

Item 1: Cover Page

Kempner Capital Management, Inc.

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This brochure provides information about the qualifications and business practices of Kempner Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (409) 765-6671. 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 Kempner Capital Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov. Kempner Capital Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Item 2 : Material Changes

The last Annual Update of this Brochure was filed in February 2023. There have been no material changes since that filing.

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Item 4: Advisory Business

Advisory Firm Description

Kempner Capital Management, Inc. ("KCM" or the "Firm") has been in business since January 1982. The principal owner is Harris ("Shrub") Leon Kempner, Jr.

Types of Advisory Services

KCM provides investment advice in accordance with established investment guidelines and objectives. KCM requires a written investment advisory contract with every client and asks all clients to submit written investment objectives. When provided, those objectives are attached as an exhibit to the advisory agreement. In the absence of client/provided objectives, KCM attaches its own standard objectives. KCM manages discretionary client portfolios with minimal regard for such factors as the amount of a client's other investments and the tax impact of an investment on the client.

KCM has discretionary clients. Services to these clients include:

- Supervision of the client's portfolio assets committed to KCM
- Investment advice
- Execution of purchase and sale orders
- Regular reports on the administered portfolio

KCM primarily manages equity portfolios using a value management style, but also gives fixed income advice to some clients. The fixed income portfolios generally consist of full faith and credit U. S. Government obligations.

In addition, KCM offers its services to a publicly traded registered investment company, an open-end mutual fund ("Mutual Fund").

Tailored Advisory Services

Discretionary clients may restrict KCM from purchasing or selling particular securities. Each client may change these restrictions at any time by notifying KCM staff.

Client Assets Under Management

As of December 31, 2023, the Firm had \$195,604,939 of discretionary assets under management.

Item 5 : Fees and Compensation

KCM's standard fee schedule for new discretionary clients is based on the market value of the portfolio managed at quarter end as reported by the custodian and is negotiable. Fees are deducted from accounts and are charged quarterly. The current quarterly fee schedule for equity accounts is:

- 0.1875% of the first \$5,000,000
- 0.1250% of the next \$20,000,000
- 0.10% of the market value of assets in excess of \$25,000,000

The current quarterly fee schedule for discretionary fixed income accounts is 0.0875% and is based on the market value of the portfolio managed at quarter end and is negotiable.

For investment advisory services provided to the Mutual Fund, KCM charges an annual management fee of 0.59% computed daily at an annual rate based on the average daily net assets of the respective fund. This fee is paid monthly in arrears. Such term is defined and further explained in the fund's prospectus.

Some clients have negotiated fees at lower rates, so some clients pay different fees for the same service from KCM. This means some clients pay more than other clients with the same amount or same type of assets under our management. KCM does not differentiate its service to clients based on their fees. A statement of fees due is prepared at the end of each quarter based on the value of the portfolio assets at market close on the last day the New York Stock Exchange is open for business during each quarter. The fee is payable within 15 days after the date of the statement.

Cash is generally swept regularly by the custodian and is invested in short-term mutual funds or money market instruments. In these cases the client may be charged an internal management fee which is included in the internal expenses of the fund. These expenses are disclosed in each fund prospectus which is provided to the clients by the account custodian. Clients are also responsible for additional fees and expenses associated with their account, such as custodial fees, brokerage commissions, wire fees, etc.

Kempner Securities, LP, which is a current KCM discretionary client, pays KCM a quarterly fee of \$15,000 in addition to the fee paid to KCM under an Investment Advisory Agreement. These fees are for administrative, accounting and specialized record-keeping services provided by KCM. Harris L. Kempner, Jr. also has an interest in Kempner Securities, LP.

Galveston Finale LP, a partnership in which Harris L. Kempner, Jr. has an interest, pays a quarterly fee of \$5,000 to KCM. These fees are for administrative, accounting and specialized record-keeping services provided by KCM.

Item 6: Performance-Based Fees and Side-By-Side Management

KCM does not charge any performance-based fees or engage in side-by-side management. Therefore, this is not applicable.

