

# Alcatel-Lucent Investment Management Corporation

## Form ADV Part 2A – Disclosure Brochure November 28, 2016

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This Brochure provides information about the qualifications and business practices of Alcatel-Lucent Investment Management Corporation [“ADVISER” or “ALIMCO”]. If you have any questions about the contents of this Brochure, please contact us at 908.582.1342. 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.

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

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

## **Item 2 – Material Changes**

This section of our Brochure highlights and discusses only specific material changes that have been made to our Brochure since its last update on March 17, 2016.

On November 28, 2016, we amended the following:

Item 4: Updated assets under management

Items 4, 8, and 16: Updated these sections to reflect an updated governance structure for the oversight of defined benefit pension and other post retirement assets.

Consistent with SEC Rules, we will deliver within 120 days after our fiscal year end, either our current brochure, including a summary of any material changes since the brochure's last annual update, or a separate summary of those material changes.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Jeanmarie C. Grisi, President, at 908.582.1342 or [j.grisi@nokia.com](mailto:j.grisi@nokia.com).

Additional information about ALIMCO is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### Item 4 – Advisory Business

Alcatel-Lucent Investment Management Corporation (“ALIMCO”), a direct wholly-owned subsidiary of Alcatel-Lucent USA Inc. (doing business as “Nokia” and referred to hereinafter as “Alcatel-Lucent”) and an indirect wholly-owned subsidiary of Nokia Corporation, a Finnish corporation headquartered in Helsinki (Espoo), Finland, was created in April 1999 to provide investment advisory and fiduciary services for affiliated US defined benefit, defined contribution, and other post-employment benefit plans and trusts maintained by Alcatel-Lucent and certain of its subsidiaries (the “Plans”). ALIMCO was formed as a Delaware corporation and registered with the US Securities and Exchange Commission (“SEC”) in 1999. The Plans are ALIMCO’s only investment advisory clients. Some of the Plans are subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and are qualified under section 401 of the Internal Revenue Code of 1986, as amended. ALIMCO is qualified as an in-house asset manager (“INHAM”) under the Department of Labor’s Prohibited Transaction Class Exemption 96-23, a class exemption that provides relief for transactions between the INHAM and certain service providers. As a requirement of the INHAM exemption, ALIMCO is required to be registered with the SEC as an investment adviser under the Investment Advisers Act of 1940.

ALIMCO may provide non-discretionary investment consulting services from time to time on an as-needed basis with respect to the investment activities of Nokia’s non-U.S. pension plans, and with respect to certain non-pension investments held by Alcatel-Lucent or Nokia. ALIMCO also provides administrative and fiduciary services to a single-employer Taft Hartley plan sponsored by a Board of Trustees that consists of two individuals designated by Alcatel-Lucent and two individuals designated by certain labor unions.

The advisory services ALIMCO provides to the Plans are those customary for a named fiduciary with overall responsibility for managing an investment program, including (a) establishing and amending objectives, strategies, guidelines and benchmarks for investments by the Plans in asset classes ranging from traditional equity and fixed income investments to alternative asset classes, such as real estate, private equity, and absolute return; (b) determining and adjusting the allocation and diversification of assets *within* asset classes; (c) engaging and removing unaffiliated, discretionary investment managers to manage plan assets using strategies involving traditional equity and fixed income asset classes, and in the case of alternative asset classes, directing the Plans’ investments in the third-party managed investment vehicles through which the Plans access these asset classes; (d) directing and monitoring the activities of the Plans’ unaffiliated, discretionary investment managers; and (e) allocating and reallocating assets among the Plans’ unaffiliated, discretionary investment managers.

Nokia’s Pension and Benefit Investment Committee (the “PBIC”) approves the asset classes for investment by the Plans and the proportions allocated to each in the defined benefit and other post-employment benefit plans and trusts<sup>1</sup>. The PBIC or Nokia’s 401(k) Committee, which has oversight responsibility with respect to the company’s defined contribution plans, may impose restrictions on investing in certain securities or types of securities by establishing new or changing existing investment guidelines and investment objectives described in a Plan’s Statement of Investment Policy. ALIMCO has discretion to invest assets of the Plans within the approved asset allocations and in accordance with the Plans’ Statements of Investment Policy. Investment programs for defined benefit pension and other post retirement plans and trusts are established with consideration given to the following factors,

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<sup>1</sup> Assets in defined contribution plans are allocated by the plans’ participants.

including, but not limited to, the long-term risk and return expectations for a variety of asset classes as well as current and multi-year projections of the Plans' demographics, benefit payments, contributions or funded status.

