

Form ADV Part 2A - Brochure



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This brochure provides information about the qualifications and business practices of Hanseatic Management Services, Inc. If you have any questions about the contents of this brochure, please contact us at 505-828-2824 or info@hanseaticgroup.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 Hanseatic Management Services, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

2. MATERIAL CHANGES

The filing of this ADV Part 2A (“brochure”) amends Hanseatic’s annual update brochure filed March 31, 2023.

3. TABLE OF CONTENTS

2. MATERIAL CHANGES.....	2
3. TABLE OF CONTENTS	3
4. ADVISORY BUSINESS.....	4
5. FEES AND COMPENSATION	6
6. PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT	10
7. TYPES OF CLIENTS	10
8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS....	10
9. DISCIPLINARY INFORMATION	11
10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	11
11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	12
12. BROKERAGE PRACTICES	12
13. REVIEW OF ACCOUNTS	13
14. CLIENT REFERRALS AND OTHER COMPENSATION	14
15. CUSTODY.....	14
16. INVESTMENT DISCRETION	14
17. VOTING CLIENT SECURITIES	14
18. FINANCIAL INFORMATION	15

4. ADVISORY BUSINESS

Hanseatic Management Services, Inc. (“Hanseatic”) was founded on June 9, 1995 and is currently owned equally by Russell T. Sanderson, Brian R. Stangel, and Amy M Stangel.

Hanseatic is in the business of providing investment advisory services by way of investment management, model portfolios, investment advice, and financial planning.

Hanseatic uses its own proprietary investment process to provide investment management services on a discretionary basis through separately managed accounts or through sub-advisory agreements to non-affiliated registered investment advisors who utilize separately managed accounts or wrap fee programs. Hanseatic has experience working with the following types of clients for investment management services: large public pension funds, union funds, corporate funds, family offices, fund of funds, registered investment advisory firms, small business clients and individual clients. Individual client accounts include qualified and non-qualified accounts. Hanseatic uses the following asset classes in its product suite: equities, fixed income, real estate, precious metals, and cash equivalents. Investments are made either directly into a security or through ETF's, depending on the strategy.

For investment management, Hanseatic's product suite includes: Domestic Equity Strategies (Large Cap Equity, All Cap Growth Equity, All Cap Tax Efficient Equity, and Small Cap Equity), Targeted Risk Strategies (Balanced Risk and Conservative Risk), Dynamic Strategies (Tactical Asset Allocation ranging from Growth to Conservative over 5 strategies), and Cash Management Strategies (Treasure Bills).

Hanseatic also supplies model portfolios based on its own proprietary investment process on investment platforms designed to distribute investment products to registered investment advisors and their investment advisor representatives. Hanseatic supplies model portfolios on a non-discretionary basis without the ability to effect trading. Assets attributable to model portfolios are not included in Hanseatic's regulatory assets under management calculations, but rather are calculated separately as assets under advisement.

With regard to investment management and model portfolios, Hanseatic uses its proprietary, quantitative investment process to construct diversified portfolios that dynamically adapt to changing market environments while actively managing risk. The robust investment process is driven by a team and has attracted top institutions as investors in the past. (See Section 8, “Methods of Analysis, Investment Strategies, and Risk of Loss”)

Hanseatic provides investment advice services to client retirement savings accounts where investments are not directly managed with a Hanseatic product. Hanseatic advises

on asset allocation, fund selection, market risk, performance, cost, and capital preservation for established choices within a client's retirement plan. A client does not have to maintain a separately managed account with Hanseatic (investment management services) to engage Hanseatic for its investment advice services. Hanseatic provides investment advice on a discretionary as well as non-discretionary basis.

Lastly, Hanseatic provides single issue or comprehensive financial planning to clients. If an engagement is for comprehensive financial planning, Hanseatic's services include an analysis of a client's current investments. Separate written investment advice and/or investment management agreement(s) is/are executed based on a client's unique goals, circumstances, risk tolerance and risk capacity for ongoing services for investments. A client does not have to maintain a separately managed account with Hanseatic (investment management services) to engage Hanseatic for its financial planning services.

