attorneys who specialize in this area if you wish to hire someone for such purposes. We will participate in meetings or phone calls between you and your tax professional with your approval.

### ***Item 5. Fees and Compensation***

Smithbridge is compensated for our advisory services by clients paying a fee based on a percentage of assets under management. Management fees are negotiable and may vary depending on individual client circumstances. Clients are invoiced quarterly, in advance, based on the market value of their assets under management, as of the end of the last quarter.

Our standard fee schedule is the first one million dollars of assets under management is charged at the rate of 1.0% annually. The second million dollars is charged at the rate of 0.75%. The next three million dollars are charged at the rate of 0.60% and the rate for more than five million dollars of assets under management is negotiable.

At the election of the client, we may either invoice their custodian to have the fee paid directly from the client account or we will invoice the client. Either way the client is provided with a statement showing the fee calculation. When the management fee is paid directly from the client’s account we remind the client to verify the accuracy of the fee calculation since their custodian may not.

Upon termination of advisory services, any prepaid, unearned fees will be promptly refunded.

### ***Financial Planning Fixed Fee***

Financial Planning will generally be offered on a fixed fee basis. The fixed fee will be agreed upon before the start of any work. The fixed fee can range between \$500.00 and \$10,000.00. The fee is negotiable. If a fixed fee program is chosen, half of the fee is due at the beginning of process and the remainder is due at completion of work, however, Smithbridge will not bill an amount above \$500.00 more than 6 months in advance. In the event of early termination, before the delivery of the financial plan, the client will be given a full refund, minus any hours worked at the rate of \$150.00 per hour.

### ***Additional Fees and Expenses***

Smithbridge does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees for the sale of mutual funds. Mutual fund fees generally include a management fee, other fund expenses, and possibly a distribution fee. These fees and expenses are described in each fund's prospectus. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

Clients should be aware that they will be responsible for additional fees and expenses incurred from custodians and brokerages, such as, custodian and transaction fees, and commissions. For more discussion of commissions and brokerage expenses please see Item 12.

All fees paid to Smithbridge for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, brokerages and custodians.

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

Smithbridge does not charge performance-based fees.

### ***Item 7. Types of Clients***

The majority of our clients are individuals with investment savings, retirement accounts or trust assets. We also advise smaller corporate pension plans and endowment funds.

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

At Smithbridge, stock portfolios are invested in high quality issues with well established businesses and are virtually fully invested at all times. Portfolios are diversified, not only in terms of the number of stocks, but also of economic sectors. Typically, a portfolio will hold between 25 and 30 stocks, with representation in eight to ten different economic sectors. The primary methodology that Smithbridge uses to select securities is fundamental analysis. This includes an in-depth review of the company's financial statements and the evaluation of its businesses and product lines. Only stocks that, in the estimation of the portfolio managers, represent moderate risk, offer the opportunity for capital gains, provide dividend income and increase portfolio diversification, are eligible for purchase. Holdings exhibit superior records of historic earnings growth and profitability, as well as a high degree of consistency. Stocks which are expensive relative to the overall market are generally avoided. Stocks are continuously monitored and are eliminated when the fundamental reasons for owning them no

longer exist. Smithbridge portfolios usually have lower turnover than typical managed portfolios. We believe that this not only lowers cost but also minimizes tax liabilities.

Bond holdings are selected with safety and liquidity in mind, in addition to return. Bonds with investment grade ratings are heavily emphasized. Maturities are selected in accordance with client objectives, but with a bias toward short and intermediate maturities. Selections are influenced by the structure of the yield curve at any point in time, as well as the differential in yields between various market sectors.

In some portfolios (balanced) both stocks and bonds are purchased. The target of the mix is the product of an assessment of the client's needs in terms of risk averseness, need for capital growth or preservation, and income. These factors are reviewed with the client periodically to determine if the asset allocation is still appropriate. Smithbridge believes that asset allocation is the key to the investment process and that adding bonds, even in relatively small amounts, significantly reduces portfolio risk.

Smithbridge will use exchange traded funds (ETFs) in portfolios in order to increase diversification or obtain exposure to certain stock market sectors or asset classes. Overall, this reduces risk in the portfolios by adding diversification even though ETFs are subject to the same market risks as other investment classes. ETFs issued and managed by large and experienced managers are emphasized.

