

# Smart Investments

Advisory Incorporated

## 2022 Brochure

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## Advisory Brochure ADV Part 2

This brochure provides clients with information about the qualifications and business practices of Smart Investments Advisory Incorporated. If you have any questions regarding the contents of this brochure, please contact us at (909)335-8565 or [bsmart@smart-advisory.com](mailto:bsmart@smart-advisory.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.

March 30, 2022

*Item 2*

Material Changes  
In  
Smart Investments Advisory Incorporated

There have been no material changes in operations since our last brochure update.

Our last brochure update was March 30, 2021

### *Item 3*

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## *Item 4*

### **Introduction**

Smart Investments Advisory Incorporated (Smart Investments) provides investment advisory services to clients that include individuals, businesses, institutions and non-profit organizations. Utilizing individualized investment programs, Smart Investments constructs a portfolio of investments designed to achieve the clients pre-determined investment objectives. Smart Investments Advisory Incorporated is owned primarily by The Barrick Allyn Smart and Susan Atwill Smart AB Living Trust, and was founded on May 20, 1991.

#### *Smart Investments Programs*

Smart Investments has developed a questionnaire designed to collect pertinent information from a prospective client for the purpose of assisting the client in determining and establishing appropriate investment goals and objectives for their investments. Additionally, the questionnaire helps determine the client's appropriate risk profile for use in the construction of a suitable portfolio of investments that meets the client's needs. The end result of this questionnaire is an "Investment Policy Statement" created to help guide investments made for the benefit of the client.

Once the Investment Policy Statement has been prepared, a Smart Investments Advisory Associate will arrange to manage the client's investment portfolio. The client is directed to open a securities account to provide custody, trade execution, trade confirmations and periodic statements, including quarterly performance reporting.

Smart Investments performs the following services in one or both of the following capacities:

- A managed securities account program
- Sub-account advisor for institutional investment management

Smart Investments may also contract with affiliated advisory services to perform management services, provide reports for client use or to provide other operational support.

Investment advisory services are generally offered to clients to be on a discretionary basis. As of the date of this brochure, Smart Investments is contracted to manage approximately \$68,500,000 of client funds on a discretionary basis. We maintain approximately 197 client accounts. There are no non-discretionary assets currently under management.

#### *Limitation by Plan Sponsor/Employer*

Smart Investments is sometimes contracted to manage client assets that are in a program sponsored by their employer. As such, the investments offered through the program may be limited to securities or funds that have been chosen by the program administrator or trustee. In this circumstance, Smart Investments choices are limited to those available, even though there may be more suitable options available elsewhere.

### *Designated Broker and Custodian*

Advisory services are provided by Smart Investments, and advisory services can be rendered to clients regardless of the client's choice of brokerage firms.

All advisors associated with Smart Investments Advisory Incorporated are Registered Representatives of Western International Securities, Inc., an unaffiliated entity. While not required, Smart Investments advisors generally recommend securities services offered through WIS. As such, client's assets, trade execution and clearing services, including periodic account statements, trade confirmations and reports will be provided by Western International Securities Inc. and their designated clearing company.

### *Smart Investments Advisory Inc. Personnel*

**Mr. Barrick Smart, President and Chief Compliance Officer**, DOB 02/06/1951. Attended Arizona State University, earned a Bachelor of Science in Economics in 1974. Mr. Smart is the President of Smart Investments Advisory Inc. and a Branch Manager with Western International Securities Inc. (WIS). Prior to joining WIS and Smart Investments Advisory, Mr. Smart was a Branch Manager with WBB Securities, LLC. Prior to WBB, he was a Senior Vice-President and Branch Manager for The Seidler Companies, Inc., a NYSE Member Firm. Prior to Seidler, Mr. Smart was President of and a Branch Manager with the FINRA firm of Hagerty Stewart and Associates, Inc., a Broker/Dealer and RIA.

**Mr. Jeffrey Spencer, Executive Vice-President**, DOB 08/27/1946. Attended San Bernardino Valley College, Mt. San Antonio College and LaSalle Extension University. Mr. Spencer is Executive Vice-President and a founding officer of Smart Investments Advisory Inc., and a Financial Advisor with WIS. Prior to helping found Smart Investments, Mr. Spencer was a Financial Advisor with WBB following his tenure at The Seidler Companies Inc., a New York Stock Exchange Member Firm, formerly Hagerty, Stewart and Associates Inc.

**Mr. Roy "Ed" Bennett, Financial Advisor**, DOB 12/12/1946. Formerly with WBB Securities, he is a Financial Advisor with WIS, and a Registered Investment Advisor Associate. Mr. Bennett earned a BS in business from the University of Phoenix. Prior to joining Smart Investments, he was a financial advisor with the Seidler Companies, a NYSE Member firm. Prior to Seidler, Mr. Bennett was a financial advisor with Morgan Stanley. Mr. Bennett is a member of the President's Club and a U.S. Army veteran.