With regard to financial planning, Hanseatic provides comprehensive planning advice and primarily focuses on areas of cash flow management, debt management, investment planning, estate planning, tax planning, and retirement funding. Hanseatic has a conflict of interest whenever it provides investment advice with comprehensive financial planning services. If appropriate after analysis, Hanseatic will recommend itself as the investment manager and recommend its investment products or will recommend itself as an investment advisor. Hanseatic utilizes client interviews, risk questionnaires, software analysis, and statement analysis of current investments to make investment recommendations. Hanseatic also utilizes a network of professionals for comprehensive financial planning and/or specific financial planning objectives, such as tax preparation and planning services. Hanseatic does not provide legal services for estate planning. Only with consent from a client will Hanseatic work with other professionals to assist with coordination and implementation of agreed upon strategies. Fees for services by other professionals are charged in addition to Hanseatic's fees and either billed directly from the other professional or through Hanseatic. Hanseatic will disclose any material conflicts of interest by the firm or any of its employees that could reasonably be expected to impair the rendering of unbiased and objective planning advice.

Depending upon each client's unique circumstances, objectives, and preferences, Hanseatic tailors its services to the individual needs of its clients. Hanseatic requires a written agreement with each client outlining the scope of services. Investment management services, model portfolio services, investment advice services, and financial planning services all require distinct written agreements. When Hanseatic has discretion over an investment account, it manages each account in accordance with investment guidelines set by the client. If clients impose restrictions on investing in certain securities or types of securities it is addressed in the written agreement.

As of December 31, 2023, Hanseatic had \$105.9 million in assets under management, \$83.4M of which were in discretionary accounts, \$22.5M were in non-discretionary accounts.

As of December 31, 2023, Hanseatic had \$97k in assets under advisement.

5. FEES AND COMPENSATION

Hanseatic charges separately for investment management, model portfolios, investment advice, and financial planning for transparency and objectivity purposes. Hanseatic's fee schedules for its services are outlined below.

Investment Management Services Fees

Hanseatic's standard investment management fee schedules for institutional and individual clients are listed in the tables below. The actual fee schedule is negotiated on a client-by-client basis and may differ from that stated.

Institutional Clients - Domestic and Non US Equity

	Large Cap	All Cap Growth	Small Cap	AC Tax Efficient
1-5MM	1.00%	1.00%	1.00%	1.00%
5-10MM	0.60%	0.65%	0.95%	0.85%
10-25MM	0.55%	0.60%	0.90%	0.80%
25-50MM	0.50%	0.55%	0.85%	0.75%
>50MM	0.45%	0.50%	0.80%	0.70%

The investment management fee, payment timing and other terms for fund to fund accounts is determined by the agreement between the consultant and the client, then set forth by the agreement engaging Hanseatic. The terms are not negotiable by Hanseatic.

Institutional Clients – Targeted Risk (“TR”) & Dynamic (“D”) Strategies

	TR & D
1-5MM	1.00%
5-10MM	0.60%
10-25MM	0.55%
25-50MM	0.50%
>50MM	0.45%

Individual Clients – All Products

Individual client fee schedule is per separately managed account, i.e. Hanseatic does not aggregate accounts within the same household to determine tier level.

All Products	Sub-Advised Wrap Fee
1.50%	1.95%

The investment management fee for separately managed accounts is payable monthly, in arrears, at the beginning of each calendar month based on the average daily balance of assets under management ("AUM") multiplied by 1/12th of the annual management fee indicated for the product outlined in schedule A of the written agreement. Hanseatic typically deducts fees by the 15th of the month for the previous month's billable AUM. Fees will be pro-rated for the month in which the client first invests in the strategy or exits the product according to the average daily balance. Asset value shall mean the total account net asset value as computed by the custodian including cash, accrued interest, taxes and accrued income from pending cash dividends, rights and warrants with the custodian.

Payment of the investment management fee is made in the following way: the client gives prior authorization to the custodian that (a) authorizes Hanseatic to debit the account for the investment management fee up to a client-specified maximum amount, based on the account size and investment management fee to be charged, and (b) authorizes the custodian to pay Hanseatic directly no sooner than five (5) business days after the account statement is available at the custodian. The client is responsible for understanding and verifying the amount debited through the client's monthly custodian statement.

Hanseatic's investment management clients may also pay custodial fees, administrative expenses, brokerage and other transaction costs. (See Section 12, "Brokerage Practices") Hanseatic does not accept payment of investment management fees in advance.

Sub-advised account fees are paid to Hanseatic through the Manager.

Model Portfolio Services Fees

Hanseatic's standard model portfolio schedule for all products is listed in the table below. The actual fee schedule is negotiated on a client-by-client basis and may differ from that stated.

	All Products
0-50 MM	0.50%
50-150 MM	0.40%
> 150 MM	0.30%

Investment Advice Services Fees

Hanseatic's standard investment advice schedule is listed in the table below. The actual fee schedule is negotiated on a client-by-client basis and may differ from that stated.

