

## **Archstone Portfolio Solutions, LLC**

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### **FORM ADV PART 2 BROCHURE**

**This brochure provides information about the qualifications and business practices of Archstone Portfolio Solutions, LLC. If you have any questions about the contents of this brochure, please contact us at (410) 825-0444 or [agf@archstoneportfolio.com](mailto:agf@archstoneportfolio.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 Archstone Portfolio Solutions, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Archstone Portfolio Solutions is 139888.**

**Archstone Portfolio Solutions, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, Archstone Portfolio Solutions, LLC will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

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## Item 4 Advisory Business

Archstone Portfolio Solutions utilizes a unique outsourced business model that permits its consulting professionals to devote their attention to investment strategy, portfolio structure and assessment, and client communication, while large, established organizations provide their expertise on capital markets analysis, manager research/due diligence and performance analytics to support client relationships. Accessibility is a priority, as are frequent, open exchanges of information between Archstone professionals and client trustees, investment committee members and staff. Each relationship is overseen by a Managing Director, backed by another Managing Director, and other senior staff is regularly informed of each client's portfolio developments. This approach ensures continuity, backup and quality control.

Archstone provides its comprehensive investment consulting services to endowments, foundations, non-profit corporations, health care providers, private clients and sponsors of corporate and public employee benefit and retirement plans. Services offered include:

### Strategy development & design

- Investment policy design including objectives, risk tolerance, guidelines & measures for regulatory compliance
- Asset class research and analysis
- Asset allocation modeling
- Optimal portfolio design

### Implementation

- Portfolio construction
- Equity portfolio analysis
- Fixed income portfolio analysis
- Real estate and alternative investments analysis
- Investment manager/fund searches
- Custodian searches
- Fee negotiations with vendors
- Manager/fund/custodian transition management
- Board/committee/staff education seminars

### Oversight & monitoring

- Performance measurement and monitoring
- Style analysis and performance attribution
- Due diligence meetings with investment managers
- Trade and compliance monitoring
- Periodic asset allocation reviews

Part of Archstone Portfolio Solutions' consulting business is in the area of investment performance measurement and portfolio evaluation. While this evaluation may lead to changes in a client's asset allocation or investment manager(s), it may not constitute investment advice, per se. In addition, Archstone may, as part of its full retainer service, engage in customized projects for its clients, such as custodian or investment manager fee reviews, or providing customized investment research, which may not constitute investment advice, per se. Other aspects of Archstone's consulting services represent investment advice, including investment policy creation/revision, manager search/selection, asset/liability analysis and asset allocation.

Archstone Portfolio Solutions provides investment consulting services to clients as a consultant only, not as a conventional investment advisor or "money manager." Archstone does not assume the responsibility of making specific investments of client assets in individual portfolios or securities and does not advise clients in the ordinary course of its business to purchase or sell specific

securities. Archstone provides advice on marketable securities only with respect to closed-end and exchange traded funds, for diversification of concentrated holdings, and on asset classes in the form of guidance on structuring a client's portfolio. Archstone assists in determining a recommended range of asset mixes designed to achieve the client's investment objectives and assists in identifying appropriate money managers and funds to invest client assets within the specified goals and objectives set by the client. All asset classes and all types of public and private investments are included above.

The firm's investment philosophy is to seek premium returns while controlling variability of returns through diversification. The firm's approach is to identify strategies and managers that can be combined for the specific needs of each client, as opposed to mirror-image templates from a monolithic "platform," although Archstone client portfolios often have similar structures and managers, reflecting the firm's best thinking. In fact, portfolio structure and the selection of permissible asset classes and managers are all elements of advice provided by Archstone, but different investors choose different combinations of these elements that can result in materially different portfolios. In some instances clients ask that restrictions be placed on the holdings so that certain investments may be excluded, often for religious, environmental or social reasons.

Archstone does not offer wrap fee programs.

Archstone does not manage investments on a discretionary basis. All relationships are non-discretionary advisory arrangements, and day-to-day investment management is provided by managers independent of Archstone. A breakdown of client assets on which advisory services were being provided by Archstone as of December 31, 2011, is shown below:

	<b>Amount of Assets</b>	<b>Number of Accounts/Clients</b>
Discretionary management	\$0	0
Non-discretionary advisory services	\$1,826,387,000	25

## **Item 5 Fees and Compensation**

Archstone fees generally range between 0.10% and 0.25%, but there is no established fee schedule. Fees are based on estimates of time, complexity and type of services to be provided, the necessity and frequency of travel and personal meetings, and the asset size and number of portfolios, partnerships or managers being evaluated; fees are negotiable. Fees for either a full retainer or project relationship are quoted prior to engagement and are usually all-inclusive. From time to time, Archstone may be reimbursed for travel costs associated with full retainer or project consulting. Fees may increase with the number of portfolios, partnerships or managers being analyzed, their complexity, and estimates of extraordinary time requirements for client servicing. Fees for other specialized consulting projects or any singular above-described service, such as asset allocation or investment manager searches, are also based upon estimates of time, project complexity, type of service, necessity or frequency of travel and personal meetings, asset size and the number of portfolios or partnerships or managers being evaluated.