**Mrs. Alicia Arciniega, Investment Advisor Representative / Corporate Secretary**, DOB 10/01/1979. Mrs. Arciniega is the Corporate Secretary for Smart Investments as well as a Registered Investment Advisor Representative with Smart Investments and a Financial Advisor with WIS. She attended Riverside Community College and California State University, San Bernardino. Mrs. Arciniega began her career in the investment business in 2005 with The Seidler Companies Incorporated, a NYSE member firm. In 2006, she joined Smart Investments Advisory Inc. as an Administrative Assistant, going on to earn her Series 7 General Securities Registered Representative license and her Series 66 Investment Advisor Representative license in 2008.

## Item 5

### Fees

#### *Managed Equity, Allocation and "Wrap" Programs*

<u>Asset Value of Client's Account(s)</u>	<u>Annual Management Fee</u>
Under: \$100,000*	1.500%**
\$100,001 to \$250,000	1.375%
\$250,001 to \$500,000	1.250%
\$500,001 to \$1,000,000	1.125%
\$1,000,001 to \$2,000,000	1.00%
\$2,000,001 to \$3,000,000	.875%
\$3,000,001 and Over	.750%

\* Minimum account size is \$50,000 (taking into account for this purpose any other accounts the client or its related parties maintain at Smart Investments or its affiliates).

\*\* The minimum annual fee is \$500.

#### *Fixed Income Programs*

<u>Asset Value of Client's Account(s)</u>	<u>Annual Management Fee</u>
Up to \$250,000	.50%
\$250,001 to \$500,000	.40%
\$500,001 to \$1,000,000	.35%
\$1,000,001 to \$3,000,000	.30%
\$3,000,001 and Over	.25%

The management fees in this schedule are guidelines for normal investment advice and asset management services. Actual fees are determined in consultation with each client and are negotiable. All account fees are noted in the Management Fee Appendix of the Investment Advisory Agreement. If a client selects a strategy that entails non-standard services requiring significant additional effort or resources (such as certain active trading strategies or the use of unusually complex instruments), our fees may be higher. Account fees can be reduced at any time with executive approval.

#### *Determination of Client Account Value and Payment of the Advisory Fee*

Advisory fees are payable for services rendered during the previous calendar quarter. The date when the market value of a client's account is determined is established as follows:

The value of a client account is determined on the last business day of each calendar quarter. The advisory fee is then computed by multiplying one quarter (1/4) of the annual fee percentage times the determined account value. The fee amount is generally deducted from the client account, but may be billed to the client directly upon their request. Partial periods arising from deposit or withdrawal of assets from an account are pro-rated for the appropriate number of days the assets were in the program. Smart Investments forwards a billing statement to each client indicating the

computation of the billable assets and the fees deducted from the client's account or to be paid by them.

#### *Other Fees and Expenses*

There are fees and expenses associated with a securities account that clients are responsible for. These fees may include costs associated with account transactions, custody fees, transfer fees and regulatory costs and expenses. Mutual funds associated with a Smart Investments managed account will be purchased on a "no load" basis, but mutual fund managers charge management fees that are passed through to the client.

Smart Investments advisors are compensated through advisory fees charged to client accounts and are not compensated on a commission basis. Smart Investments does not charge performance based fees. All fees charged by Smart Investments are separate from fees and expenses charged by mutual funds.

Clients may choose to maintain a brokerage account separate from Smart Investments and execute their plan personally which may modify the amounts of these fees and expenses.

#### *Termination of Client Agreements*

The Advisory Agreement may be cancelled without cost or obligation in the first 5 days after Smart Investments has accepted it. After 5 days, either party may terminate this agreement at any time with written notice.

### ***Item 6***

#### **Performance Based Fees**

Smart Investments does not charge clients a performance based fee. See item 5 above for a complete discussion of our fee policies.

### ***Item 7***

#### **Types of Clients**

Smart Investments clients are generally individual investors with personal investment or retirement type accounts and family or retirement trusts. Our minimum account size is \$50,000. We may accept a smaller account, however, if family or related accounts aggregate to an amount larger than the minimum.

### ***Item 8***

#### **Methods of Analysis, Investment Strategies and Risk of Loss**

Client accounts are constructed individually based upon a client's personal characteristics. Individual securities may be included in a portfolio, but generally investments are no load mutual funds or Exchange Traded Funds. Smart Investments constructs an individual portfolio with a goal of

matching the risks and goals of each client with their investment allocations. Investments selected for customer accounts are chosen from broad investment categories such as fixed income, growth, value or balanced funds to accomplish these goals.