As of October 31, 2016, ALIMCO oversees \$31,136,533,739 in investment assets across five ERISA Plans.

## **Item 5 – Fees and Compensation**

### **Reimbursement for costs incurred**

ALIMCO has entered into written investment management and fiduciary services agreements for the Plans under which ALIMCO deducts Plan accounts directly for reimbursement of actual costs incurred by ALIMCO in connection with the investment advisory and fiduciary services it provides.

Such categories of expenses include staff salaries and benefits, legal, consulting, travel, training, and other costs. The investment management and fiduciary services agreements provide for disclosure to the Plans of all costs subject to reimbursement. ALIMCO is reimbursed costs either monthly or quarterly only after services have been provided. The Plans and/or Nokia may in the future, if they so choose, negotiate other arrangements to compensate ALIMCO for the services it provides.

### **Other fees and expenses**

The reimbursements described above are exclusive of brokerage commissions, transaction fees, custodial fees, transfer taxes, wire transfer fees, third party investment manager fees and other fees charged by custodians, investment managers, broker-dealers and other third parties unaffiliated with ALIMCO. Those costs are paid to service providers from the Plans; ALIMCO does not receive any portion of these fees, commissions, or costs.

### **Indirect compensation**

In its recommendation and selection of third party investment advisers and other vendors for the Plans, neither ALIMCO nor any of its employees receive direct compensation from these advisers or vendors. ALIMCO employees may, however, receive occasional business meals, conference attendance fees or lodging in connection with a business meeting or conference in accordance with ALIMCO's Gifts, Entertainment, and Travel Policy. Reimbursements for travel costs or acceptance of indirect compensation, including educational conferences, are only acceptable under certain conditions outlined in the policy a copy of which is available by contacting Kerry Gillin, Chief Compliance Officer ([kerry.gillin@nokia.com](mailto:kerry.gillin@nokia.com)).

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

ALIMCO receives as complete compensation for advisory and fiduciary services rendered reimbursements of its costs, including employee salaries, bonuses, and benefits costs, and operating expenses.

## **Item 7 – Types of Clients**

ALIMCO provides investment advisory and fiduciary services for defined benefit, defined contribution, and other post-employment benefit plans maintained by Nokia and certain of its subsidiaries. The Plans are ALIMCO's only investment advisory clients.

In addition, ALIMCO may provide non-discretionary, investment consulting services from time to time on an as-needed basis with respect to the investment activities of Nokia's non-US pension plans, and with respect to certain non-pension investments held by Alcatel-Lucent or Nokia.

ALIMCO also provides administrative and fiduciary services to a single-employer Taft Hartley plan sponsored by a Board of Trustees that consists of representatives of Alcatel-Lucent/Nokia and representatives of certain labor unions.

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

### **Defined Benefit and Other Post Employment Benefit Plans**

In accordance with asset allocation policies set by the Nokia Pension and Benefits Investment Committee, ALIMCO allocates the Plans' assets among various types of equity, debt, and partnership investments but does not provide day-to-day portfolio management services with respect to any investments. Instead, ALIMCO engages and monitors third-party investment managers that provide day-to-day portfolio management services for various types of equity, debt, and partnership investments.

#### Public Market and Directly-Owned Real Estate Investments

Because ALIMCO engages unaffiliated, fully-discretionary investment managers to make specific investment decisions with respect to the Plans' investment in traditional equity, fixed income, and directly-owned real estate, ALIMCO does not engage in the analysis of individual securities.

These discretionary, third-party investment managers may employ one or more investment strategies, depending on the investment manager and the specific investment objectives and guidelines for their mandate. Some investment managers ALIMCO engages may use swaps, forward contracts and other derivative instruments (including those relating to financial instruments and currencies). All investments made on the Plans' behalf are managed consistent with the Plans' overall investment objectives and consistent with the specific investment mandate for which the third-party investment manager was hired.

#### Partnership Investments

In the case of partnership and commingled fund investments (which includes certain public markets, private equity, real estate, and hedge fund investments), ALIMCO exercises specific investment discretion on the Plans' behalves. In those cases, ALIMCO evaluates the specific fund or general partner (or other entity directing the investment vehicle's activities), the terms of the interest being purchased and the underlying assets of the vehicle (current and/or proposed), among other relevant factors. The investment strategy employed by ALIMCO for partnership investments generally involves long-term holding periods, but may, under appropriate circumstances, involve shorter-term holding periods. The private partnerships may consist of

investments in, among other things, venture capital and leveraged buyout transactions, distressed opportunities, timber and agriculture, US and non US real estate properties, and other illiquid alternative assets in domestic and non-US markets.

