

## Item 1 – Cover Page

Alhambra Investment Partners  
9520 Haitian Dr.  
Cutler Bay, FL 33189  
[www.alhambrapartners.com](http://www.alhambrapartners.com)  
6-15-2015

This Brochure provides information about the qualifications and business practices of Alhambra Investment Partners. If you have any questions about the contents of this Brochure, please contact us at 786-249-3773 or [jyc3@alhambrapartners.com](mailto:jyc3@alhambrapartners.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.

Alhambra Investment Partners is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Alhambra Investment Partners is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Alhambra Investment Management who are registered, or are required to be registered, as investment adviser representatives of Alhambra Investment Management.

## **Item 2 – Material Changes**

Item 8, Methods of Analysis, Investment Strategies and Risk of Loss, has been revised extensively since this brochure was last updated. The changes to the brochure were made in conjunction with revisions to Alhambra's website and other marketing materials. The revisions reflect a refinement of our investment processes and the addition of new investment approaches developed since the addition of Margarita Fernandez in late 2013. In addition to incorporating Ms. Fernandez' strategies, Alhambra has continued to develop new approaches to portfolio management based on its own original research as well as from newly published academic literature.

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#### **Item 4 – Advisory Business**

Alhambra Investment Partners provides investment management services on a discretionary and non-discretionary basis. The company commenced operations in July 2006. The principal owners of the firm are Joseph Y. Calhoun, III, Orlando Casariego, Douglas Terry and Jeffrey Snider. No single owner has more than 25% of the outstanding shares.

Alhambra Investment Partners provides investment management services. We are not financial planners and do not offer any services other than investment management.

We manage portfolios based on the risk tolerance of each client. Risk tolerance is determined through the use of a questionnaire and/or ongoing discussions with the client. Clients may direct us to exclude certain types of securities from their portfolio for personal or financial reasons. Examples might include not purchasing the shares of the client's employer due to concentration concerns or the desire to avoid securities issued by companies or entities the client feels act contrary to their personal moral views.

We do not participate in any wrap fee programs.

As of 3/31/15 we manage \$156,900,000 of client assets.

#### **Item 5 – Fees and Compensation**

All fees are subject to negotiation.

The specific manner in which fees are charged by Alhambra Investment Partners is established in a client's written agreement with Alhambra Investment Partners. Alhambra Investment Partners will generally bill its fees on a quarterly basis in advance. Clients may elect to be billed directly for fees or to authorize Alhambra Investment Partners to directly debit fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Alhambra Investment Partners' fees are exclusive of brokerage commissions, transaction 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 internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Alhambra Investment Partners' fee, and Alhambra Investment Partners shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Alhambra Investment Partners considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

#### Fee Schedule

\$1 Million or less	1.25%
Next \$1 Million - \$3 Million	1.00%
Next \$3 Million - \$5 Million	0.75%
Over \$5 million	Negotiable

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

Alhambra Investment Partners does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Item 7 – Types of Clients**

Alhambra Investment Partners provides portfolio management services to individuals, high net worth individuals, pension and profit sharing plans, charitable organizations and corporations.

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

**Investing in securities involves risk of loss that clients should be prepared to bear.**

**Alhambra Investment Partners utilizes, among other methods discussed in this section, a top down, macro-economic approach to asset allocation. Our outlook for global economic conditions is the primary driver of allocations to each asset class. The ability to forecast future economic conditions is an uncertain activity and the firm claims no special ability to do so accurately. Unpredictable events that can impact future economic conditions might include war, natural**

**disasters, disruptions in supply or demand, unexpected changes in government economic policy, political scandals and terrorist attacks. This is by no means a comprehensive list. The future is unpredictable and the firm has no special ability to anticipate the unpredictable. Investors should understand that the risk of investing involves uncertainties beyond Alhambra Investment Partners' control and could result in unexpected losses.**

**Alhambra Investment Partners' top down style depends on the ability of the firm to observe current economic conditions and extrapolate market movements based on historical precedents. There is no assurance that markets will act in the future as they have in the past.**

Alhambra Investment Partners offers a variety of portfolio approaches that can generally be divided between active (tactical) and passive (strategic).

