

# **Lepercq de Neuflize Asset Management LLC**

**156 W. 56<sup>th</sup> Street**

**Suite 1204**

**New York, NY 10019**

**212-698-0700**

[www.lepercq.com](http://www.lepercq.com)

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This Brochure provides information about the qualifications and business practices of Lepercq de Neuflize Asset Management LLC (“LNAME” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at 212-698-0700 or by email at [compliance@lepercq.com](mailto:compliance@lepercq.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.

LNAME is an SEC registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

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

## Item 2 – Material Changes

LNAM's last annual update to this Form ADV Part 2A Disclosure Brochure was filed with the Securities and Exchange Commission in March 2014. The following summarizes the material changes made to this Disclosure Brochure since the last annual update.

On September 30, 2014 Lepercq de Neuflize & Co divested its ownership interest in Lynx Investment Advisory LLC ("Lynx"), under the terms of which Lynx withdrew as investment adviser to certain managed funds but retained its investment consulting practice. LNAM thereafter was appointed as the investment adviser and manager of the funds as follows:

- Appointed as investment adviser and investment manager for the following pooled investment funds:
  - Lepercq Partners, SICAV
  - Lepercq Partners Fund LP
- Appointed as a sub adviser to Lepercq-Amcur, SICAV-FIS.
- Appointed and entered into a liquidation service agreement with Lepercq Managed Equity Master Fund LP, formerly Lynx Managed Equity Master Fund.

Consequently, various items throughout the Disclosure Brochure have been updated to reflect the changes related to the new pooled investment vehicles.

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## Item 4 – Advisory Business

### **Principal Owners:**

LNAM's parent company is Lepercq, de Neuflize & Co. Incorporated (hereinafter "LN&Co.") which, prior to the acquisition in June 2003 of its wholly owned subsidiary, also named Lepercq, de Neuflize & Co. Incorporated, was named Lepercq Inc. LN&Co., prior to filing a withdrawal of its registration as an investment adviser, transferred its customer accounts to LNAM. LN&Co. may also provide investment banking services.

LNAM was formed and became registered with the SEC as an Investment Adviser in 2002.

### **Firm Description:**

LNAM provides its clients with the following range of investment advisory and investment management services:

1. For Pooled Investment Vehicles, LNAM acts as an investment manager or sub-adviser, providing the funds with investment management services. Investment management services include, but are not limited to:

- Setting investment policy
- Determining asset allocation
- Selection of investments, including specialized investment managers
- Monitoring and aggregation of exposure and risk metrics

2. For Discretionary Accounts, it provides for the selection of investments, purchase and sale orders to executing brokers and custodians involving both timing and size of the order and portfolio monitoring. For certain accounts, LNAM may use the services of Tocqueville Asset Management ("TAM") as sub adviser for the management of its clients' portfolios under a sub advisory agreement. In such instances, LNAM provides for portfolio supervisory services, determining portfolio allocation and rebalancing when necessary and upon clients' directives, which are communicated to its sub adviser. For such accounts, the management/advisory fees are shared between LNAM and TAM. Please refer to Item 12 for details.

3. For Advisory Accounts (or Non-Discretionary Accounts), LNAM provides guidance in portfolio management, market conditions and risks, selection of investments and for their purchase and or sale recommendations including size and timing. It does not provide for the placement of such orders unless instructed to by its clients, who may or may not act on LNAM's recommendations.

**Regulatory Assets Under Management:**

Pooled Investment Vehicles:	<i>\$ 445,431,663</i>
Separately Managed Accounts (Discretionary):	<i>\$ 204,436,000</i>
Non-Discretionary:	<i><u>\$ 168,806,000</u></i>
Total:	<i>\$ 818,673,663</i>

**As of: 12/31/2014**

## Item 5 – Fees and Compensation

### Management and Performance-Based Fees

LNAM provides investment management services to domestic and offshore pooled investment vehicles. Investors in these funds are charged asset-based and performance-based fees accruing to LNAM (in addition to the fees charged by the managers of the underlying holdings). These management fees may range from 0% to 1.25%, and performance fees range from 0 to 10%.

