

**Item 1 – Cover Page**



**PART 2A OF FORM ADV: FIRM BROCHURE**

January 25, 2021

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This Brochure provides information about the qualifications and business practices of Spectrum Management Group, LLC ("SMG"). If you have any questions about the contents of this Brochure, please contact Leslie D. Thompson at 317.663.5600 or [www.spectrum-mgmt.com](http://www.spectrum-mgmt.com). 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 Spectrum Management Group, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 154532. Registration does not imply any specific level of skill or training.

## **Item 2 – Material Changes**

Spectrum Management Group, LLC (“SMG”) will notify clients of material changes annually. However, where SMG’s management determines that an interim notification is either meaningful or required, SMG will notify its clients promptly and provide them with a summary of such changes.

Our firm’s Client Relationship Summary (Form CRS), this Firm Brochure, your financial professional’s brochure supplements, our Privacy Policy, or Code of Ethics may be requested at any time by contacting Leslie D. Thompson, Chief Compliance Officer (“CCO”), at 317.663.5600 or [lthompson@spectrum-mgmt.com](mailto:lthompson@spectrum-mgmt.com). Regardless of the request or delivery mechanism, Form CRS and our Brochure are available free of charge. SMG’s website address is [www.spectrum-mgmt.com](http://www.spectrum-mgmt.com).

Since SMG’s last annual amendment update on March 27, 2020, our firm reports the following material updates:

**Item 4 Advisory Business** – SMG has updated ownership information in this section and discusses the new *Accumulator Investment Management* and *Retirement Plan Advice* lines of service.

**Item 5 Fees and Compensation** – Spectrum has updated Wealth Management and Investment Fees and disclosed fees surrounding the new *Accumulator Investment Management* and *Retirement Plan Advice* services.

**Item 10 - Other Financial Industry Activities and Affiliations** – SMG updated disclosures to include a new affiliate entity, SBO Management, Inc.

**Item 13 Review of Accounts** – The section has been enhanced to include reviews and reporting surrounding two new services, *Accumulator Investment Management* and *Retirement Plan Advice*.

**Item 17 Proxy Voting** – SMG has updated information in this section to address our firm’s current practices.

**Client Relationship Summary (Form CRS)** – This Form was updated to discuss the new Accumulator Investment Management Service, which includes important fee structure updates. In addition, the Insurance Agent statement (located in the “*How do your financial professionals make money?*” section) was updated to discuss the receipt of trailing commissions by licensed and retired-license insurance agents.

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#### **Item 4 – Advisory Business**

Spectrum Management Group, LLC, ("SMG") is an Indiana corporation formed in March 2010 and has conducted business as an SEC-registered investment adviser since October 2010. The owners of SMG are Robert C. Phillips, Managing Member, Chief Executive Officer, and President, and Leslie D. Thompson, Managing Member, Chief Financial Officer, Chief Investment Officer, and Chief Compliance Officer.

SMG endeavors to provide personalized, comprehensive wealth management strategies for growing, preserving, and effectively transferring wealth for high-net-worth individuals and families and providing investment management services to individual and institutional investors.

When we act as your investment adviser, we must act in your best interest, and we do not put our interest ahead of yours. At the same time, the method that we are compensated creates some conflicts with your interests. The following items outline our activities and address conflicts associated with those activities. You should understand and ask us about these potential conflicts because they can affect the investment advice we provide you.

As of December 31, 2020, SMG had \$691,937,835 of discretionary assets under management and \$19,377,786 of non-discretionary assets under management.

#### **Wealth Management Services**

SMG's wealth management service, LifeSpectrum Planning™, is designed to build a framework for financial decision making. LifeSpectrum Planning™ entails an intensive data gathering process of the client's current financial condition (including review of prior tax returns, investment holdings, insurance policies, estate and legal documents, and other relevant information), organizing the data, preparing financial projections, and creating a Plan based on pre-defined goals, reporting the results of the projections, strategies, and scenarios, providing recommendations to fill any gaps that would prevent a client from reaching goals, and assisting a client in implementing the Plan, which includes the discretionary management of investment assets and advisory services related to non-discretionary investments assets outside of our advisory agreement. This service is designed for clients who meet a minimum one-million-dollar (\$1,000,000) investment under management threshold and is an ongoing process of continual monitoring and refinement, as circumstances dictate. As part of these services, clients have access to secure client portals, which allows them to view information about their Plan and their investment assets, including holdings, values, and asset allocation, and provides an electronic vault for valuable wealth-related documents such as wills, trusts, tax returns, insurance documents, and projections. However, it remains the client's responsibility to promptly notify SMG if there is ever any change in the client's financial situation or objectives. Implementation of the Plan is inherent in SMG's Wealth Management Service offering. A summary of SMG's investment management services, which are also available on a stand-alone basis, is addressed below.

While SMG has Certified Public Accountants (CPA) on staff, neither SMG nor any of its representatives serve as an accountant when providing recommendations, and no portion of SMG's services should be construed as the same. Furthermore, other professionals representing a client – attorneys, accountants, insurance agents, and other advisors – may need to implement some of the client's recommendations by SMG. SMG suggests clients work closely with these professionals to implement pertinent aspects of their Plan. SMG is available to make recommendations of trusted professionals and to coordinate with a client's other trusted professionals. The client is under no obligation to engage the services of any such recommended professional. The client retains discretion over all such planning implementation decisions and is free to accept or reject any recommendation from SMG.