Research on the investment vehicles under consideration for a client portfolio is done utilizing generally available information from outside services and databases.

Research for the selection of individual securities includes reviewing company fundamentals such as balance sheet and income statement statistics, review of publically filed documents such as SEC Form 10K and research offered through services and brokerage firms.

***Risk of Loss:*** Principal value and investment return of stocks and mutual funds will fluctuate, and an investor's shares/units, when redeemed, will be worth more or less than the original investment. Stocks, bonds and mutual funds are not FDIC-insured and may lose value, and are not guaranteed by a bank or other financial institution.

### *Manager Selection and Review Process*

Smart Investments Advisory Inc. performs due diligence on Investment Managers. This due diligence may take the form of on-site visits to the Investment Manager's offices or interviews with investment personnel and senior management. Smart Investments may also use the services of affiliated or outside firms organized to provide such services. Additionally, Smart Investments may use publicly available data (including Investment Managers' Forms ADV) as well as data provided by the investment firms under review. For mutual fund products, Smart Investments relies primarily on quantitative analysis provided by third party organizations.

Smart Investments reviews Investment Managers for investment process, personnel experience, information systems used, operational organization and ownership structure and other factors.

### ***Item 9***

#### **Disciplinary Information**

Barrick Smart, Chief Executive Officer of Smart Investments Advisory Incorporated was a party along with WBB Securities, LLC , a former brokerage firm, to a client arbitration alleging failure to supervise a broker unaffiliated with Smart Investments. The complaint was filed in December of 2015, and was resolved in July of 2016. WBB Securities LLC settled the claim for \$80,000; Mr. Smart was released from the matter.

### ***Item 10***

#### **Other Financial Activities and Affiliations**

Smart Investments Advisory Incorporated is a Registered Investment Advisor registered with the State of California. Principals and employees of the company are also engaged as securities representatives, licensed to conduct securities business with Western International Securities, Inc. (WIS) a firm unaffiliated with Smart Investments. WIS receives 10% of advisory fees in payment for



custody and trading services. Smart Investments believes this arrangement does not create any material conflict.

## ***Item 11***

### **Code of Ethics, Participation or Interest in Client Transactions**

Smart Investment's Code of Ethics adheres to the principle that employees of Smart Investments owe a fiduciary duty to its clients for which they serve as advisor. This code is designed to help protect the interests of clients by demanding that advisory personnel perform their duties with complete propriety and do not take advantage of their position. Accordingly, Smart Investments employees are required to avoid activities, interests, and relationships that might interfere or have the appearance of interfering with making decisions in the best interests of our customers. Failure to follow this code will result in disciplinary action, which can include termination.

A copy of the Smart Investments Code of Ethics is available to our customers upon request.

#### *Personal Trading Practices:*

Smart Investments employees may invest in securities for their personal accounts from time to time that are also owned by Smart Investments clients.

#### *General trading policies:*

- Smart Investments personnel or employees may own, purchase or sell securities for their personal accounts that are owned or are recommended for client accounts.
- Smart Investments personnel are prohibited from trading a security in advance of a client transaction, or taking personal advantage of client trading requirements.

In addition, upon commencement of employment, each employee is required to provide an initial securities holding report. Smart Investments may determine that there is no conflict of interest and certain officers and employees of Smart Investments may serve individually on the boards and committees of charitable or other organizations.

## ***Item 12***

### **Brokerage Practices**

Generally, Smart Investments recommends that clients open and maintain a brokerage account through Western International Securities, Inc. and their clearing firm National Financial Services (NFS) LLC. WIS Securities is a FINRA member firm, NFS is a NYSE member firm and both are members of SIPC.

All Smart Investments Representatives are licensed for securities transactions through WIS Securities, although Smart Investments is not affiliated with WIS.

WIS and NFS charge fees for services they provide including transaction charges, custody fees, transfer fees and other service fees. Smart Investments does not participate in any of the fees charged by these organizations.

Clients may choose to maintain their securities account at an alternative firm on request.

*Research and Soft Dollar Benefits:*

Smart Investments does not have research or soft dollar arrangements with any firm, and does not benefit from any similar arrangement. WIS and NFS do provide access to certain services including data services, transaction facilities, market and trading access. Also, NFS provides customer services including custody, statements, confirmations of transactions and customer data access. These services are all provided as a consequence of the service and other fees listed above. None of the services provided are dependent upon Smart Investments providing any level of business.

It is acceptable to Smart Investments for a client to open and maintain brokerage accounts with another firm. Clients are advised that costs associated with an alternative service provider may be higher or lower than services offered through WIS or NFS. Additionally, alternative brokerage accounts may not offer Smart Investments the ability to provide best execution or trading cost and could cost the client more.

*Client Referrals:*

Smart Investments offers no financial or other incentive to any individual or firm for referral of clients.