Management fees are paid quarterly, and may be paid in advance or in arrears, based on contractual agreements disclosed to clients in offering documents. Subscriptions into pooled investment vehicles occur on the first day of the month, however, cash is usually wired by clients, and received by LNAM, prior to the first day of the month. Management fees begin accruing on the first day of the month. Redemptions from pooled investment vehicles occur on the last day of the month. Should a client redeem during a quarter, and management fees have been paid in advance, the redemption proceeds will not be reduced by prepaid management fees; those prepaid management fees will be reimbursed. Because management fees are accrued monthly, even when paid in advance, a redeeming client's monthly statement will not be reduced by pre-paid management fees. In cases where one pooled investment vehicle is managed by LNAM and invested in a separate pooled investment vehicle also managed by LNAM, LNAM will charge its management and performance fees only at one level, i.e. LNAM will not double charge its clients.

Generally, at the end of a fiscal year, or the date of a redemption, distribution or transfer by an investor in one of LNAM's pooled investment vehicles, LNAM is due a portion of the appreciated value of the respective investor's ownership in the vehicle. The manner of calculation of such performance-based fee is disclosed in the pertinent pooled investment vehicle's offering documents and may vary by vehicle. Generally, 10% of the investment profits of each entity are allocated to LNAM, as applicable, subject to a high water mark. In some cases, the pooled investment vehicles will be subject to a HWM plus an annual 5% hurdle rate that must be achieved in order for LNAM to collect any performance based fees.

LNAM's fees can be waived or adjusted at LNAM's discretion.

### Advisory Fees

For advisory services rendered on a discretionary basis, LNAM charges a fee billable at the end of each quarter. The quarterly fee is based on a contractually agreed-upon percentage of the average of the valuation of the portfolio during the quarter, except that the fee will be pro-rated to reflect actual number of days the account was under management for any period where the account was not

under management for the full quarter. The percentage charged for investment advisory accounts varies with the scope of services provided, is negotiated on an individual basis, and is paid at the end of the period. This percentage varies from .375% to 1.00%. In the event a client's assets are invested in mutual funds, the client, in effect, pays a management fee to LNAM and to the mutual fund investment manager.

LNAM clients may invest in registered or unregistered investment companies selected by LNAM or its sub adviser. Such funds will include third party unaffiliated funds; funds that are also managed by its sub adviser and certain registered and unregistered funds managed by LNAM and its affiliates.

### **Fixed Annual Fee**

For certain clients, LNAM may charge a fixed annual fee instead of an advisory fee based upon the scope of engagement.

### **Other Fees and Expenses**

LNAM's fees, as noted above, are exclusive of brokerage commissions, transaction fees, underlying fund management fees and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge management fees, which are disclosed in a mutual fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to LNAM's fee.

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

As previously noted, LNAM collects performance-based compensation from the investors in its pooled investment vehicles.

Although LNAM seeks to avoid conflicts of interest between the Firm and its clients, clients should be aware of two potential conflicts posed by LNAM's fee structure. Because LNAM collects both management fees and performance-based fees on client investments in the pooled investment vehicles, the Firm could have an incentive to recommend that clients place increasing amounts of their assets in the pooled investment vehicles. LNAM attempts to mitigate this conflict by recommending that a client allocate capital to the pooled investment vehicles after making a good-faith determination that such an allocation is in the client's best interests. Clients have the ability to modify their allocations at regular intervals and are aware of these potential conflicts of interest when making a decision to invest in the pooled investment vehicles. LNAM strives to provide transparency by disclosing fees to current and prospective clients.

## **Item 7 – Types of Clients**

The Firm serves as the investment manager or sub-adviser to pooled investment vehicles.