## **Accumulator Wealth Management Services**

Spectrum also offers investment management to certain clients who do not meet the firm's \$1,000,000 minimum relationship threshold. Spectrum believes that its wealth management and investment portfolios are best structured for those clients who can invest a minimum of \$1,000,000 but understands certain relationships may not qualify for these services. To better serve our client relationships and their family needs, Spectrum now offers the Accumulator Wealth Management service. This service is intended for client relationships based on related account relationships and specific client profiles. The service is designed to provide investment management layered with financial planning and consulting to Accumulator clients, who work closely with their designated financial professional. The financial professional assists the client in determining their financial goals, ascertain risk tolerance, and structure a foundational financial plan and portfolio strategy. This strategy strives towards moving the client to eventually accruing enough assets to be eligible for regular wealth or investment management services. Once the relationship meets the minimum requirements, it is transitioned to Spectrum's standard platforms. Clients who begin with the Accumulator agreement pay more for these services as Spectrum personnel provides additional guidance and account education not generally required for more established or sophisticated relationships. Find out more about these fees in Item 5 below.

## **Retirement Plan Advice**

Wealth Management and Accumulator Clients may also engage our firm to receive a quarterly review and reporting of their portfolio holdings held away in the client's separate qualified retirement plan by the designated investment advisor representative. The investment advisor representative will recommend asset allocation and investment strategy changes, where applicable, each quarter. SMG's Investment Committee continuously reviews and monitors portfolio strategies and securities from which the investment advisor representative may choose for recommendation to clients. SMG provides advice and recommendation but does not execute this advice. Wealth Management and Accumulator Clients will have the sole responsibility to implement any recommendations or reallocate securities through their retirement plan transaction platform.

Clients should be aware of certain conflicts of interest that exist when we provide advice regarding qualified retirement plans. SMG may recommend that the client withdraw the assets from their employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that SMG (or another adviser) will manage. If the plan participant elects to roll the assets to an IRA managed by our firm, the client will be charged an asset-based fee. This practice presents a conflict of interest because SMG has a financial incentive to recommend the rollover to the client based on the potential revenues rather than solely based on the client's needs. Consequently, clients are never obligated to rollover their qualified retirement plan assets, nor are they obligated to transfer the assets to our firm.

## **Investment Management Services**

SMG provides discretionary investment management services to clients on a fee-only basis. Those clients that do not wish to engage in the comprehensive nature of SMG's Wealth Management offering may hire SMG to manage their investment assets on a stand-alone basis.

SMG's investment approach combines a blend of investment strategies, which are detailed below. All investments made or recommended by SMG under the terms of this agreement are assessed, reviewed, and approved by the SMG Investment Committee. The intent is to delegate investment-related decisions to an experienced investment committee. The Investment Committee includes SMG Advisors who serve clients and is led by staff whose primary duties include

investment-related research and recommendations. SMG portfolios consist of various building blocks available to Advisors to create portfolios for each client they serve. The result is a variety of customized portfolios designed to position each client for financial security and wealth accumulation to meet the client's objectives over the long term. The investment strategies that form the building blocks of the client portfolio consist of the strategies noted below. SMG may also create customized portfolio solutions to meet a specific need or investment theme of a particular client mandate.

**Target Allocation** - The investment strategy consists of five portfolios, which seeks return through exposure to a diversified portfolio of equity and fixed-income exchange-traded funds (ETFs), which represent multiple asset classes. Each portfolio has varying allocation between equities and fixed income based upon risk-tolerance. The strategies are rebalanced periodically throughout the year as market conditions warrant.

**Dynamic Core** - SMG has developed a proprietary investment strategy called Dynamic Core. This strategy dynamically manages investment exposure to various asset classes. The strategy is designed to add exposure to risk assets (equities, fixed income, commodities, etc.) during periods of a high probability of growth potential, which we term "Advance Mode," and reduce risk during periods of an increased likelihood of decline potential, which we term "Protect Mode." The strategy is based on relative strength and actively uses cash as a hedge when in Protect Mode. During various points in time, the strategy may hold a large percentage of its assets in cash. The strategy may not be diversified across multiple asset classes and could be concentrated in specific asset classes. This strategy primarily allocates client investment assets among various exchange-traded funds (ETFs), mutual funds, alternative investments on a discretionary basis and per the client's objectives. Recommendations for specific alternative investment structures require the written consent of the client to engage in such arrangements. These types of accounts typically require an investor to meet particular criteria to invest and require the investor to affirm that such standards have been met and that they understand any restrictions for investing in such arrangements.

**SMG All Cap** - The SMG All Cap Strategy is designed to provide investors with exposure to high-quality factors and strong relative strength U.S. stocks. The research process begins with a fundamental view of our focus universe: stocks traded on a U.S. exchange with a market capitalization greater than \$1 billion. SMG's screening process is designed to identify companies that are projected to have a high return on investment and strong earnings growth while placing a strong emphasis on a company's free cash flow. SMG may also focus on companies in industries that we believe have near-term favorable macro factors. SMG incorporates a technical analysis overlay with a focus on relative strength. The portfolio typically owns 30 stocks and could also invest in exchange-traded funds (ETFs) to meet the strategy's objectives. Technical analysis and quantitative strategies often involve more frequent trading than a buy and hold strategy, which could lead to an increase in brokerage costs.