Active: Active strategies are ones that change based on current or expected market or economic conditions.

Passive: Passive strategies are ones that are set based on client criteria (risk tolerance, age, objective, etc.) and then only changed if those criteria change. Passive portfolios are rebalanced on a regular basis.

Alhambra often utilizes both approaches for a client in what is known as a Core/Satellite approach. The core of the client's assets are invested in the passive strategy and the satellite portion is invested using an active strategy.

Alhambra has developed its own passive strategies as well as utilizing well known passive strategies developed by others.

Alhambra has also developed its own active strategies in addition to utilizing classic, well known active approaches.

## **Passive**

Alhambra offers a wide variety of passive portfolios. Please refer to our website for a complete list and description.

## **Active**

Alhambra's active approach starts with our Investment Philosophy, our way of thinking about financial markets and how they function. It is this core set of beliefs that dictate how we manage our active portfolios. Our active strategies are the product of our investment philosophy. Here are the insights that guide our investment process:

- Wealth preservation is necessary for wealth accumulation. Risk management is thus central to one's investment program. The client's unique circumstances, time horizon, and tolerance for risk are primary considerations.
- Markets move through valuation cycles. Insights on valuation are derived from a thorough knowledge of history and an ongoing analysis of macroeconomic factors such as monetary and fiscal policy, fundamental valuation and market psychology. Armed with experience and knowledge, our goal is to take prudent risks to earn a reasonable return over the entire economic cycle.
- Investment advice must be unbiased and free of conflicts of interest.
- Investment time horizons should be long term. Long term investment returns for various asset classes can be fairly accurately predicted. Short term outcomes cannot.
- Assets are often mispriced. Markets are not inert objects but represent the interaction of fallible humans making emotional decisions. Mispriced assets represent opportunities. Value investing is the process of identifying these mispriced assets.
- Reversion to the mean is a fact. Extremes do not persist indefinitely.
- Costs have a large effect on investment performance.
- Taxes have a large effect on investment performance.
- Liquidity is rare when it is needed most.
- Portfolios are not one size fits all; the portfolio must fit the client.
- There are only two active investment methods that work – value and momentum. The best investments combine the two.

This Investment Philosophy informs our Investment Process:

Our investment process starts with top down economic analysis to provide an asset allocation framework. Outperforming the standard passive investment approach necessitates developing a framework to adjust asset allocation over the course of the business cycle. Why? Because outperformance is not, as many suppose, a matter of outperforming all the time – something we readily admit is impossible – but rather a matter of outperforming at key turning points in the business cycle. The largest losses in stocks, which are necessarily a part of an investor's portfolio, occur when the business cycle is turning down and the economy entering recession. Conversely, the largest gains are generally at the beginning of the cycle as the economy exits recession. Avoiding the large drawdowns associated with recession and capturing most of the gains as expansion resumes is critical to the success of a tactical approach.

There are two methods of predicting future economic growth that are valuable to the active (tactical) investor:

- Term structure: The term structure of the Treasury note/bond market provides a market based method for predicting the future direction of economic growth. A positive structure (steep yield curve) is associated with

positive economic growth while a negative structure (flat yield curve) is associated with negative economic growth (recession). Academic research indicates that term structure provides 1 to 8 quarters advance warning of recession.

- **Credit spreads:** Credit spreads measure the difference in yield between bonds with credit risk (generally corporate credits) and those with no credit risk (US Treasuries). Credit spreads are an indication of investors' willingness to take risk. Widening credit spreads indicate rising risk aversion and narrowing spreads a willingness to take more risk. Risk aversion historically has shown up in bonds before other riskier securities (stocks). Academic research indicates that credit spreads provide 1 to 4 quarters advance warning of recession.

Published academic research shows that these methods provide advance warning of recession with a lead time of 1 to 8 quarters. Combining the two methods reduces the lead time to 1 to 4 quarters on average. Our top down approach starts with these two indicators.