The pooled investment vehicles are privately offered only to person (s) that meet the definitions of accredited investors and qualified purchasers, provided for in Regulation D under the Securities Act and Rule 506, or non-U.S. persons (as defined under Regulation S of the Securities Act of 1933).

The minimum investment in a pool investment vehicle varies based on the offering documents, and can range from USD 200,000 to USD 1,000,000, unless otherwise waived by the General Partner or the Investment Manager.

Some of LNAM's discretionary account clients include high net worth individuals, foundations and trusts, as well as institutional clients such as endowments, corporations, and other non-profits.



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

Investments selected on behalf of the pooled investment vehicles are predominantly made through externally managed funds and separately managed accounts. Selection of external managers is conducted through a combination of top-down asset allocation and manager-specific due diligence, and relies on multiple quantitative and qualitative techniques.

Asset allocation generally involves an assessment of economic and market conditions in an effort to identify compelling broad asset classes on the basis of valuation, risk, and diversifying properties. Additionally, the adviser seeks to identify asset classes with useful pricing inefficiency, leading to opportunities for active management strategies.

In the evaluation of investment managers, the adviser considers a variety of factors not limited to educational and professional background, investment track record, depth of team, specialized skills and competitive edge, organizational and ownership structure, corporate governance, and risk management controls. Due diligence is conducted in advance of new manager allocations and is maintained periodically throughout the investment period. All manager allocations are approved by the firm's investment committee.

For Discretionary Accounts, LNAM may use the services of Tocqueville Asset Management (TAM) for the management of its clients' portfolios under a sub advisory agreement. Under this sub advisory agreement, TAM is delegated discretion in the selection of securities, timing and the amount to be bought and sold under LNAM's supervision.

Portfolios constructed on behalf of LNAM clients by TAM are done so through a combination of top-down macro analysis and bottom-up fundamental research. TAM's investment process utilizes a contrarian approach by which it attempts to buy undervalued companies that possess long-term earnings power.

### Risk of Loss

All investment programs are exposed to a variety of risks which may lead to the temporary or permanent loss of a clients' capital or failure to achieve return objectives. In the construction of LNAM's pooled investment portfolios and the investment mandates of TAM sub-advised accounts, the adviser considers numerous risks, not limited to:

- **Interest-rate Risk:** Generally refers to the risk of loss in fixed income investments when interest rates rise.

- **Market and Systemic Risk:** The risk that equity and equity-like investments will experience losses in the event of economic downturn, market dislocation, or correction of over-valuation.
- **Inflation Risk:** The risk of erosion of purchasing power of one's currency or erosion of corporate earnings power due to an inability to pass through input cost increases to consumers.
- **Currency Risk:** The risk that any one currency may fail to maintain its purchasing power or value relative to another currency or basket of currencies.
- **Business/industry Risk:** The risk of loss resulting from general competitive forces or the failure of an enterprise to execute its' business plan and meet expectations or objectives.
- **Liquidity Risk:** The risk that marketable securities and private investment interests may not be convertible into cash or without materially adversely affecting the price received.
- **Counterparty Risk:** The risk that a financial counterparty such as a broker or custodian fails to uphold a contractual agreement or safeguard client assets.
- **Execution Risk:** The risk that an investment manager fails to execute its investment strategy, leading to impairment or capital or failure to meet investment performance objectives.

## **Item 9 – Disciplinary Information**

LNAM and its employees have not been involved in any legal or disciplinary events in the past ten years that would be material to a client's evaluation of the Firm or its personnel.

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

LNAM is 100% owner of Lepercq Partners LLC, a general partnership that is the Managing Member of Lepercq Partners L.P.

LNAM is sub-adviser to a Luxembourg SICAV, Lepercq-Amcur, which is managed by Lepercq Soger Management International.