**SMG Dividend Growth** – The SMG Dividend Growth Strategy is designed to provide investors with diversified exposure to fundamentally attractive U.S. dividend-paying stocks with an emphasis on companies with strong dividend growth and a high return on investment. The strategy's goals are to provide income today, increase income annually, and offer competitive total returns over the long term. Only stocks with a favorable combination of valuation, profitability, and technical metrics are considered. Investments are analyzed and ranked on several measures but are focused on dividend yield, shareholder yield, dividend growth, and dividend sustainability. The portfolio typically owns 30 stocks and could also invest in exchange-traded funds (ETFs) to meet the strategy's objectives.

**SMG Growth and Income** – The SMG Growth and Income Strategy is designed to provide investors with diversified exposure to fundamentally attractive U.S. stocks that are a combination of dividend-paying stocks with an emphasis

on companies with strong dividend growth and a high return on investment and non-dividend paying stocks that focus on high-quality factors. SMG incorporates a technical analysis overlay with a focus on relative strength. The portfolio typically owns 30 stocks and could also invest in exchange-traded funds (ETFs) to meet the strategy's objectives. Technical analysis and quantitative strategies often involve more frequent trading than a buy and hold strategy, which could lead to an increase in brokerage costs.

**SMG Macro Advance and Protect** – The SMG Macro Advance and Protect Strategy is designed to allocate up to five equity funds and four fixed-income funds, as well as a cash component, for a total allocation across ten different asset classes. The top-level macroeconomic model determines the appropriate equity and fixed-income allocation, relying on an analysis of leading economic indicators, relative strength and market breadth indicators, and second-level indicators and ranking system to determine the equity allocation and fixed income baskets. While unlikely, the model could allocate 100% to cash or any other single asset class. The strategy is reviewed monthly to determine if any changes should occur. The strategy is actively traded and could lead to less favorable tax treatment of investment gains. As such, this strategy is recommended for tax-deferred accounts.

**SMG Sector Rotation** – The SMG Sector Rotation Strategy is designed to gain exposure to the strongest relative strength sectors in the U.S. economy using eleven sector exchange-traded funds and a cash component as its universe encompassing the following broad sectors: technology, healthcare, consumer discretionary, consumer staples, utilities, financials, materials, communication services, industrials, real estate, and energy. On a relative strength basis, should cash place within the top quarter of the various sectors, an allocation to cash will occur from varying degrees beginning at 25% up to a 100% cash allocation. The strategy is reviewed monthly to determine if any changes should occur. In times of high market volatility, the strategy could experience active trading and generate less favorable tax treatment of investment gains.

From time-to-time, a client may designate the desire to purchase a specific security. In such an event, SMG will indicate the security as “non-managed” and rely upon the client's further recommendation for the removal or sale of such security from the client's account. SMG is not obligated to provide ongoing monitoring or due diligence of such “non-managed” security.

Before engaging SMG to provide Wealth Management or Investment Management Services, the client will be required to enter into a formal Investment Advisory Agreement with SMG setting forth the terms and conditions under which SMG shall manage the client's assets and the services expected to be performed. A separate custodial/clearing agreement with each designated broker-dealer/custodian will also be required to allow SMG to manage the client's assets effectively.

### **Third-Party Money Managers**

SMG provides management services to clients who choose to utilize third-party managers (registered investment advisers). We conduct due diligence on and recommend third-party managers in situations where it is appropriate. We monitor the performance of the selected registered investment adviser(s) for our clients. A client's investment with a third-party manager is made via a contract between the client and the third-party manager. The client provides SMG with authority to allocate client assets to the manager. If we determine that a particular appointed third-party manager is not providing adequate management services to the client or is not managing the client's portfolio consistent with the client's investment objectives, we will suggest that the client terminate their agreement with the manager. However, any change to a new registered investment adviser is solely at the discretion of the client.

You should understand that third-party managers are not affiliated with our firm, and we are not responsible for their services, actions, omissions, or performance. Our responsibility is limited to having the discretion to direct a portion of the client's account to/from the third-party manager. We will initially evaluate and recommend investment advisers and portfolios based upon reasonably available information at the time and periodically report on the third-party manager's investment performance in conjunction with the standard reporting process.

### **Pension Consulting Services**

SMG provides consulting services to plan trustees of ERISA-based plans. SMG acknowledges it is an ERISA investment fiduciary. As requested by the trustees, SMG will assist in developing an Investment Policy Statement for the Plan. SMG assumes the responsibility for the following:

- Providing professionally selected investment alternatives and risk-based models and portfolio alternatives;
- Investment model customization including ongoing active portfolio management, which also includes monitoring, rebalancing, and adjustments to model portfolios;
- Continuous manager due diligence;
- Conducting enrollment and educational meetings for plan participants; and
- Coordination between the plan sponsor and third-party administrator

### **Limited Consulting Services**

While rare, SMG may provide limited-scope consulting engagements, including a one-time financial planning engagement, investment portfolio review, facilitate family meetings, business succession planning, and consulting with personal representatives in estate matters related to financial assets. The fees for this service are dependent upon the complexity of the service provided.