Item 7: Types of Clients

KCM provides investment advice to the following types of clients:

- Individuals
- Investment companies
- Trusts, estates or charitable organizations
- Limited Partnerships

KCM negotiates minimum account sizes on a case by case basis.

Item 8 : Methods of Analysis, Investment Strategies and Risk of Loss

The investment strategies used by KCM to implement investment advice include:

- Long-term purchases (securities held at least a year)
- Short-term purchases (securities sold within a year)

Value Management Multi-Cap Investment Strategy

KCM utilizes a disciplined, deep-value approach to investing in equity portfolios with an emphasis on long-term total return. It is a bottom-up process to identify companies that have been overlooked by other investors but have earnings or other factors that will likely make them better regarded within a market cycle. KCM's primary objective is to generate a total pre-tax return, including capital growth and dividends, greater than the rate of inflation over a minimum of three to five years.

Stocks selected:

- Must pay dividends at the time of purchase (*KCM retains stocks that have suspended dividend payments if there is investment merit and a turnaround is anticipated.*)
- Have frequently been sold out or ignored for some time by other investors
- Have earnings or other factors that KCM believes will make them become better regarded by other investors
- Usually have low price/earnings multiples ($\leq 15x$) and high cash flow per share
- Are generally at no more than 20% above their 52-week low
- Public debt, if any, which must be investment grade (BBB-, BAA3 or better) at time of purchase

KCM purchases foreign securities if they are either ADRs or ADSs and are traded on U.S. exchanges.

The Investment Process

KCM screens a limited universe of stocks to find companies, which initially meet the Firm's criteria, and then examines those stocks on an individual basis using a bottom-up approach. KCM does not believe in being fully invested at all times. Cash is always considered a buying reserve and is committed as the market comes down and more stocks become cheap, according to KCM's criteria. This is one of the more significant differences between KCM and other managers.

Cash is a direct result of the investment process and builds when purchase opportunities are not available. Cash reserves tend to accumulate as the market is moving up and usually diminish as markets come down and more bargains appear. A risk of a value strategy is the potential for paying too much for a security. Value strategies must be particularly strategic in declining markets. KCM places most of its equity trades as "Good-'Til-Cancelled" ("GTC") orders, which instruct the broker to execute the trade once a particular price is reached. GTC orders do not guarantee an execution.

Fixed Income Investment Strategy

KCM's primary objective is to provide a reasonable level of current income and preservation of capital through investment in full faith and credit U.S. Government obligations.

KCM has a top-down approach using economic analysis to anticipate the general direction of interest rates.

Under normal circumstances, KCM will invest at least 70% of its net assets in full faith and credit U.S. Government obligations. Although U.S. Government obligations are considered to be among the safest investments, they are not guaranteed against price movements due to changing interest rates.

The Investment Process

In selecting investments for fixed incomes, KCM tries to increase total return without adding undue risk by analyzing yields and economic factors, such as expected inflation. The investments include:

- Treasury bonds
- Treasury notes
- Treasury inflation-protected securities
- Short-term U.S. Government money market funds

KCM considers, among other things, the security's interest rate, yield, maturity and inflation-protection.

KCM actively manages the maturity of the securities to increase the total return based on current market interest rates and KCM's outlook on the market.

Risks to KCM's fixed income strategy include interest rate risk and reinvestment rate risks.

KCM does not guarantee the future performance of an account or any specific level of performance, the success of any investment decision or strategy that the Firm may use, or the success of the Firm's overall management of an account. The client understands that investment decisions made for the client's account by the Firm are subject to various market, economic, political and business risks, and that those investment decisions will not always be profitable. The client is reminded that investing in any security entails risk of loss.

Cybersecurity Risk: Kempner and its service providers may be subject to operational and information security risks resulting from cyberattacks. Cybersecurity attacks affecting Kempner and its service providers may adversely impact clients. Although Kempner has established its systems to reduce the risk of these incidents occurring, there is no guarantee that these efforts will always be successful, especially considering that Kempner does not directly control the cybersecurity measures and policies employed by third-party service providers or those of its clients.

Item 9 : Disciplinary Information

There have been no disciplinary actions against KCM or Mr. Kempner.

Item 10 : Other Financial Industry Activities and Affiliations

KCM manages an open-end mutual fund, the Kempner Multi Cap Deep Value Fund.