Mr. Francois Letaconnoux, LNAM's President, CEO and Chief Compliance Officer, is a registered representative of Tocqueville Securities, LP ("TS"), an unaffiliated broker-dealer. As a registered representative for TS, Mr. Letaconnoux receives commission based compensation for facilitating some client investments in certain mutual funds. Mr. Letaconnoux' activities as a registered representative for TS are largely separate from his activities with respect to the Clients and the investors therein, and Mr. Letaconnoux' compensation as a registered representative for TS is not materially relative to his compensation as an employee of LNAM. While TS is the prime broker for the Clients, LNAM does not believe that this relationship creates a material conflict of interest with its Clients or the investors therein.

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

LNAM may recommend, or its affiliate or sub adviser may recommend to clients of LNAM the purchase or sale of investment products where LNAM or an affiliate or the sub adviser of LNAM has some financial interest. When any such recommendation by LNAM or by its affiliate or sub adviser is made, the relationship between LNAM and the affiliate or sub adviser of LNAM and the investment product will always be disclosed.

LNAM has established procedures intended to limit conflicts of interest in cases when LNAM, a related person or any of their employees, buys or sells securities recommended by LNAM to clients. LNAM has adopted a Code of Ethics for its employees as required by SEC Rule 204A-1. This Code is available to any LNAM client upon request by contacting us at 212-698-0700 or by email at [compliance@lepercq.com](mailto:compliance@lepercq.com). It is the policy of LNAM that no persons employed by LNAM may

purchase or sell any security being implemented for an account so long as the employee is aware of the transaction, thus attempting to prevent such employees from benefiting from transactions placed on behalf of advisory accounts. LNAM does not advise any accounts that are subject to the Investment Company Act and therefore does not need to conform to Rule 17j-1 of the Investment Company Act that requires access persons to pre-qualify their trades. Securities accounts of LNAM “access persons” and their immediate families are reviewed to determine compliance with such restrictions. LNAM maintains a “Restricted List” designating securities or funds that may not be traded without prior review and authorization. Appropriate disclosure is made in marketing materials that LNAM and related persons may have an interest in the securities recommended.

## **Item 12 – Brokerage Practices**

For our investment management and pooled investment accounts, Northern Trust and Northern Trust Global Services provide Custodial and administrative services.

LNAM operates as discretionary client’s adviser on a discretionary basis wherein, for certain clients, it has engaged a sub adviser, TAM. TAM uses the services of its affiliated broker dealer Tocqueville Securities, L.P.

### **Directed Brokerage**

LNAM offers an option that its client’s direct transactions be executed through TS. All clients are given the option to opt out of this directed brokerage arrangement.

For certain clients, LNAM has engaged Tocqueville Asset Management LP (“TAM”) as a sub-adviser. TAM uses the services of its affiliated broker dealer, Tocqueville Securities, LP (“TSLP”). LNAM recommends client’s direct transactions be executed through TS. All clients are given the option to opt out of this directed brokerage arrangement. By directing brokerage to TSLP, LNAM recognizes that clients may not achieve most favorable execution, and this practice may cost clients more than other competing institutional brokers.

LNAM relies on TAM and TSLP, and the representations made in Tocqueville Asset Management L.P.’s Form ADV. As highlighted under TAM’s Brokerage Practices, *“although Tocqueville believes that TSLP’s commission rates are generally competitive with that of unaffiliated broker-dealers providing comparable services and overall qualitative execution, Tocqueville does not represent to clients that it will necessarily obtain the lowest possible commission charge on every trade.”*

The benefits to clients obtained through this directed brokerage arrangement are aggregation and economies of scale, use of Pershing as a qualified custodian and the portfolio accounting system available to LNAM for the benefit of all of its clients.

### **Item 13 – Review of Accounts**

The pooled investment vehicles are monitored on an ongoing basis by the investment team who meets no less than quarterly. More frequent reviews of these vehicles may be triggered by material events affecting the markets or the investment advisers chosen to manage a portion of the pooled investment vehicles.