In selecting and monitoring third-party investment managers and partnership investments, ALIMCO utilizes information provided by consultants and the investment managers and partnerships themselves.

### **Defined Contribution Benefit Plans**

Investment of assets in Alcatel-Lucent Savings/401(k) Plan<sup>2</sup> is directed by individual participants in accordance with Section 404(c) of ERISA. The 401(k) Committee identifies the number and type of investment options that will be available to plan participants, and ALIMCO selects and monitors investment managers to provide fully discretionary investment management services for those investment options, within prescribed investment objectives and guidelines. The investment options are a mix of actively and passively managed strategies and a series of retirement date funds. Actively managed strategies are offered to add an opportunity to enhance returns and to help offset investment management fees. In selecting and monitoring third-party investment managers, ALIMCO utilizes information provided by consultants, the trustee/custodian bank, and the investment managers themselves.

ALIMCO does not provide investment advice to individual plan participants. ALIMCO has selected an independent investment advice and investment management provider available to Plan participants. Plan participants may elect to use investment advice or investment management services provided by this third party investment advisor.

### **Risk of Loss**

Investments, in general, are exposed to various risks, such as significant world events, interest rate, credit, foreign currency, counterparty risk and overall market volatility. For the defined benefit pension and other post-retirement plans, ALIMCO seeks to mitigate and manage such risks by diversifying assets across asset classes and strategies with differing expected returns, volatilities, and correlations. Assets are also diversified across investment management firms. The value of the Plans' assets could change materially depending upon, among other things, overall market volatility. As a result, assets of the Plans are subject to loss.

## **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 ALIMCO or the integrity of ALIMCO's management. ALIMCO has no information applicable to this Item.

Regulatory proceedings and actions relating to affiliates of ALIMCO are disclosed, as required, in Part 1 of Form ADV.

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<sup>2</sup> The Alcatel-Lucent Savings/401(k) plan will be renamed the Nokia Savings/401(k) Plan effective 1/1/17.

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

ALIMCO has no relationship or arrangement with a related person that is material to its advisory business or creates a material conflict of interest with clients.

## **Item 11 – Code of Ethics**

ALIMCO maintains a Code of Ethics which applies to all officers of ALIMCO, all other persons occupying a similar status or performing similar functions as the officers of ALIMCO, all employees of ALIMCO, all other Nokia group employees or non Nokia group individuals (e.g., temporary on site staff, consultants, or independent contractors) who are subject to ALIMCO's supervision and control<sup>3</sup>, all members of ALIMCO's board of directors, and all members of the PBIC and the 401(k) Committee.

The Code incorporates by reference other policies including, but not limited to, the Insider Trading Policy, Gifts, Entertainment & Travel Policy, and Policy for Receipt and Use of Material Non Public Information.

The Code sets forth standards of business conduct for employees, fiduciary duty obligations to the Plans, provisions relating to the confidentiality of information, and personal securities trading procedures, among other things.

The Code of Ethics includes pre-clearance requirements for personal securities transactions in certain securities and other investments ("Reportable Securities"). Access Persons are required to pre-clear personal transactions in certain Reportable Securities and to provide initial and annual reports of holdings of Reportable Securities and quarterly reports of transactions involving Reportable Securities for all accounts for which they have beneficial ownership. Employee trading is monitored to reasonably identify and prevent conflicts of interest between ALIMCO's employees' personal investment activities and the Plans.

A copy of ALIMCO's Code of Ethics is available upon request by contacting Kerry Gillin, Chief Compliance Officer ([kerry.gillin@nokia.com](mailto:kerry.gillin@nokia.com)).

## **Item 12 – Brokerage Practices**

ALIMCO retains fully discretionary investment managers to manage assets in the Plans. These unaffiliated, discretionary investment managers exercise discretion in the choice of brokers for transaction execution within the accounts. ALIMCO monitors third-party investment managers in these aspects of the performance of their duties.

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<sup>3</sup> The policies and procedures adopted by ALIMCO, the wholly owned indirect subsidiary of Nokia Corporation and SEC registered investment adviser, including the Code of Ethics, are designed primarily to ensure compliance with the Investment Advisers Act of 1940 and US pension law (i.e., ERISA). As such, Nokia group employees that are not employees of the ALIMCO subsidiary and that do not have responsibilities relating to the oversight of US pension investments, but with a reporting line through Nokia's Chief Investment Officer, are not subject to the policies and procedures adopted by ALIMCO.