## **Item 5 – Fees and Compensation**

### **Wealth Management and Investment Management Fees**

Wealth Management services are included with the fees charged for Investment Management. SMG is compensated by charging its clients fees based upon a percentage of each client's assets under management. SMG's annual fees for services are based upon a percentage of assets under management. The most typical fee is the following schedule below:

#### **Tiered Billing Fee Schedule**

##### **Assets Under Management Annual Fee**

<b>First \$1,000,000</b>	<b>1.20%</b>	<b>Next \$5,000,000</b>	<b>.60%</b>
<b>Next \$2,000,000</b>	<b>1.10%</b>	<b>Greater Than \$10,000,000</b>	<b>.50%</b>
<b>Next \$2,000,000</b>	<b>.75%</b>		

Although SMG has established the aforementioned fee schedule, we retain the discretion to negotiate an alternative fee schedule on a client-by-client basis based on the facts and circumstance of the client as well as the complexity of the service. The specific annual fee schedule is identified in the investment advisory agreement between SMG and



each client. It should be noted that while the above fee schedule is our current stated fee schedule, existing clients may have an alternative schedule that was previously negotiated at a rate less than the above schedule.

Fees are billed quarterly, in advance, by Spectrum and are based on the custodial value of the client's account at the end of the previous calendar quarter multiplied by one-quarter of the applicable annual percentage rate. Should a client relationship be terminated during the middle of a calendar quarter, a pro-rated refund of prepaid advisory fees shall be returned to the client. The amount of any refund is calculated by dividing the most recent advisory fee paid by the total number of days in the current quarter and multiplying that figure by the number of calendar days remaining in the quarter following the date of termination.

### **Accumulator Wealth Management Services**

Depending upon the service's scope, Accumulator clients pay a fee for the development and monitoring of a financial plan which is separately negotiated with the client. Clients will also pay a separate fee for investment management. Separate fees for active management of the investment assets are disclosed in the above stated fee schedule. Fees are billed quarterly, in advance, upon depositing any funds or securities in an account. The first payment is due upon acceptance of the client's agreement and shall be based upon the opening market value of the assets in the client's account(s) on that date. The first payment shall be pro-rated to cover the period from the date the account was opened through the end of the next full calendar quarter. Thereafter, the fee is calculated based on the account value on the last business day of the preceding calendar quarter.

Accumulator clients generally elect to have fees directly debited by the client's qualified custodian from the client's designated account and paid to our firm. This authority is granted to Spectrum by the client's written authorization obtained in the client's investment management agreement. No fee adjustments shall be made for partial withdrawals or account appreciation or depreciation within a billing period. A pro-rata refund of fees charged shall be made if the relationship is closed within a billing period. SMG firm does not impose start-up, closing, or penalty fees in connection with the account.

### **Retirement Plan Advice Fees**

Wealth Management and Accumulator clients who choose additional advice and reporting connected with their qualified accounts held away are charged an annual asset-based fee negotiated separately and, which will not exceed 20 basis points. In lieu of asset-based fees, we may agree to a flat dollar fee structure for consulting services when specifically requested by the client.

Fees are billed directly to the client. Fees are payable in advance or in arrears, as separately negotiated with each client.

### **Third-Party Management Fees**

Clients who utilize these services pay management fees to the third-party registered investment adviser, as outlined in the third-party registered investment adviser's separate disclosures. Clients should receive these disclosures when they begin a relationship with the registered investment adviser. Clients will also pay a separate and distinct management fee to SMG for monitoring the registered investment adviser. Spectrum's fees for these services are separately negotiated with each client, and the client's total fees will vary by the selected manager. SMG does not receive any compensation from a third-party manager for making a referral.

### **Pension Consulting Services Fees**

Pension consulting fees are separately contracted and negotiated with SMG. Fees are negotiated based on the complexity and size of the Plan.

### **Limited Consulting Services Fees**

Consulting fees are charged on an hourly basis or fixed rate basis and agreed to in writing by the client. Fees are separately negotiated with the client based on the complexity of the services offered.

## **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of notice. Upon termination of any relationship, any prepaid, unearned fees will be promptly refunded as described above.

***Direct Debiting of Client Fees:*** SMG's written agreement with clients allows fees to be directly debited from the client's account held by the qualified custodian. Clients may alternatively choose to be invoiced separately.

***Mutual Fund and ETF Fees:*** All fees paid to SMG for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to evaluate the advisory services being provided.

### **ERISA / Pension Protection Act Of 2006 (PPA)**

SMG also manages IRA accounts or other retirement accounts subject to the Pension Protection Act of 2006 (PPA). In all cases, an "eligible investment advice arrangement" or advisory agreement will be executed with the client. We will be considered a "fiduciary advisor" and charge fees to the retirement account based on a level fees basis, which means the fees will not vary based on the investment option selected.

The amount of compensation and other consideration reasonably anticipated to be paid, directly or indirectly, to us, our affiliates, or related entities for their services in connection with the recommendation(s) is not more than reasonable compensation within the meaning of § 4975(d)(2) of the Code and ERISA Section 408(b)(2).

***ERISA Accounts:*** SMG is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) according to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, SMG may only charge fees

for investment advice about products for which our firm and our related persons do not receive any commissions or 12b-1 fees.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for any exchange fees and any fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which an independent investment manager effects transaction for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees above \$1,200 more than six months in advance of services rendered.

### **Other Commission-Based Sales Activities**

Certain Investment Advisor Representatives are also independently licensed insurance agents with unaffiliated insurance agencies. As such, these individuals receive additional compensation, generally through commission-based sales and ongoing trailing payments, for the sale of insurance products. In 2012, it became SMG's policy that our investment advisor representatives no longer offer insurance products to advisory clients or any other persons. Investment Advisor Representatives, acting in their additional role of an insurance agent, will receive both insurance commissions and incentives and advisory fees for products sold. Advisory representatives participating in these activities have provided disclosures regarding these activities on their respective ADV Part 2B Supplements, which clients receive initially upon engaging SMG and when material changes occur.