0-2.5 MM	0.75%
2.5-5 MM	0.65%
> 5 MM	0.50%

Financial Planning Services Fees

Hanseatic offers a complementary, initial consultation for financial planning services. The consultation is a 30-60 minute session for potential clients to learn about Hanseatic and its services, discuss financial goals or concerns, and determine if formal financial planning is appropriate.

Hanseatic provides financial planning services only if mutually agreed upon. Prior to commencement of financial planning services, Hanseatic requires a written agreement that specifies the scope of the engagement, the duties of each party in the financial planning process, and the fee quote for the financial planning services.

Hanseatic offers a single issue planning option for those who need help or want a second opinion on a specific financial or investment issue. The single issue planning option includes an initial 30-60 minute data gathering/discussion session and a 30-60 minute follow up session with summary/recommendations. Hanseatic does not provide implementation support for single issue planning. Base fee for the single issue planning option is \$500, but varies depending on complexity. Clients receive a fee quote prior to commencement of the single issue planning option. Half of the fee is due at the beginning of the engagement and the other half is due at the follow up session. The single issue planning session is limited in scope and is designed to address a client's most pressing financial issue. Single issue planning sessions are not designed to replace the benefit of more comprehensive financial and investment planning.

Hanseatic offers two comprehensive planning options for those who want guidance to reach overall financial goals: a time-based option and an on-going option. One option is the time-based option which includes a 30-60 minute data-gathering/discussion session, a 60-90 minute follow up session to discuss the financial plan and implementation strategies, and, at the client's request, up to 2 hours of consultations over the following 12 months from date of plan presentation (either face to face in Hanseatic's office, by email, by phone, or by video conference at client's discretion) on planning issues and/or implementation of recommendations. This option is suitable for highly self-motivated

clients who desire a comprehensive plan deliverable in an expeditious timeframe. This option requires a deposit at the beginning of the engagement and the balance is due at presentation/completion of the plan. A subscription engagement is available after presentation/completion of the plan if the client requests additional implementation support.

The second comprehensive planning option is the on-going option. This option requires a six (6) month commitment where each element of the comprehensive plan is addressed through data-gathering/discussion sessions and recommendation sessions; however, there is an emphasis on implementation sessions and strategies. During the six (6) months, Hanseatic and the client will communicate via in-person, by email, by phone, or by video conference to allow for completion of the comprehensive plan at the conclusion of the six (6) month period. This option is suitable for highly motivated clients who desire implementation support of a comprehensive plan. This option requires a deposit at the beginning of the engagement and a monthly payment at the end of each of the six months, beginning with the month the engagement is signed. A subscription engagement is available after the six (6) month period if the client requests additional implementation support.

At Hanseatic's discretion, an annual retainer relationship is established for clients with highly complex, ongoing financial planning goals. The annual retainer is paid quarterly, in arrears. The annual retainer engagement is self-renewing, but can be cancelled by either party with a 30-day written notice. The base fee for the annual retainer is \$8000.

Base fee for either comprehensive planning option is \$3000, but varies depending on complexity. Clients receive a fee quote prior to commencement of the comprehensive planning options.

Hanseatic offers a subscription financial planning option for those who seek an ongoing planning relationship to meet financial planning goals. Base fee for subscription planning option is \$100 per month, but varies depending upon complexity and time allotments. Clients receive a fee quote prior to commencement of subscription planning option. Subscription financial planning option fees are due in advance and on the 15th of every month. Subscription financial planning fees are prorated based on the number of days in the month if other than 1st of the month start date. The subscription planning option may be cancelled by either party with a 30 day written notice.

Should a client request services that are outside the scope of contracted services, Hanseatic charges an hourly fee of \$250.00 for such work. Hourly work will be undertaken and fees will be incurred only with a client's prior authorization.

Payment of financial planning fees are made by cash, check, or through an online, third-party payment service.

Hanseatic utilizes its relationships with third party services providers in the areas of tax preparation and estate planning. Estimates for these services are outlined in client agreements and payment is made through Hanseatic.

6. PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

Hanseatic does not charge performance-based fees on any of its accounts.

7. TYPES OF CLIENTS

Hanseatic provides its services to institutional clients, including but not limited to, insurance companies, investment consultants, large registered investment advisory firms, and corporations. Some of these client relationships are established through an Investment Manager/Sub-Advisor contract, where Hanseatic is the Sub-Advisor. Hanseatic also provides advisory services to individuals, family offices, and small businesses.

Hanseatic's minimum account size for investment management is \$1,000,000 for institutional clients and \$100,000 for individual clients; however, on a client-by-client basis, Hanseatic accepts smaller account sizes.