All managed discretionary accounts are reviewed at least quarterly and annually, and as needed, by Mr. Francois Letaconnoux. As needed reviews focus on portfolio transactions including capital additions and withdrawals, purchase and sales transactions.

Quarterly reviews focus on portfolio composition, re-balancing, concentration, fees and performance.

At least annually the firm aims to discuss with clients the summary report of year-to-date performance.

Under special circumstances involving the request by a client or extreme portfolio volatility caused by systemic risk, an intermediate portfolio review will be conducted by Mr. Francois Letaconnoux.

Suitability concerns surrounding client accounts are addressed annually at a minimum and documented accordingly.

Quarterly reports are furnished to managed account clients. They include a listing of securities held, a record of securities bought and sold, portfolio appraisal, performance history, realized gains and losses, income and expenses, cash ledger, and a bill for advisory services rendered. Upon client request, a review of the performance of the account for the quarter, including the methodology for calculation of performance, is provided.

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

LNAM does not currently compensate any third parties for referrals or receive any economic benefit from non-clients in connection with the provision of investment advice to clients, but may choose to do so in the future.

## Item 15 – Custody

LNAM does not maintain custody nor do any of LNAM's related persons maintain custody over any advisory clients' cash or bank accounts or securities. LNAM maintains its advisory accounts at a qualified custodian and conducts reasonable inquiry to determine that the custodian directly sends to its clients statements of client accounts. In communicating with its clients, LNAM requests that the clients reconcile such statements to their quarterly portfolio reports and notify LNAM promptly on any differences.

Although LNAM does not physically hold the securities and other assets of the pooled investment vehicles, LNAM is deemed to have custody of the vehicles' assets, since a LNAM affiliate serves as general partner of, or in a similar capacity for, certain of the pooled investment vehicles. To comply with Rule 206(4)-2 and to provide meaningful protection to the pooled investment vehicles' investors, each vehicle is subject to an annual financial statement audit by an independent public account registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are prepared in accordance with generally accepted accounting principles, and are distributed to each investor within 120 days of the Fund's fiscal year end.

## Item 16 – Investment Discretion

LNAM has discretionary authority to manage the pooled investment vehicles. The Firm's authority over these vehicles is described in each entity's offering materials.

LNAM receives discretionary authority from certain clients at the outset of a discretionary account relationship to select the:

- Securities to be bought or sold for a client's account;
- Amount of securities to be bought or sold for a client's account;
- Broker or dealer to be used for a purchase or sale of securities for a client's account;
- Commission rates to be paid to a broker or dealer for a client's securities transactions.

In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Investment guidelines and restrictions must be provided to LNAM in writing.

When selecting securities and determining amounts, LNAM observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, LNAM's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

For certain of its client accounts, LNAM has selected TAM as its sub adviser and regularly reviews the performance of its sub adviser.



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

For those accounts where LNAM accepts to vote proxies on behalf of its clients, it expects to designate such responsibility to TAM under its sub advisory relationship. For those accounts that have elected to have TAM execute proxies on their behalf, the Firm evaluates the proxy voting policies and procedures established by TAM on an annual basis; however LNAM does not participate in TAM's proxy voting process. Consequently, further information with regards to TAM's proxy voting record for those accounts where TAM has been selected to vote proxies is available upon request from TAM directly.

LNAM also has the authority and responsibility to evaluate potential changes to the terms associated with investments made by the pooled investment vehicles. LNAM will seek to approve or reject proposed changes in the best interests of each affected pooled investment vehicle. However, LNAM does not exercise direct proxy voting authority over the specific securities chosen by the selected managers within each pooled investment vehicle.

In certain instances, in the pooled investment vehicles, if a vote is directly required, the proper research and analysis is performed by the analyst team and the most beneficial response for our clients is determined.

## **Item 18 – Financial Information**

LNAM is not aware of any financial condition that is expected to affect its ability to manage client assets, and has not been the subject of a bankruptcy proceeding.