Investing in stocks and bonds can involve substantial risks. Even though Smithbridge's investment strategy attempts to minimize the risks of stock investing, the risk of capital loss is still significant. Individual stocks are subject to not only the business performance of the issuing company, but also the economic climate in general. At any time, stock prices may vary by large amounts due to various factors. Bonds, even though they carry lower risk than stocks due to their contractual obligations, also involve investment risk. Bond prices may change dramatically due to changes in interest or inflation or a change in the financial health of the issuer, among other things.

### ***Item 9. Disciplinary Information***

Smithbridge has never had any legal or disciplinary events.

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

No Smithbridge employee is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

No Smithbridge employee is registered, or have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor.

Smithbridge only receives compensation directly from clients. We do not receive compensation from any outside source. We do not have any conflicts of interest with any outside party.

### **Recommendations or Selections of Other Investment Advisers**

Smithbridge refers clients to other investment advisers to manage their accounts. In such



circumstances, Smithbridge will share in the other investment adviser's asset management fee. This situation creates a conflict of interest. However, when referring clients to another investment adviser, the client's best interest and suitability of the other investment advisers will be the main determining factors of Smithbridge. This relationship is disclosed to the client at the commencement of the advisory relationship. These compensation arrangements present a conflict of interest because Smithbridge has a financial incentive to recommend the services of the other investment advisers. You are not obligated, contractually or otherwise, to use the services of any other investment advisers we recommend. Additionally, Smithbridge will only recommend another investment adviser who is properly licensed or registered as an investment adviser. These other investment advisers currently include, but not limited to, MorningStar Investment Services LLC, and Brinker Capital, Inc.

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

### ***Code of Ethics***

Smithbridge has established a Code of Ethics requiring all supervised persons to comply with all applicable federal and state securities laws. The code requires that all employees comply with all of the firm's policies and procedures, which were developed to prevent violations of securities laws.

The code expresses our fundamental duty, as an investment advisor, as fiduciary to our clients, and the obligation of always placing the interest of the clients first. It also covers client confidentiality, conflicts of interest, insider trading and personal securities transactions.

A copy of our Code of Ethics is available upon request.

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

Smithbridge and its related persons do not recommend to or invest for its client's securities in which we have any material financial interests.

Smithbridge and its related persons, however, may invest in securities identical to those recommended to our clients. Smithbridge concludes, since the vast majorities of our clients' holdings are broadly held and widely traded, that most of our trading, personal and for clients, has a minimal impact on markets, resulting in a negligible possibility for conflict of interest.

Even so it is our policy that no one shall prefer his or her own interest to that of a client or buy or sell any security where the employee would benefit from transactions placed on behalf of client accounts. Additionally, communication of and access to firm research and trading information is restricted. In order to further minimize the chance for conflicts of interests, employees and related persons may not trade their own holdings in the same securities at the same time as Smithbridge is working an "across the board" trading program. Employees and related persons submit copies of confirms and statements on a monthly, quarterly or annual basis, for covered securities, which are available for review at any point in time by Jonathan Kolle, President and CCO.

## ***Item 12. Brokerage Practices***

Clients may grant Smithbridge the discretionary authority to select broker-dealers and determine the commission rates paid by clients for securities transactions. In those circumstances in which clients grant Smithbridge with discretionary authority to select broker-dealers, we will evaluate brokers-dealers based on their financial soundness, reputation, experience and quality of trade execution, trade settlement, and overall service. We determine the reasonableness of their commissions by comparison to the commission rates of other available brokers for transactions that are similar to ours in type, size and quantity. Smithbridge's overall ability to negotiate commissions and achieve volume discount pricing may be adversely affected by our policy of accepting clients' direction for Smithbridge to use particular broker-dealers.

### ***Soft Dollar Practices***

Smithbridge receives soft dollar benefits only in the form of proprietary research reports from large broker-dealers such as Merrill Lynch. However, we do not execute client trades through these broker-dealers because of these benefits. These broker-dealer relationships are client directed and the research is provided as a courtesy to Smithbridge. The broker-dealers could create an incentive for us to execute client trades through them in return for providing the research materials. In reality these materials are of little value to us as they typically do not offer the information we need for the basis of our investment decisions. We mitigate this possible conflict by not placing trades through these broker-dealers except when our clients direct us to or when our duties towards best execution will be met.