*Aggregation and Allocation of Transactions*

Smart Investments may utilize mutual fund shares as investment vehicles for client accounts. Most mutual fund shares are traded at the funds closing price with all transactions executed at the same price. As such, Smart Investments does not have the ability to aggregate mutual fund transactions.

In the case of individual securities or exchange traded funds (ETF), each customer account is unique in its allocation, so typically it would be unusual for several clients to have the opportunity to transact the same security at the same time. When circumstance does require an aggregated transaction, no advisory client will have any benefit over another as all clients will pay the average price for the given security as of the close of the business day.

### *Item 13*

#### **Review of Accounts**

Each advisory account is reviewed on at least a quarterly basis. Accounts are reviewed based upon trading activity, client risk profile, investment goals and changes in client circumstances. Accounts may be reviewed on a more frequent basis if there is a high level of activity or there are significant changes in security positions. Tax considerations or financial plan updates may also indicate interim review. The reviews are generally conducted by Barrick Smart, Chief Investment Officer or Mrs. Alicia Arciniega, Corporate Secretary and Operations Manager.

All customer accounts receive monthly statements which include all investments owned as well as a summary of all transactions and values.

Advisory Associates meet with clients (in person or via electronic means) at least annually to review their accounts and review changes in the client's goals, risk profile or other personal financial characteristics.

### **Item 14**

#### **Client Referrals**

Smart Investments does not compensate any person, firm or organization for client referrals. The only benefit earned by Smart Investments is the direct result of the services provided to contracted clients.

Smart Investments may refer a client to other professionals to provide services not provided by Smart Investments. These referrals are made as a convenience to clients of Smart Investments, and the client is under no obligation to accept services from any of the firms or parties. Smart Investments does not earn monetary compensation to refer clients to other professionals, but on occasion, may be referred to a potential client through the party.

### *Item 15*

#### **Custody**

Smart Investments does not take custody of customer accounts or funds.

Smart Investments recommends Western International Securities, Inc. through their clearing firm NFS for account custody services. Additionally, a client may opt to have their accounts established with an alternative firm upon request.

All clients that establish an account with WIS will receive a monthly statement, and transaction confirmations directly from NFS, WIS's clearing firm. Smart Investments will send each client a quarterly billing statement for each billing period. Clients are urged to review each statement carefully and to bring any questions regarding the statements to the attention of their Advisor Representative.

## ***Item 16***

### **Investment Discretion**

Smart Investments generally takes full discretionary authority when accepting a new investment account to manage. This discretion includes the choice of securities, amount of the security to purchase or sell, and when to buy or sell the security or fund.

This authority is granted by the execution of our customer account agreement. In executing our agreement, an Investment Policy Statement can be created to define specific limitations on discretion that may include the types or class of securities and encompasses the client investment objectives.

## ***Item 17***

### **Voting of Client Securities**

Voting of proxies is not handled by Smart Investments. The clearing firm will forward proxies directly to the client and the client may vote as they wish.

## ***Item 18***

### **Financial Information**

Reporting of financial information for a Registered Investment Advisor is generally required if that advisor requires a client to make prepayment of fees in excess of \$1,200. As described in Item 5 – “Fees,” Smart Investments bills clients for services provided *in arrears*. Clients do not prepay fees of any kind. As a result of this procedure, the filing of financial information regarding the firm is not required.

Smart Investments has never been the subject of a bankruptcy filing.

## ***Item 19***

### **Requirements for State Registered Advisors**

*Please see Item 4, page 5 of this brochure “Smart Investments Advisory Personnel” for a brief history of personnel and their respective duties for Smart Investments.*

All Smart Investments Advisory associates are licensed as Registered Representatives with Western International Securities, Inc., and conduct general securities business in addition to serving as Advisory Associates for Smart Investments. Approximately 75% of personal income is generated by advisory participation, 25% is generated conducting general securities brokerage and insurance business.

Smart Investments does not charge performance based fees, please see “Item 5, Other Fees and Expenses” on page 7 for more information.

***Legal and Disciplinary Issues:***

No associate of Smart Investments has any legal or disciplinary issues to disclose.

No associate of Smart Investments has a relationship with an issuer of securities.

***Privacy Policy***

Smart Investments Advisory Incorporated considers the privacy of its clients to be of fundamental importance and maintains the privacy of the information gathered in conjunction with the maintenance of a Smart Investments account. This policy applies to both our current and former customers.

The Firm may only disclose nonpublic personal information about clients to third parties as required by law, or permitted by the customer's specific written instructions. The Firm may also disclose information to a third party in order to provide services requested or authorized by our clients. In each case where information is shared with a third party, the third party is not permitted to use the information for any purpose other than to assist our servicing of a client account(s) or as permitted by law.