Hanseatic's minimum account size for model portfolio services is \$10,000,000; however, on a client-by-client basis, Hanseatic accepts smaller account sizes.

Hanseatic has no minimum account size for investment advice services.

Hanseatic does not impose prerequisite requirements for financial planning services.

Regardless of client type or minimum account size, each client must execute a written agreement that governs Hanseatic's investment advisory relationship with the client.

8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

Hanseatic's investment process is highly disciplined and robust. At the core of our process is a proprietary, quantitative model that generates a Q Score. Our investment process is applicable and repeatable across market conditions, asset classes, sectors and geographies, allowing us to efficiently and effectively construct and manage a mix of investment products.

The key driver of our investment team's buy and sell strategy is a dynamic, proprietary model that generates a Q Score for every security reflecting its performance potential. Hanseatic's research and development process behind the Q Score spans over three

decades. The resulting investment process allows us to evaluate a universe of securities based on the benchmark our clients are interested in and assess each security's strength. The Q Score is a dynamic identifier of strong market performers. Using the model, each security is assigned a score from 1 to 9; the higher the score, the better reward/risk profile. Our investment team considers securities with a positive Q Score as a potential buy and securities with a Q Score of 0 are sold. Driven purely by quantitative analytics, this core part of our investment process is bias-free. The Q Score focuses our attention on the strongest individual securities regardless of market conditions, geographies and sectors. With the Q Score established and universe of securities narrowed significantly, our investment team then constructs a portfolio based on client requirements and a mix of drivers.

Recommendations in fixed income, ETF investments, and/or cash equivalents are based upon the professional investment judgement of the investment team. The investment team has worked together for over 25 years. The results of the investment team's recommendations are not guaranteed.

Investing in securities involves risk of loss that clients should be prepared to bear. Hanseatic makes no representation that its investment program will be successful. The completeness of Hanseatic's investment program is determined by the written agreement with the client. Hanseatic's past performance is not a guarantee of future results.

Hanseatic's investment strategies are designed for investors with long term investment goals, as they involve substantial risks. The risks of Hanseatic's investment process include, but are not limited to, Hanseatic's skill in constructing portfolios and implementing the process, market risk, interest rate risk, inflation risk, and market capitalization risk. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Hanseatic's sell disciplines are the single factor determining portfolio turnover.

9. DISCIPLINARY INFORMATION

Hanseatic and its management personnel are not subject to any legal or disciplinary event (including criminal or civil actions in domestic or foreign courts and administrative proceedings by state, federal or foreign regulatory authorities) that is material to any current or potential client's evaluation of Hanseatic's advisory business or to the integrity of Hanseatic's management. Nor have Hanseatic or its management personnel been subject to such events in the past.

10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither Hanseatic nor any of its management personnel have any relationships or arrangements that pose material conflicts of interest to the business of Hanseatic.

11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Hanseatic has adopted a code of ethics, contained within its SEC Compliance Manual (the “Manual”), which includes policies addressing business ethics, personal trading by employees, insider trading, ongoing ethics training, anti-money laundering, anti-fraud, professionalism in the workplace, and privacy and control of client information. A copy of the Hanseatic Manual is available upon request.

Hanseatic’s personal trading policies apply to Hanseatic, its employees and their immediate family members (all “Access Persons”). Personal trading policies cover any purchases and sales of equities, bonds, ETF’s, options on equities, or options on any other publicly traded commodity or security, commodity futures contract, derivative contract and fixed income securities, not just to securities and other assets held in client portfolios managed by Hanseatic.

In the event any of Hanseatic’s Access Persons has a material financial interest in a security that is in a client portfolio managed by Hanseatic, Hanseatic’s board will determine on a case-by-case basis what action should be taken to avoid any conflict that might disadvantage a Hanseatic client.

It is Hanseatic’s policy to allow personal trading accounts by Access Persons. If an Access Person wishes to trade in futures and options trading is allowed without pre-approval.

Hanseatic’s Access Persons who engage in personal trading must provide Hanseatic with an initial holding report upon becoming an Access Person, quarterly statements of their trading, and an annual holding report.

Adhering to the policies incorporated into Hanseatic’s Manual is a condition of employment at Hanseatic. If a Hanseatic employee is found to be in breach of Hanseatic’s policies, then Hanseatic’s CCO or board will take action ranging from a verbal warning to dismissal, depending on the circumstances of the breach.