In addition to its regular investment advisory clients, KCM provides administrative, accounting and specialized record-keeping services for Kempner Securities, LP ("KSLP"), which is a current KCM discretionary client, and for Galveston Finale LP ("GFLP"). Mr. Kempner is a limited partner/unit holder of KSLP and GFLP.

Mr. Kempner is Chairman Emeritus and an Advisory Director to the Board of Frost Bank of Galveston. His position is honorary and he does not hold any voting authority.

KCM serves as the investment advisor for Kempner Securities LP. This partnership, which is a pooled investment vehicle, is not open to outside investors. Harris L. Kempner, Jr. is one of three members of Kempner Securities GP LLC, the General Partner of Kempner Securities LP.

Mr. Kempner is also one of three members of Galveston Finale GP LLC, the General Partner of Galveston Finale LP.

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

Code of Ethics

KCM has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as "employees") and focuses on three specific areas where employee conduct has the potential to adversely affect the client:

- Misuse of non-public information
- Personal securities trading
- Outside business activities

Failure to uphold the Code of Ethics will result in disciplinary sanctions, including possible termination with the Firm. Any client or prospective client may request a copy of the Firm's Code of Ethics, which will be provided at no cost.

The following basic principles guide all aspects of the Firm's business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients' interests come before employees' personal interests and before the Firm's interests.
- The Firm must fully disclose all material facts about conflicts of interest of which it is aware between itself and clients as well as between Firm employees and clients.
- Employees must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

Misuse of Non-Public Information

The Code of Ethics contains a policy against the use of non-public information in conducting business for the Firm. Employees must not convey non-public information nor depend upon it in placing personal or client securities trades.

Personal Securities Trading

Neither KCM nor its employees may take any action with respect to personal holdings that may be perceived to be unfair to the Firm's clients. KCM's Chief Compliance Officer receives monthly brokerage statements directly from each brokerage firm detailing all trading activity and security positions owned by any employee or member of the employee's household. These statements are reviewed monthly to ensure compliance with KCM's policies and securities laws.

As defined in its Code of Ethics, KCM and its employees are not prohibited from buying or selling, for their own portfolios, the same securities recommended to clients but have strict restrictions as to when an order may be placed and at what price. Employees are prohibited from participating in initial public offerings in Personal Accounts. Investing in private placements of any kind in Personal Accounts must be pre-approved by the Chief Compliance Officer.

Outside Business Activities

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed or the employee will be directed to cease this activity.

Item 12 : Brokerage Practices

KCM recognizes its fiduciary responsibility to maintain best execution for trades executed on behalf of clients, managing commission costs as well as monitoring execution quality. In selecting brokers, the primary consideration KCM makes is the quality of the broker's execution capabilities, open order tracking, responsiveness, financial stability, and applicability of the broker's proprietary sell side research and analysis. KCM works continuously to obtain best execution for client transactions. We believe best execution is not merely the lowest commission cost but the best overall qualitative execution. Because of the requirements mentioned above, KCM uses only full service brokers who provide good service. With few exceptions, KCM's orders are good until cancelled limit orders with rotated order entry processes to ensure fair and equal treatment of all clientele. KCM varies the order in which clients' securities trades are entered into the marketplace so as not to, over time, benefit one client over another. The CCO has enacted a review and testing process to ensure the rotated order entry practice is carried out consistently and equitably. Trades are executed only as agency transactions.

The Investment Committee periodically reviews all brokers executing trades using a number of factors, including:

- The ability to effect prompt and reliable executions at favorable prices.
- The operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution.
- Responsiveness to KCM

- Quality of recordkeeping, ability to maintain and review open orders regularly with KCM.

Research and Other Soft-Dollar Benefits

KCM does not have any formal written soft dollar contracts with brokers. KCM receives proprietary research analysis and investment ideas from full service brokers with whom trades may be placed. The Firm's policy stipulates that any soft dollar arrangement must be pre-approved by the Chief Compliance Officer and must conform within the "safe harbor" of Section 28(e).