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

SMG does not charge performance-based fees (fees that are based on a share of capital gains on or capital appreciation of the assets of the client). Additionally, SMG does not manage side-by-side accounts that charge performance-based fees and non-performance-based fees.

### **Item 7 – Types of Clients**

SMG's clients consist of individuals, high net worth individuals, business entities, qualified retirement plans, foundations, endowments, charitable organizations, and trusts.

SMG has a standard minimum account size of \$1,000,000 for its Wealth Management services and certain investment strategies. Accumulator clients, which do not meet our minimum accounts size, maybe accepted based upon related account relationships or target segment. Once an Accumulator client attains our standard minimum account size requirements, they will transition to our standard wealth management agreement.

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

### **Methods of Analysis**

SMG's investment approach combines a blend of investment strategies detailed in Item 4, Investment Management Services. SMG uses various resources and methods to conduct its analyses in connection with providing its advisory services. The following is a description of these resources and processes.

*Macro Analysis* – SMG takes a “top-down” view on the global economy, markets, geopolitics, and long-term asset allocation inputs and drivers and allocates capital across multiple asset classes, based on several factors, including but not limited to valuation, risk, and trend.

*Fundamental Analysis* – SMG attempts to measure the intrinsic value of a security by looking at economic and financial factors, including the overall economy, industry conditions, and the financial condition and management of the company itself to determine if the relevant security is underpriced or overpriced. SMG evaluates many financial metrics focusing on a company's free cash flow, earnings growth, return on capital, and competitive advantage.

*Technical Analysis* – SMG uses various technical indicators analyzing past price movements and applies analysis to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of an asset class, sector, or company. SMG uses technical analysis and a quantitative system with a primary focus on relative strength as the basis for transacting in individual securities (ETFs, individual stocks, no-load or load-waived mutual funds). Utilizing a quantitative system creates the potential for sudden losses if the anticipated price swing does not materialize. Quantitative strategies often involve more frequent trading than a buy and hold strategy, which leads to an increase in brokerage costs and the potential for less favorable tax treatment of short-term gains.

*Resources* – SMG purchases and receives various forms of research and data from the following sources – Ned Davis Research, Morningstar, Dorsey Wright, Valueline, YCharts, among others, and market newsletters and information from asset management companies.

*Risks of All Forms of Analysis* – SMG's securities analysis methods rely on the assumption that the companies in whose securities we invest, the rating agencies that review these securities, and other publicly-available sources of information about these securities are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **Strategies**

The Investment Committee studies various sources of research to assess potential asset class returns and to identify specific asset classes and securities intended to perform as needed from a risk and return perspective over a multi-year planning horizon. SMG uses technical analysis and a quantitative system as an overlay strategy to our fundamental top-down and bottom-up research process in most of our investment strategies. Quantitative methods often involve more frequent trading than a buy and hold strategy, which could lead to an increase in brokerage costs.

Investment Committee approval is required to add investments to the SMG platform and subsequently recommend them for client portfolios. The Investment Committee works closely with SMG Advisors to provide recommendations and oversight of a client's portfolio.

We also consider a client's tax situation in making investment decisions. We attempt to maximize a client's after-tax return by selecting investments and asset classes that, when weighed against similar alternatives (e.g., taxable versus municipal bonds), could provide for a greater after-tax return.

## **Risk Factors**

All investment strategies, including the strategies described above, involve risk. Clients should carefully consider the following risks and uncertainties regarding SMG's investment strategies. Clients should be cautioned that the following is only a summary of some, but not all, of the material risks associated with investing in securities.

*Risk of Loss.* Investing in securities involves risk of loss that clients should be prepared to bear. Even when the value of the securities 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 profitability of SMG recommendations depends much upon correctly assessing the future course of price movements among investments. There can be no assurance that SMG will be able to predict those price movements accurately. Recommendations made by SMG are subject to certain risks, and loss of principal may occur. Past performance is not indicative of future results.

*Stock Market Risk.* Stock market risk involves the possibility that stock prices overall will decline over short or extended periods. Markets tend to move in cycles, with periods of rising prices and periods of falling prices. Investing in the stocks of small- and medium-sized companies involves greater risk than is customarily associated with companies with large market capitalizations. The stock of such companies may be subject to more volatility in price than large-cap company securities.

*Foreign Securities Risk.* Foreign securities are subject to the same market risks as U.S. securities, such as general economic conditions and company and industry prospects. However, foreign securities involve the additional risk of loss due to political, economic, legal, regulatory, and operational uncertainties; differing accounting and financial reporting standards, limited availability of information, currency conversion, and pricing factors affecting investments in the securities of foreign business or governments.

*Interest Rate Risk.* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds (including bond mutual funds and bond ETFs) become less attractive relative to newly issued bonds, causing the existing bonds' market values to decline. Alternatively, when interest rates fall, yields on newly issued bonds become less attractive relative to existing bonds, causing the existing bonds' market values to rise. A bond with a longer maturity (or a bond fund or bond ETF with a longer average maturity) typically will fluctuate more in price than a shorter-term bond. Because of their very short-term nature, money market instruments carry less interest rate risk.