The Plans' investments in private fund investments are not conducted through broker-dealers.

The Alcatel-Lucent Savings/401(k) Plan offers its participants the ability to utilize a self-directed brokerage account under the Plan. This service is offered through an affiliate of the plan's recordkeeper who, in turn, hires a clearing broker to process orders, deliver cash and securities, and hold securities in custody. ALIMCO assists the Plan Sponsor in monitoring the recordkeeper's commission and fee schedule and the direct and indirect compensation earned by and shared among the clearing broker and recordkeeper.

### **Item 13 – Review of Accounts**

The advisory services ALIMCO provides to the Plans include, as applicable, (a) establishing and amending objectives, strategies, guidelines and benchmarks for investments by the Plans in asset classes ranging from traditional equity and fixed income investments to alternative asset classes, including real estate, private equity, and absolute return; (b) determining, monitoring, and adjusting the allocation and diversification of assets *within* asset classes; (c) engaging and removing unaffiliated, discretionary investment managers to manage plan assets using strategies involving traditional equity and fixed income asset classes, and in the case of alternative asset classes, directing the Plans' investments in the third-party managed investment vehicles through which the Plans access these asset classes; (d) directing and monitoring the activities of the Plans' unaffiliated, discretionary investment managers; and (e) allocating and reallocating assets among the Plans' unaffiliated, discretionary investment managers.

ALIMCO monitors the Plans' high-level strategic asset allocations and the asset allocations within asset classes, at a minimum, on a monthly basis to verify that the allocations are within their ranges. The accounts which make up the investment manager structure in each asset class (the "Accounts") are monitored via a formal process which regularly verifies whether the manager is meeting ALIMCO's objectives and other contractual requirements. The monitoring process focuses on five areas: (1) compliance with reporting and valuation requirements; (2) compliance with investment guidelines; (3) continuity of and adherence to investment philosophy and process; (4) stability of personnel and organization; and (5) performance.

Each Account is reviewed by at least two individuals and at least one Vice President of ALIMCO. ALIMCO staff reviews the performance of Accounts at least quarterly. For public markets Accounts, staff conducts and documents reviews for each public markets investment manager at least twice annually and more frequently when any aspect of a manager's performance or operation gives rise to concern. Staff typically conducts annual site visits to the manager's premises to confirm that the infrastructure is in place to support the investment process. In some circumstances, public markets assets may be invested through commingled funds or similar investment vehicles. In such instances, ALIMCO staff will monitor the performance of such commingled vehicles in a manner and with a frequency that is consistent with the disclosure guidelines (and limitations) governing such commingled funds. Each public market investment manager must reconcile the Account positions with the custodian weekly. This procedure involves the comparison of the custodian's security positions, valuations, income, and other investment transactions with the same information as recorded by each investment manager.

For real estate separate Accounts, monitoring includes annual review of the audit of each real estate separate account's financial statements, periodic site visits by ALIMCO staff to manager's premises and a

structured periodic appraisal process for all separate account assets. Each separate Account investment manager is required to provide periodic buy/sell analysis with respect to each asset in its Account in order to ensure that such manager is invoking a prudent sell discipline. For absolute return accounts, investment staff conducts periodic due diligence discussions or reviews, at least annually, and on-site due diligence, as necessary, with each partnership. With respect to commingled investment Accounts in the absolute return, private equity, and real estate asset class, ALIMCO staff will (i) conduct periodic due diligence reviews with its general partners, as applicable; and (ii) serve on certain advisory boards.

At a minimum quarterly, each asset class reports the results of its monitoring via a formal report to the President of ALIMCO.

ALIMCO uses a trustee/custodian bank to maintain the assets of the Plans safely and securely, and to report holdings, performance, pricing, and transaction information promptly and accurately. ALIMCO's investment operations staff reviews custodian reporting at least monthly to validate the accuracy of account valuations, performance, currency positions, and periodic transactions and to serve as a check on the accuracy of the custodial system. This monthly review process is a formalized set of internal controls which are completed by investment operations staff and summarized for review by the Director of Investment Operations.

Periodic reporting to the Plans include, as applicable: (a) a written plan recommending the investment objectives and target asset mix, including the allocation and diversification of the assets among asset classes; (b) an evaluation of the effectiveness of the current portfolio and investment manager structure; (c) a review of the Plans' needs for particular investment styles, capitalization ranges, asset classes or strategies within the portfolio; and (d) quarterly and annual performance analysis, including performance of individual investment managers and individual portfolios, as well as in the aggregate.