Brokerage for Client Referrals

The Firm does not currently receive referrals from a broker/dealer or third party providing service to KCM.

Directed Brokerage

Client Directed Brokerage Arrangements

When new accounts are opened, KCM gives clients the opportunity to direct brokerage arrangements. While some clients opt to direct brokerage, the disadvantages to the client in directing brokerage are:

- The client may not be able to negotiate a commission rate comparable to what KCM has in place.
- The client's trades may not be entered as quickly as those of KCM's non-directed brokerage clients due to aggregation of trade entry to allow faster trade input and execution.
- When KCM has the opportunity to purchase IPOs (or other limited supply investments) through its broker relationships, directed brokerage clients could lose the opportunity.

Order Aggregation

The Head Trader will rotate order entry across accounts participating in the same transaction (i.e., same buy or sell of the same security). The Head Trader will maintain a log showing the order of account entry. The CCO will review the log to ensure that trade orders are actually rotated amongst all the accounts participating in the same strategy.

Item 13: Review of Accounts

Discretionary client portfolios are managed using a team approach by KCM's portfolio managers, Harris L. Kempner, Jr. and M. Shawn Gault. All portfolios are reviewed at least twice weekly. In addition, any news on current portfolio holdings, earnings announcements, debt rating changes, etc. are discussed in weekly Investment Committee meetings attended by the Portfolio Management Team as well as the Chief Compliance Officer, Head Trader, and Trader.

KCM prepares and delivers to each discretionary client written quarterly reports showing the client's portfolio holdings, cost basis, market value and expected yield of each security as of the last business day of the quarter. A quarterly letter discussing KCM's view of

economic conditions is sent to all clients along with their portfolio's performance for the quarter compared to other market indices. All custodians send KCM clients statements at least quarterly, listing transactions and holdings and detailing the deduction of KCM's management fees as appropriate.

Item 14 : Client Referrals and Other Compensation

KCM does not provide compensation for client referrals and does not market through third-party arrangements.

Item 15 : Custody

Custody is defined as having any access to client funds or securities. Frost Bank is the custodian for Kempner Securities LP investment assets, but KCM President, Harris L. Kempner, Jr., is authorized, as a member of the General Partner, to sign checks on the partnership's checking account and to transfer funds as needed to the partnership's checking account. Therefore, KCM considers itself to have custody of the Kempner Securities LP account. This account is audited by an unaffiliated public accounting firm annually, with the audited statements then sent to each Limited Partner.

Upon receipt of custodial statements, clients should carefully review those statements and take the time to compare them with those they receive from KCM. If the client finds significant discrepancies, the custodian and KCM should be notified. Clients are also encouraged to depend upon the custodian's statements for tax reporting purposes.

Item 16 : Investment Discretion

For discretionary accounts, the Firm has full trading authority as provided under a signed agreement with KCM. As a result, KCM will determine both the investments, and how much of each, should be purchased or sold on each client's behalf. Clients may place restrictions on the Firm's discretion in writing.

Item 17 : Voting Client Securities

KCM votes proxies for securities held in client accounts, so KCM has adopted proxy voting policies and procedures. Clients do not direct adviser on how to vote proxies. KCM will determine whether it is in the clients' best interest to exercise the clients' voting rights with respect to specific securities. If it is deemed appropriate to exercise the right, the matters on which a vote is solicited will be evaluated in light of the clients' investment objectives. KCM may vote against management's recommendation on issues where necessary, depending upon each proposal and its merits.

KCM recognizes that conflicts of interest could arise in the proxy decision-making process. KCM prohibits employees from serving as a director on the Board of any public company, without approval of KCM's Board of Directors. It is KCM's policy not to trade in the securities of any company that has a KCM employee on its Board so proxy voting would not be an issue. Currently no employees serve on the Boards of any public companies. Any proxies involving a conflict of interest will be discussed by the Investment Committee and outside counsel may be consulted to ensure the proxies are voted in the best interests of KCMs clients.

Clients may request copies of KCM's historical proxy voting record on their behalf, as well as a copy of KCM's proxy voting policy.

Item 18 : Financial Information

There is no existing financial condition that is likely to impair KCM's ability to continue to provide services to its clients.