*Credit Risk.* Bonds (including bond mutual funds and bond ETFs) also are exposed to credit risk, which is the possibility that the issuer of a bond will default on its obligation to pay interest and/or principal to the bondholder. U.S. Treasury securities, which are backed by the full faith and credit of the U.S. government, have limited credit risk. In contrast, securities issued or guaranteed by U.S. government agencies or government-sponsored enterprises that are not backed by the full faith and credit of the U.S. government may be subject to varying degrees of credit risk. Corporate bonds rated BBB or above by Standard & Poor's are generally considered to carry moderate credit risk. Corporate bonds rated lower than BBB are considered to have significant credit risk. Bonds with lower credit ratings typically have higher yields associated with them.

*Liquidity Risk.* Liquidity is the ability to convert an investment into cash readily. Generally, assets are more liquid if many traders are interested in a standardized product. For example, U.S. Treasury Bills are highly liquid, while real estate properties are not. Liquidity risk exists when a particular security is difficult to trade. A mutual fund's or ETF's investment in illiquid securities may reduce the returns of the mutual fund and ETF because the fund may not be able to sell the securities at the desired time for an acceptable price or might not be able to sell the securities at all.

*Call Risk.* Many fixed-income securities have a provision allowing the issuer to repay the debt early, otherwise known as a "call feature." Issuers often exercise this right when interest rates are low. Accordingly, holders of such callable securities may not benefit fully from the increase in value that other fixed income securities experience when rates decline. Furthermore, after a callable security is repaid early, a mutual fund typically reinvests the proceeds at current interest rates, which would likely be lower than those paid on the called security.

*ETFs and Mutual Funds.* An investment in an ETF or mutual fund involves risk, including the loss of principal. ETF and mutual fund shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains as ETFs, and mutual funds are required by law to distribute capital gains in the event they sell securities for a profit.

The trading prices of a mutual fund's and ETF shares may differ significantly from the net asset value (NAV) of the underlying securities during periods of market volatility, which may, among other factors, lead to the shares trading at a premium or discount to NAV. Certain ETFs may be concentrated by a specific industry or sector, which may cause greater price volatility and thus more significant risk to investment if the securities comprising the ETF decline due to adverse developments in that particular industry or sector.

*Alternative Investments Risk.* Alternative investments, including, but not limited to, investment partnerships, alternative mutual funds, managed futures, and other private investment funds, may present unique risks. These risks may include decreased liquidity, limited transparency, and increased complexity, among others. Investing in alternatives, such as private investment funds, is intended primarily for experienced and sophisticated clients willing to bear the high economic risks of the investment. Alternative investments may use derivative instruments in their investment and trading strategies, such as options, futures, or index-based instruments. The use of derivative instruments involves multiple risks, including counterparty risk (i.e., the risk that the institution on the other side of the trade will default) and the risk that the instrument may not work as intended due to unanticipated developments in market conditions. Also, to the extent that the alternative investment uses commodities (or commodity-based derivatives) as part of its investment and trading strategies, the investment return may vary due to fluctuations in the supply and demand of the underlying commodities.

Further, alternative investments, particularly hedge funds, typically employ leveraging, short-selling, or other speculative practices. These investments also usually involve a lack of liquidity because of redemption terms and conditions, the risk there may not be a secondary market for the fund, volatility of returns, restrictions on transferring interests in the investment, a potential lack of diversification, higher fees than mutual funds, and lack of information regarding valuations and pricing. In particular, private investment funds have liquidity risk, and client investors may not be able to redeem their investments per the offering documents' disclosures.

## **Item 9 – Disciplinary Information**

Registered investment advisers, including SMG, are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the company or its personnel. Neither SMG nor any of its associated persons have any reportable legal or disciplinary actions or events that must be disclosed in response to this item.

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

### **CPA Affiliation**

As disclosed in Item 5, SMG has Certified Public Accountants (CPA) on staff. SMG may recommend the services of affiliated persons or other professionals for specific non-investment implementation purposes (e.g., attorneys, accountants, insurance agents). The client is under no obligation to engage the services of any such recommended professional. The client retains discretion over all such implementation decisions and is free to accept or reject any recommendation made by SMG personnel.

### **SBO Management, Inc.**

In December 2019, the owners of Spectrum Management Group, LLC formed an Indiana-based corporation, SBO Management, Inc. This entity serves the parent company as an affiliate to support back-office operations. SBO Management, Inc. will receive payments from Spectrum Management Group, LLC. Control persons of SMG are also compensated through this entity. This company is not considered a financial services entity, and no advisory services are offered through this entity. SBO Management, Inc. is never recommended to clients or prospective clients.

### **The Divorce Financial Strategies Group, LLC**

Members of Management are also controlling owners of The Divorce Financial Strategies Group, LLC. ("TDFSG"). TDFSG provides divorce and family counseling services. As such, clients desiring these services may be referred to TDFSG by associated persons of TDFSG. This presents inherent conflicts as members of SMG are separately compensated for services provided by TDFSG. We mitigate this conflict by disclosing to clients that although clients may be recommended to TDFSG, no client is under any obligation to employ the services of TDSFG.

SMG endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address conflicts of interest and potential conflicts of interest:

- We have established controls to protect client's private information;
- Our investment management team has developed controls that ensure clients are not disadvantaged by our relationships with other advisers;
- We disclose to clients the existence of material conflicts of interest. We disclose to clients that they are not obligated to purchase recommended products from our employees or affiliated companies; and
- We periodically monitor these affiliated relationships and outside employment activities to verify that any conflicts of interest continue to be adequately addressed by our firm

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

As an SEC-registered investment adviser, SMG has adopted a Code of Ethics pursuant to SEC Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The Code of Ethics applies to all members,

principals, managers, officers, employees, and supervised persons of SMG. The Code of Ethics includes SMG's policies as they relate to standards of ethical and business conduct expected of personnel and addresses various reporting, disclosure, and approval requirements, as well as conflicts that may arise from personal trading by staff, as summarized below.