Fees for Archstone's investment consulting services are typically a percentage of assets on which Archstone consults or a fixed dollar amount. Archstone and the client will establish at the outset of the relationship in a written agreement the annual percentage of client's total portfolio value or hard dollar fee that the client will pay Archstone for its consulting services. This fee will be billed in quarterly installments in arrears (i.e., following the end of the quarter which is the subject of a report), typically at mid-quarter. Occasionally, Archstone will provide consulting services for an hourly fee. Such will be based on a determination of the specific nature and circumstances of the

services requested, established at the inception of the relationship between Archstone and the client, billed upon the conclusion of the services and payable in hard dollars within a specified time period, usually 30 days.

Clients are sent quarterly invoices which are paid by the client or its custodian after the invoice is rendered. Archstone's minimum fee is a \$25,000 annual retainer. Project fees are billed after services have been provided, and, depending on circumstances, a project client will be requested to remit a portion of the fee prior to initiation of the work. Any client may terminate the relationship at any time with 30 days' prior written notice, and fees are prorated to the date of termination.

Other expenses clients might incur in addition to Archstone's consulting fees are custody fees; brokerage commissions; mutual fund, closed end fund, exchange-traded fund and commingled fund fees; and in some cases incentive fees for managers of certain investments. Naturally, tax preparation charges, accounting and audit fees are also often incurred by clients. Archstone's practice with regard to executing transactions for clients and incurring transaction costs are disclosed in Item 12 of this brochure. Under no circumstances do Archstone's officers or employees receive any form of compensation relating to its client portfolios from outside the firm, nor does Archstone receive any form of compensation other than the retainer paid by the client.

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

Archstone Portfolio Solutions does not accept performance-based fee arrangements, nor does the firm offer side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

## **Item 7 Types of Clients**

Archstone Portfolio Solutions provides investment advisory services primarily to non-profit organizations for their endowments, board designated funds, retirement plans, unrestricted funds and liquidity funds. The firm also provides advisory services to health care providers (hospitals, nursing homes, continuing care retirement communities), for-profit retirement plans (limited to defined benefit plans), and individuals, their family trusts and retirement plans. Archstone does not apply a minimum account size but does require a minimum annual retainer of \$25,000.

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

For its various asset class and manager analyses, Archstone may obtain and use information through numerous publicly available databases. Financial publications and academic studies, as well as industry research available by subscription, are used as a guide for identifying appropriate assets and determining allocations. The firm receives a voluminous amount of research from managers and investment banks that support its strategic thinking. A heavy emphasis on quantitative methods is complemented by a measure of common sense and seasoned judgment.

A strategic alliance with Summit Strategies Group, a \$150+ billion investment consultant located in St. Louis, Missouri, gives Archstone access to capital market projections, asset allocation tools and manager evaluations and due diligence. Summit's team of two dozen analysts conducts over 800 manager interviews annually, applying a rigorous due diligence process, measuring both quantitative and qualitative factors that favor a manager's selection.

Archstone primarily uses accounting statements provided by the client's custodian as the source of data such as securities prices, asset allocation, transactions and asset listings in the preparation of investment performance reports. In certain circumstances Archstone may use similar statements provided by mutual funds, investment managers and general partners (for private investments).

InvestmentMetrics, the former in-house technology solutions division of Rogerscasey, Inc., a major Connecticut investment consulting firm, provides systems and analyses of performance and holdings.

Archstone Portfolio Solutions does not advise its clients to purchase or sell specific securities and seldom engages in the analysis of individual securities. An exception is providing occasional guidance on the reduction of concentrated stockholdings, where the sources cited above are used to gauge the appropriateness of sales based on fundamental valuation methods and benchmarks. Advice on independently managed closed-end and exchange traded funds is provided as a means to access various asset classes.

Investments recommended by Archstone entail risk of loss and are subject to wide variability of returns. It is understood that fluctuating rates of return are characteristic of the investment markets. Archstone targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its clients' long-term return objectives within prudent risk constraints.

Each investment option is thoroughly researched prior to its recommendation and carefully monitored as described in Item 13, but the following factors, if relevant, are taken into account when advising clients: (1) general economic conditions; (2) the possible effects of inflation or deflation; (3) the expected tax consequences, if any, of investment decisions or strategies; (4) the role that each investment or course of action plays within the overall investment portfolio; (5) the expected total return of the portfolio from income and capital appreciation; (6) client resources outside the portfolio being advised on; (7) client needs and the ability of the portfolio to make distributions and to preserve capital; and (8) the special relationship or special value any particular asset has to the client's objectives.

## **Item 9 Disciplinary Information**

Neither Archstone Portfolio Solutions nor its officers have any reportable legal or disciplinary events that would be material to an investor's evaluation of Archstone's advisory business or the integrity of its management or other personnel.