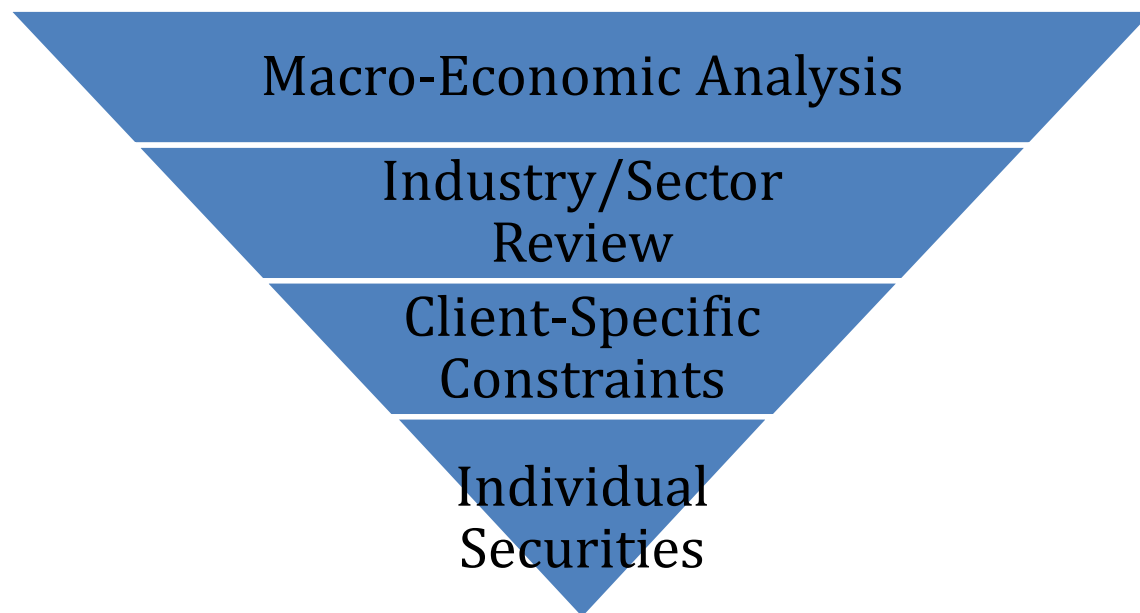
In addition to term structure and credit spreads, we analyze the incoming high frequency economic data. This data, while not particularly useful in predicting a recession, does provide confirmation of what we find using our two main methods. In addition, information about the micro economy can be gleaned from these reports.

We also monitor and analyze foreign markets and economies. As the world has become more integrated it has become more important to be aware of developments in foreign economies and money markets. Capital flows based on perceptions of future economic growth and central bank policy affect markets worldwide.

## **Security Selection**

Alhambra's security selection process starts with our asset allocation model. The output of our macro-economic and financial market analysis is an input to our equity and fixed income selections.





## Equities

Stock selection is a three step process:

1. **Quantitative:** The stock universe is screened for favorable growth and value characteristics.

### Growth

Earnings momentum  
Positive Earnings Revisions  
Analyst Coverage  
Liquidity  
Revenue Growth  
Expanding Gross Margins

### Value

Price/Book  
Price/Sales  
Price/Cash flow  
ROE  
ROA

2. **Fundamental:** The securities that survive the quantitative screen are further analyzed for fundamental criteria. This is a more subjective analysis than the quantitative screen. We assess income, balance sheet and cash flow statements for sustainability and quality. We review company business plans and assess:
  - Market leadership/share – pricing power
  - Sources of future growth
  - Balance sheet relative to business plan needs
  - Geographic diversification
  - R&D spending effectiveness
  - Intellectual property

- 3. Technical:** The securities that survive the fundamental analysis are screened based on technical criteria with an emphasis on momentum.

The result of this multi-pronged effort is a list of purchase candidates with good prospects for business momentum, low valuations and a blend of appealing fundamental qualities. This list will span industries and sectors, as well as geographic regions that allows us to create a well-diversified portfolio.

### **Fixed Income Selection**

Alhambra's investment process highlights our view of the financial markets (current and forward looking), and business cycles. Fixed income is utilized as a means to produce income and to minimize total portfolio risk.

Issues are selected for initial consideration based on the best relative value (credit spreads) within asset sub-classes and in relation to a client's tax bracket and goals and objectives.