### ***Brokerage for Client Referrals***

Smithbridge generally recommends clients to use Charles Schwab & Co., Inc. as a qualified custodian and for brokerage services. However, Smithbridge currently has clients who were referred to Smithbridge by their existing registered representative, or broker-dealer. For these clients, Smithbridge executes trades with that broker-dealer. See the following "Client Directed Brokerage" commentary.

### ***Client Directed Brokerage***

While Smithbridge accepts the written direction by clients to use a particular broker-dealer for trade execution it is not a requirement. The majority of our clients do direct their brokerage to broker-dealers with which they have a pre-established relationship. In many cases the registered representative referred the client to Smithbridge. We have a conflict of interest between the referred clients' interest in obtaining best execution and Smithbridge's interest in receiving future referrals from the referring registered representative. We mitigate this conflict by informing our clients of this conflict of interest in their investment management agreement, an annual letter of disclosures and this brochure.

When clients direct Smithbridge to use a particular broker-dealer, they should understand that we will not have the authority to negotiate commissions and best execution may not be achieved. A disparity of commissions charged may exist between the commissions charged to other clients. In addition, clients could pay lower commissions if they did not direct Smithbridge to trade using a specific broker-dealer. Due to the circumstance that most of Smithbridge's clients direct us to use specific brokers for their trades, Smithbridge does not obtain volume discounts nor are we able to aggregate trades which could improve execution prices and transaction costs.

### ***Trade Aggregation***

We will aggregate trades when we are able, and it is in the best interest of our clients.

### ***Item 13. Review of Accounts***

Smithbridge provides all advisory clients with comprehensive written reports on a quarterly basis, upon request. In addition to quarterly reports, clients will receive periodic updates during regular client meetings in person or by telephone. Reviews of the portfolios are continuously performed by the Portfolio Managers, Mr. Kolle and Mr. Champness. All accounts are reviewed to ensure compliance with Smithbridge's long-term investment policy, current investment strategies and individual client goals and objectives. Additional periodic reviews of all accounts are performed by Mr. Kolle. The administrative staff reviews all account activity and market values and reconciles each portfolio to an independent custody statement at least monthly.

In addition to individual client requests, portfolios are reviewed for a variety of circumstances such as bond rating changes, stock price movements or fundamental changes in an industry or company's competitiveness and general market changes.

Clients can receive quarterly reports which provide investment performance results, for various time periods, for the portfolio and appropriate benchmarks. The report includes a summary of holdings by asset class, and an appraisal of securities with a breakdown by economic sector and a profile of equity characteristics. A record of purchases and sales is also provided.

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

Pursuant to SEC Regulation Section 275.206.40-3, and applicable state laws, we have entered into "solicitor arrangements" with other registered investment advisers, as described in Item 10 of this Form ADV Part 2A. At the time of solicitation, the prospective client is given full disclosure of the solicitation arrangement and the nature of the relationship between us and the other investment adviser.

### ***Item 15. Custody***

Each client's managed assets are maintained in a separate account by a qualified custodian. Smithbridge is deemed to have custody of client assets solely because we have authority to deduct management fees when given authorization by the client. Clients receive quarterly reports from Smithbridge and monthly statements from their custodians. Clients should carefully review and compare the two.

### ***Item 16. Investment Discretion***

Smithbridge accepts discretionary authority to manage clients' investment portfolios. This discretion is authorized in the written client agreement and, in addition, typically, by a limited trading authority statement required by their custodian and or broker. Clients may place reasonable restrictions on the specific securities and or types of securities purchased, sold or held on their behalf. Clients have written investment goals and guidelines (stating restrictions) which the portfolio manager adheres to when exercising this discretionary authority.

### ***Item 17. Voting Client Securities***

Smithbridge does not have authority to vote proxies for its clients at this time. Clients receive proxies and other solicitations directly from their custodian or transfer agent. If clients have questions regarding proxies, they should contact their portfolio manager by phone or email.

### ***Item 18. Financial Information***

Smithbridge Asset Management, Inc is sound financially and has no condition which is reasonably likely to impair our ability to meet our contractual commitments to our clients.