12. BROKERAGE PRACTICES

In selecting and suggesting broker–dealers (“brokers”) for client transactions, Hanseatic seeks to obtain best execution considering all relevant factors, including, among other things, (i) historical net prices (after any commissions, markups, markdowns and other transaction-related compensation); (ii) the reputation of the broker in the financial community; (iii) past business experience, if any, with the broker; (iv) the range and quality of ancillary services provided by the broker; (v) the broker’s ability to execute in a timely, efficient, and error-free manner; (vi) the expertise of the broker’s registered

representatives; (vii) the broker's ability to execute transactions in all of the markets in which Hanseatic offers products; and (viii) any client-specific requirements, e.g. a ceiling on brokerage costs. Hanseatic determines the reasonableness of the broker's commissions based on (i) Hanseatic's assessment of the broker's performance in the context of the foregoing seven factors and (ii) whether the broker commissions are reasonable in comparison to the charges of comparable brokers.

Hanseatic accepts no "soft dollar" benefits (i.e., research or other products or services from brokers who execute client transactions) nor does it direct brokerage as a reward for client referrals.

Clients directing brokerage to a particular broker may incur higher commission and other transaction costs than clients who authorize Hanseatic to select the broker. For example, if a Hanseatic client directs Hanseatic to place its trades with a certain broker, Hanseatic might be limited in its ability to negotiate commissions or volume discounts.

In the interest of best execution and to help ensure a fair and equitable basis for allocating trades among various clients, where possible and permitted by the client, Hanseatic aggregates orders for execution. Trades within an order are typically pre-allocated pro rata among client accounts in accordance with client guidelines. If the order is not completely filled, executed trades are allocated pro rata in accordance with the pre-allocations. If more than one trade is executed, the trades are booked to client accounts at an average price and commission rate. When average price fills are not possible, brokers are rotated to ensure equal treatment of accounts.

13. REVIEW OF ACCOUNTS

All security positions held by Hanseatic's clients are reviewed daily by one member of Hanseatic's investment team. Additionally, two team members must review each final decision prior to execution within any portfolio.

At least quarterly, Hanseatic or custodian furnishes to clients written statements of gains and/or losses. Hanseatic also supplies any further analyses required by the client as outlined in the written agreement. At a minimum, each client receives an overview of performance and a basic attribution for the period relative to the specified benchmark and an outlook of the upcoming quarter.

14. CLIENT REFERRALS AND OTHER COMPENSATION

Certain employees of Hanseatic receive compensation in addition to their salary based upon a predetermined percentage of net profits as determined by the owners.

Hanseatic does not pay any referral fees to unaffiliated persons or firms ("Solicitors") to introduce clients to the firm.

15. CUSTODY

Hanseatic does not take physical custody nor act as a custodian of client funds or securities. Clients receive account statements directly from their qualified custodians. Hanseatic encourages clients to carefully review all custodian statements and to compare those statements with any statements received from Hanseatic.

Hanseatic is deemed to have custody of client assets by the SEC if it has the authority to withdraw its management fees from a client's account. Hanseatic follows the SEC's rules regarding this 'deemed' custody.

16. INVESTMENT DISCRETION

Hanseatic generally has discretionary authority to determine, without obtaining client consent, the securities to be bought or sold, the amount of such securities, the broker to be used, and the commission to be paid. This authority is given in the written agreement with the client. Any exception to this authority is dictated on a case-by-case basis per the written agreement. In such cases, the client may be put at a disadvantage in terms of securities selection and execution of trades.

17. VOTING CLIENT SECURITIES

Hanseatic votes proxies only if required under the written agreement with the client. If required under the written agreement, Hanseatic votes according to the client's proxy voting guidelines. Absent client guidelines, Hanseatic votes to maximize long-term shareholder value, to maintain shareholder control, and to generally approve routine corporate matters. Hanseatic may evaluate some issues on a case-by-case basis, e.g., stock option and bonus plans, corporate combinations and divestments, shareholder proposals, and social/political proposals. Conflicts may arise with respect to voting, especially in cases where a client is the issuer of the securities being voted. Hanseatic's board will monitor events to identify any material conflicts and, if such conflicts arise, determine what action, if any, should be taken. Specific proxy votes cast by Hanseatic are available upon request to clients who require Hanseatic to vote their securities.

Clients who do not require Hanseatic to vote proxies receive their proxies directly from their custodian. Clients may contact Hanseatic with an occasional question on a specific

proxy; however, Hanseatic's guidance is to maximize long-term shareholder value, to maintain shareholder control, and to generally approve routine corporate matters.

18. FINANCIAL INFORMATION

Hanseatic has not been the subject of a bankruptcy petition at any time.

Hanseatic does not require nor solicit prepayment of fees for investment management, model portfolio, or investment advice services and does not require nor solicit prepayment of fees for financial planning services in excess of \$1200 six months or more in advance.