Our fixed income allocations are diversified and may include:

- ***U.S. Treasury and Agency Obligations***
- ***Corporate Bonds***
- ***Municipal Bonds (Tax-free/Taxable)***
- ***Preferred Stocks***
- ***Certificates of Deposit***
- ***Global Bond Exchange Traded/Mutual Funds***

We believe that fixed income investments should provide income and preserve capital – aiding in adhering to the client's total risk profile.

Risk management of the fixed income component in a portfolio includes the assessment of the components of bond risk, mainly:

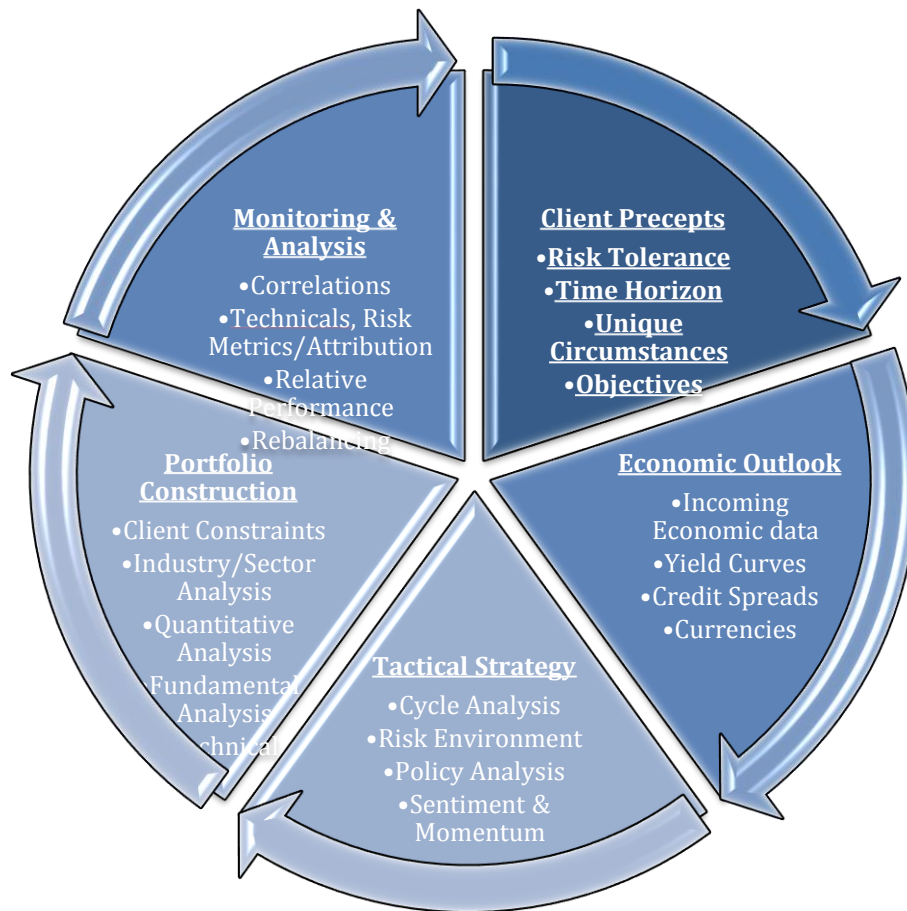
**Credit Risk** – risk of default by the issuer

**Interest Rate Risk** – effect of interest changes on the instruments (Duration and Convexity)

Within this context, fixed income securities should assist in stabilizing total portfolio returns and generating a predictable stream of income.

Portfolios at Alhambra are not uniform, one size fits all portfolios. Every client is different. So, while each portfolio will have common characteristics, they will also have subtle differences. For example, tax planning may dictate that one long term client may hold a security with a low cost basis that we are no longer actively buying for new clients. Some clients may have restrictions that prevent us from purchasing a particular type of security. We will work with you to develop a portfolio that fits

your needs and takes into consideration all the factors that make your situation unique.