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

Archstone has no affiliated entities and provides no other services such as brokerage, mutual fund distribution, trading, investment banking, or portfolio management, ensuring objectivity and absence of conflicts. None of Archstone's employees are licensed to conduct business in any capacity other than investment advisory services. Conflict-free counsel is a basic tenet of the firm, thus avoiding issues associated with proprietary product or affiliations with other entities. In support of this principal, Archstone employees may not accept gifts (of any significance) or fees from managers, custodians or vendors of any type for any reason whatsoever.

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

Archstone Portfolio Solutions is governed by the Securities and Exchange Commission's Investment Advisor Code of Ethics. In addition, Archstone has adopted the CFA Institute's Code of Ethics and Standards of Professional Conduct, a copy of which is shown on the firm's website and is available to clients upon request.

Specific investments recommended by Archstone may be held by principals within Archstone. However, Archstone recognizes that conflicts of interest can be destabilizing to client relationships, so members of Archstone may hold investments with money managers and funds in which a client is also invested, so long as the member shall make full disclosure of the member's interest to the client. In this same vein, members of Archstone are required to disclose to clients any potential conflicts of interest, including personal relationships with, family ties to or board positions with managers, custodians or general partners of private investments.



## **Item 12 Brokerage Practices**

When a client decides to liquidate a portfolio of securities or a sizeable position in an individual security, Archstone Portfolio Solutions can recommend independent broker-dealers through whom significant savings can be accomplished. These same savings are available on transactions of closed-end and exchange traded funds recommended for purchase or sale. No portion of the commission on trades entered by Archstone is attributable to the value of products, research or services, and there is never a financial benefit to Archstone or its employees. The savings are typically 50% or more of the usual cost of execution through an investment advisor or bank.

At such time as a client directs Archstone to execute a transaction or series of transactions, costs and execution skills of several large, institutional brokerage firms are reviewed and a recommendation made to the client on the basis of favorable execution and commissions relative to the difficulty of executing the trade, the latter a function of trading volume in the subject security and market activity generally.

Archstone does not accept directed brokerage arrangements.

Archstone can aggregate the purchase or sale of securities for various client accounts, but does so only for separate portfolios of the same client.

## **Item 13 Review of Accounts**

Client portfolios are reviewed by the firm's Managing Directors each quarter to assess compliance with their stated investment strategy. During such a review the portfolio's actual asset allocation is compared to the strategic asset allocation as defined in the client's Investment Policy Statement (IPS), and any need for portfolio rebalancing is addressed with the client. Archstone clients receive detailed, written quarterly performance reports that relate portfolio returns to predetermined benchmarks and manager peer groups, and information about capital markets is included. Additional information on portfolio structure and performance attribution is reviewed by the firm's consultants and summarized in meetings with clients, which are typically held each quarter. Reviews are conducted by at least one professional consultant, each of whom is limited to twenty clients.

In the interim between quarterly reviews, any material change in manager circumstances (ownership, professional staff, tactical shifts in asset mix, growth or loss of assets under management, etc.) triggers a review of such circumstances with the manager either by telephone or in person. Said review is communicated to the client and may result in a recommendation to the client for a change in manager responsibility or placement on a "watch list" for potential termination.

On those occasions when unusual market volatility warrants, interim valuations and performance reviews are conducted and summarized for clients with any recommendations for indicated changes in managers or asset mix. Extraordinary volatility or global events leading to investor concern typically result in a broadcast e-mail message to clients about the firm's assessment of the impact of such events and an invitation to review their account with a Managing Director of the firm.

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

Archstone has no solicitation arrangements where the firm or a related person directly or indirectly compensates someone who is not our supervised person for client referrals.

Archstone employees may not accept gifts (of any significance) or fees from managers, custodians or vendors of any type for any reason whatsoever.



## **Item 15 Custody**

Under no circumstances are Archstone or its employees permitted to take custody of funds. Independent banks and brokerage firms are engaged by clients to maintain custody and report at least quarterly on account positions and activity, and Archstone utilizes copies of these statements to prepare its quarterly reports on account performance. Archstone does not report on positions or activity, and clients are urged to carefully review their custodian's statements for accuracy.

As paying agent for our firm, your independent custodian may directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts may cause our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from that qualified custodian holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. We will also provide statements to you reflecting the amount of advisory fees invoiced to your account.

You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

## **Item 16 Investment Discretion**

Archstone does not accept discretionary authority to manage investments. All relationships are non-discretionary advisory arrangements, and day-to-day investment management is provided by managers independent of Archstone.

## **Item 17 Voting Client Securities**

Archstone does not accept authority to vote client securities. Clients receive their proxies or other solicitations directly from their custodian or a transfer agent, and clients are encouraged to contact the investment manager with any questions about a particular solicitation. If assistance is needed, Archstone will communicate with the manager on the client's behalf.

## **Item 18 Financial Information**

Our firm does not have any financial conditions or impairments that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

## **Item 19 Requirements for State-Registered Advisers**

We are an SEC registered investment adviser. We are not registered with any State Securities Authority. Therefore, we are not required to provide any additional information regarding state registrations.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure. We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.