The Code of Ethics, among other things, requires compliance with the federal securities laws, reflects the fiduciary responsibilities of SMG and its advisory personnel, prohibits certain personal securities transactions, requires staff to report their personal securities transactions periodically and to pre-clear certain securities transactions, and addresses the prevention and misuse of material nonpublic information. SMG designed these requirements to prevent or mitigate actual or potential conflicts of interest with clients.

It is likely that employees and officers of SMG, and their family members, have similar investment strategies as SMG's clients, which often results in the purchase or sale of the same security. To avoid any conflict of interest, all such trades are executed in an aggregate block with the average share price of the aggregate purchase or sale allocated to all participating accounts.

SMG and individuals associated with our firm are prohibited from engaging in principal transactions and agency cross transactions. SMG will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated private fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser concerning a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as a broker for both the advisory client and for another person on the other side of the transaction.

A copy of SMG's Code of Ethics is available to any client or prospective client upon request. All requests should be directed to the Chief Compliance Officer at 317.663.5600 or [spectrum-mgmt.com](http://spectrum-mgmt.com).

#### **Item 12 – Brokerage Practices**

Unless otherwise directed by the client in writing, SMG will arrange for the execution of securities brokerage transactions for investment assets through a broker-dealer that SMG reasonably believes will provide best execution. SMG maintains accounts with Schwab Institutional ("Schwab"), a division of Charles Schwab & Co., LLC., and Fidelity Institutional Wealth Services ("Fidelity"). Clients provide SMG with written discretionary trading authority over all managed assets in the investment management agreement.

Discretionary clients must include any security specific limitations on this discretionary authority in their advisory agreement. Clients may change/amend these limitations at any time, but such amendments must be provided to us in writing.

Factors that SMG considers in recommending either Schwab or Fidelity include execution capabilities, commissions, pricing, research, and other services. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, considering the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Although the commissions and/or transaction fees paid by SMG's clients shall comply with SMG's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where SMG determines, in good faith, that the commission/transaction fee is reasonable concerning the value of the brokerage and research services received. The brokerage commissions or



transaction fees charged by the designated broker-dealer/custodian are exclusive of and in addition to SMG's investment management fee.

SMG may utilize aggregate trading where possible. SMG is not required and may choose not to aggregate trades for various reasons. Aggregation of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. It may allow SMG to direct trades in a more timely, efficient, and equitable manner. The shares are allocated among the pre-determined accounts with the specified number of shares. Participating accounts receive an average share price. Transaction costs are shared on a pro-rata basis.

As referenced above, in particular circumstances, a client may direct SMG to execute transactions through a specific broker-dealer, which must be identified in writing by the client to SMG (the "Directed Broker"). If a client directs SMG to use a Directed Broker, the client must represent and warrant to SMG that the client has separately arranged with the Directed Broker to provide the applicable custody, trade execution, clearance, settlement, and other brokerage services to the client in exchange for rates of commissions, commission equivalents, mark-ups, markdowns, and other fees that the client has negotiated directly with the Directed Broker. If the client instructs SMG to execute all transactions through a Directed Broker: (i) SMG will not be in a position to freely negotiate rates of commissions, commission equivalents, mark-ups, markdowns, or spreads; (ii) SMG may be unable to achieve the most favorable execution of the client's transactions; (iii) the directed brokerage arrangement may result in higher commissions, commission equivalents, mark-ups, and markdowns, greater spreads, or less favorable net prices; (iv) a disparity may exist between the commissions, commission equivalents, mark-ups, markdowns, spreads, or net prices paid by the client and those paid by other clients managed by SMG that have not instructed SMG to execute through a Directed Broker; and (v) the client's transactions will trade separately and will not be aggregated for purposes of execution with orders for the same securities for other accounts managed by SMG.

### **Benefits Received from Schwab or Fidelity Institutional Wealth Services**

Although our firm does not accept soft dollar compensation, Schwab and Fidelity's platforms make available to our firm products and services that benefit our firm but may not directly benefit all of our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab or Fidelity.

Both Schwab and Fidelity's products and services that assist us in managing and administering our clients' accounts include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide general research, pricing, and other market data;
- facilitate payment of our fees from clients' accounts (direct debiting); and
- assist with back-office functions, recordkeeping, and client reporting.

Schwab and Fidelity may discount or waive fees it would otherwise charge for some of these services to our firm. Schwab and Fidelity may also provide other benefits such as educational events or conferences for our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab or Fidelity, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab or Fidelity, which may create a potential conflict of interest.

### **Item 13 – Review of Accounts**

For Wealth Management clients, their designated SMG Advisor will schedule two to four meetings (whether in person, electronic or virtual) a year. During these meetings, any updates to a client's financial goals, inputs, and Plan are addressed, and the investment portfolio is discussed. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian. In addition to the summary account statement, additional reports are available on-line to clients through SMG's client portals.

For Investment Management only clients, the client's SMG Advisor or professional investment member typically will schedule one or more meetings (whether in person, electronic, or virtual) a year. During these meetings, SMG reviews the investment portfolio and addresses any changes in the client's situation that may impact its management, and determine if the current strategy should be altered. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian. In addition to the summary account statement, additional reports are available on-line to clients through SMG's client portal.