## Momentum Portfolios

Alhambra has developed and tested a number of momentum based approaches to active portfolio management. These momentum based portfolios do not take into account any of the fundamental factors outlined in the above section. These portfolios are constructed based purely on recent performance with the expectation that assets that have outperformed recently will continue to do so. This momentum effect has been researched extensively in academia and is seen as an anomaly, an exception to the efficient market hypothesis. Momentum strategies are designed to take advantage of this anomaly.

Momentum portfolios are most often utilized within the satellite portion of the client portfolio. They are generally active strategies with high turnover rates and are not, therefore, tax efficient. These portfolios are most suitable for tax deferred accounts.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Alhambra Investment Partners or the integrity of Alhambra Investment Partners' management. Alhambra Investment Partners has no information applicable to this Item.

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

Rafael A. Perez and George McArdle, minority shareholders of Alhambra Investment Partners, are members of the Florida Bar whose principal business is the practice of law. Mr. McArdle does not materially participate in the business of Alhambra Investment Partners. Mr. Perez is an investment advisory representative Alhambra Investment Partners. The company and its principals do not participate in any financial industry activities other than as investment advisors for Alhambra Investment Partners.

Atlantic Capital Management of Florida, an investment adviser, is a wholly owned subsidiary of Alhambra Investment Partners LLC.

### **Item 11 – Code of Ethics**

Alhambra Investment Partners has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Alhambra Investment Partners must acknowledge the terms of the Code of Ethics annually, or as amended.

Alhambra Investment Partners anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Alhambra Investment Partners has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Alhambra Investment Partners, its affiliates and/or clients, directly or indirectly, have a position of interest. Alhambra Investment Partners' employees and persons associated with Alhambra Investment Partners are required

to follow Alhambra Investment Partners' Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Alhambra Investment Partners and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Alhambra Investment Partners' clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Alhambra Investment Partners will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Alhambra Investment Partners' clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Alhambra Investment Partners and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Alhambra Investment Partners' obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Alhambra Investment Partners will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Alhambra Investment Partners' clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Joseph Calhoun.

It is Alhambra Investment Partners' policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Alhambra Investment Partners will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Alhambra Investment Partners is not dually registered.

## **Item 12 – Brokerage Practices**

### **Clients may utilize the custodian of their choice.**

Alhambra Investment Partners has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides Alhambra Investment Partners with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist Alhambra Investment Partners in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help Alhambra Investment Partners manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Alhambra Investment Partners may contract directly.

Alhambra Investment Partners is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

Fidelity is providing Alhambra Investment Partners with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

Alhambra Investment Partners also has similar arrangements with FolioFN, TD Ameritrade and Charles Schwab.

### **Item 13 – Review of Accounts**

Portfolios are reviewed continuously by Douglas Terry, Alhambra Investment Partners' Chief Investment Officer, Joe Calhoun, CEO, Jeffrey Snider, Chief Investment Strategist, and Margarita Fernandez, Portfolio Manager, to ensure that portfolios conform to the risk profile of each client.

Clients receive monthly statements from their custodians. Quarterly performance reports are available upon request. Alhambra Investment Partners communicates with clients frequently by email and letter. Alhambra Investment Partners publishes a weekly review of economic and market conditions distributed by email. Communications are more frequent when market conditions warrant.

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

Alhambra Investment Partners does not employ any paid solicitors.

### **Item 15 – Custody**

Clients should receive at least quarterly statements from their broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Alhambra Investment Partners urges you to carefully review such statements and compare such official custodial records to any portfolio reports that we may provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Neither Alhambra nor its related persons is deemed to have custody of, possession of or access to client assets.

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

Alhambra Investment Partners usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Alhambra Investment Partners observes the investment policies, limitations and restrictions of the client it advises. For registered investment companies, Alhambra Investment Partners' 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.

Investment guidelines and restrictions must be provided to Alhambra Investment Partners in writing.

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

Clients may obtain a copy of Alhambra Investment Partners' complete proxy voting policies and procedures upon request. Clients may also obtain information from Alhambra Investment Partners about how Alhambra Investment Partners voted any proxies on behalf of their account(s).

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

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Alhambra Investment Partners' financial condition. Alhambra Investment Partners has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.