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

Other than the compensation described in Item 5, ALIMCO does not receive an economic benefit from anyone other than the Plans for advisory services.

#### **Item 15 – Custody**

ALIMCO does not provide custodial services to the Plans. ALIMCO is deemed to have indirect custody of assets of the Plans because it has the ability to debit fees directly from Plan accounts. ALIMCO, however, does not have physical custody of client assets at any time.

Assets of the Plans, including separate account assets, ownership interests in commingled funds and limited partnerships, and direct-owned real estate, are accounted for by a trustee/custodian chosen by ALIMCO, which is the Plans' official book of record.

Separate Accounts: Assets of the Plans in separate accounts are held in custody at the trustee/custodian bank. ALIMCO requires the separate account investment managers to perform a detailed weekly holdings reconciliation of assets between its records and the records of the trustee/custodian. ALIMCO, on behalf of the Plans, reviews this reconciliation monthly.

Commingled Funds and Limited Partnerships: The underlying assets which support the Plans' ownership interests in commingled funds and limited partnerships may be held elsewhere with banks, registered broker-dealers or other "qualified custodians" and are accounted for by the Plans' trustee/custodian. ALIMCO, on behalf of the Plans, receives valuation statements directly from these parties at least quarterly, reviews those statements, and reconciles those valuations to the records maintained by the Plans' custodian.

Direct-Owned Real Estate: The Plans' trustee/custodian holds the property deed to any direct owned real estate. These properties are appraised at least annually by independent qualified appraisers and are managed by third party investment managers. ALIMCO, on behalf of the Plans, receives statements directly from these parties at least quarterly, reviews those statements, and reconciles those valuations to the records maintained by the Plans' trustee/custodian.

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

ALIMCO has discretionary authority to invest assets of the Plans in a manner consistent with the stated investment objectives for the Plans.

The PBIC approves the asset classes for investment by the Plans and the proportions allocated to each in the defined benefit and other post-employment benefit plans. (Assets in defined contribution plans are allocated by the plans' participants.) The PBIC or the 401(k) Committee may impose restrictions on investing in certain securities or types of securities by establishing new or changing existing investment guidelines and investment objectives described in a Plan's Statement of Investment Policy. ALIMCO has discretion to invest assets of the Plans within the approved asset allocations and in accordance with the Plans Statements of Investment Policy.

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

Proxies are voted by the discretionary investment managers responsible for day-to-day management of the Plans' investment accounts. ALIMCO evaluates each investment manager's proxy voting policies as part of the hiring process and as part of ALIMCO's ongoing monitoring of the investment manager. ALIMCO also reviews periodic, incident-based reports regarding the investment managers' proxy voting activities.

ALIMCO requires that each investment manager: (1) vote solely in the best economic interest of the Plans' participants and beneficiaries as required by ERISA; (2) maintain and comply with written proxy voting policies and procedures; (3) provide ALIMCO with a copy of its proxy voting policies and procedures upon hiring or whenever they are materially revised; and (4) provide ALIMCO with a record of votes with respect to any securities held in its account upon ALIMCO's request, including a summary of the percentage voted with or against management.

Neither the Plans nor Nokia may direct proxy votes in a particular solicitation.

The Plans sometimes invest in commingled funds, and in those cases, proxies related to a Plan's interest in the commingled fund itself (not its underlying holdings) are voted on a case by case basis by the appropriate ALIMCO asset class Director.

As a small firm that delegates proxy voting responsibilities, ALIMCO is unlikely to face conflicts of interest with respect to proxies it votes for the commingled funds. The asset class Directors responsible for the Plans' commingled fund investments, together with ALIMCO's Chief Compliance Officer, monitor the voting of any proxies received from the commingled funds for potential conflicts of interest. Where a conflict of interest is determined to exist, ALIMCO will take appropriate action to mitigate the conflict of interest, which may include engaging an independent third party to vote the proxies in question.

Upon request, the Plans may receive descriptions of each investment manager's proxy voting policies and procedures, the policies and procedures themselves, a copy of ALIMCO's proxy voting policies and procedures, or information on how proxies were voted on a Plan's behalf by contacting Kerry Gillin, Chief Compliance Officer ([kerry.gillin@nokia.com](mailto:kerry.gillin@nokia.com)).

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

ALIMCO 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.