Accumulator Clients - Accumulator clients will typically schedule an initial client meeting with their SMG Advisor and follow-up meetings (whether in person, electronic, or virtual) depending on the nature of the consulting or financial planning services contracted with the client. During these meetings, SMG reviews the investment portfolios as well as financial planning areas and addresses any changes in the client's situation that may impact the management of the portfolio and to determine if the current strategy should be altered. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian. In addition to the summary account statement, additional reports are available on-line to clients through SMG's client portal(s).

Retirement Advice and Consulting Services - SMG will provide a formal quarterly review and reporting of investment holdings of designated qualified retirement plan accounts.

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

As previously discussed in Item 5 of this Brochure, certain Investment Advisor Representatives are also independently licensed insurance agents with unaffiliated insurance agencies. As such, these individuals receive additional compensation, generally through commission-based sales and ongoing trailing payments, for the sale of insurance products. In 2012, it became SMG's policy that our investment advisor representatives no longer offer insurance products to advisory clients. Investment Advisor Representatives, acting in their additional role of an insurance agent, will receive both insurance commissions and incentives and advisory fees for products that were previously sold before 2012 or sold before their employment by SMG.

Information about each IAR's financial industry activities and affiliations is disclosed in the IAR's Part 2B Supplement, which clients will receive with this Brochure. Additional information about your IAR is also available in at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

### **Item 15 – Custody**

Rule 206(4)-2 under the Investment Advisers Act of 1940 (the "Custody Rule") imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has a beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them. While SMG does not take actual possession of client funds or securities, SMG is deemed to have custody of client funds and securities because it has the ability to deduct fees directly from clients' accounts.

For clients whose fees are directly debited, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the calculation's accuracy, among other things. Clients should contact the qualified custodian or SMG directly if they believe that there may be an error in their statement.

#### **Item 16 – Investment Discretion**

SMG receives discretionary authority from its clients at the outset of an advisory relationship. SMG is given this authority through an express grant of discretionary authority to SMG by the client and a power-of-attorney included in the investment advisory agreement between SMG and the client. Clients may make a written request for limitation on this authority (such as specific securities not to be bought or sold). SMG takes discretion over the following activities: the securities to be purchased or sold, the quantity of securities to be purchased or sold, when transactions are made, and the broker-dealer to be utilized.

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

Except for specific accounts invested in the SMG individual stock strategies noted in Item 4 and addressed below (SMG All Cap, SMG Dividend Growth and SMG Growth and Income) or accounts managed by a specialist third-party investment manager, SMG does not have authority to and does not vote proxies or otherwise exercise voting rights concerning a client's securities. Except as otherwise disclosed herein, clients maintain exclusive responsibility for (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other types of events about the client's investment assets.

#### **SMG Stock Strategies**

SMG will generally vote proxies for client accounts invested in the SMG individual stock strategies (SMG All Cap, SMG Dividend Growth, and SMG Growth & Income). However, a client has the right to vote their proxies by instructing SMG in writing not to vote proxies for securities in their account. SMG has engaged Broadridge for its ProxyEdge service utilizing the voting recommendations of Glass Lewis & Co., LLC ("Glass Lewis"). This service researches proxy proposals and provides recommendations and votes proxies on behalf of SMG. SMG has adopted Glass Lewis's Proxy Voting Guidelines, which are hereby incorporated by reference.

SMG's CCO is responsible for monitoring the proxy voting process. The CCO strives to ensure that ProxyEdge is making voting decisions in the best interest of clients and that proxy votes are submitted promptly. If SMG exercises proxy voting rights, it will be guided by general fiduciary principles. SMG will exercise such voting rights in a way believed to be in the best interests of its clients and consistent with efforts to achieve a client's stated objective. When investment advisers have authority to vote proxies concerning securities in clients' accounts, Rule 206(4)-6 under the Advisers Act addresses the fiduciary obligation of these advisers to their clients to vote proxies in the best interests of clients and to provide clients with information about how their proxies are voted. SMG will follow the principles outlined in Rule 206(4)-6.

If it is determined that a conflict or potential conflict exists between SMG's interests and those of its Clients, SMG may vote proxies, notwithstanding the existence of the conflict. If it is determined that a conflict of interest or potential conflict of interest is material, SMG's CCO will work with appropriate personnel to agree upon a method to resolve such conflict before voting proxies affected by the conflict.

A client may obtain a copy of SMG's proxy voting policies and procedures and information about how SMG voted any client's securities invested according to the SMG strategies noted above, by requesting in writing to SMG's CCO, 600 E. 96<sup>th</sup> Street, Suite 130, Indianapolis, Indiana 46240

### **Class Action Settlement Notices**

Clients occasionally receive notices of class action settlements involving a security held in their portfolio, past or present. The client retains the right to file claims for class-action settlements. If requested, SMG will assist clients with the completion of the class-action settlement claim form. It is the client's responsibility to forward any notices received to SMG promptly.

### **Item 18 – Financial Information**

Under certain circumstances, registered investment advisers are required in this item to provide you with certain financial information or disclosures about the adviser's financial condition. SMG does not take physical custody of its clients' assets, and it does not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, SMG is not required to include a financial statement with this Brochure.

SMG and senior management members have no financial conditions or impairments that prevent it from meeting its contractual commitments to clients.