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**Lummis Asset Management, L.P.**

**Part 2A of Form ADV**

**Firm Brochure**

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This brochure provides information about the qualifications and business practices of Lummis Asset Management, L.P. If you have any questions about the contents of this brochure, please contact us at (817) 348-0577. 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 Lummis Asset Management, L.P. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products, or investment advisor services. Such an offer may only be made to eligible clients by means of delivery of account documents that contain a description of the material terms relating to such investment advisory services.

**2. Material Changes**

The material changes from the last annual amendment in March 2023 are described below.

- Lummis Asset Management, L.P. has updated its Outside Business Activity. (ITEM 10)
- Lummis Asset Management, L.P. has updated their address and investment philosophy.

### **3. Table of Contents**

1. Cover Page
2. Material Changes
3. Table of Contents
4. Advisory Business
5. Fees and Compensation
6. Performance Based Fees and Side-by-Side Management
7. Types of Clients We Serve
8. Methods of Analysis, Investment Strategies, and Risks
9. Legal and Disciplinary Information
10. Other Financial Industry Activities and Affiliations
11. Code of Ethics and Company Policies related to Client and Personal Trading
12. Brokerage Practices
13. Review of Accounts
14. Compensation for Client Referrals
15. Custody of Client Accounts
16. Investment Discretion
17. Proxy Voting for Client Securities
18. Financial Information about Lummis Asset Management, L.P.
19. Additional Information about Lummis Asset Management, L.P. including information about investment advisory personnel

#### 4. Lummis Asset Management, L.P. Advisory Services

Lummis Asset Management, L.P. is organized as a partnership and has been in business since 1999. P. Bradley Lummis is the President of LAMCO Capital, LLC, which is the sole partner and 98% owner of Lummis Asset Management, L.P. Mr. Lummis also functions as the principal portfolio manager of the company. The firm provides portfolio management services, investment advice, and investment planning services.

**Portfolio Management Services:** Prior to constructing an investment portfolio, considerable time is spent with the prospective client discussing their financial situation, needs, and long-term goals. From this discussion, we can get a sense of the client's tolerance for risk, their long-term portfolio return expectations, and the time required to build a portfolio. We can then come to a mutual understanding as to whether the client's investment objectives and portfolio return expectations are compatible with our investment style and philosophy. It is important that all clients share our long-term investment focus (three to five years). If a client is comfortable with our approach and decides to retain us, an investment portfolio is constructed using some combination of stocks, bonds, mutual funds, exchange-traded funds ("ETFs") and other investment products. If the initial account balance is composed strictly of cash, depending on market conditions, it may take a period of months or even a year or longer to construct the portfolio.

**Investment Advice:** Providing investment advice involves the review of client portfolios constructed by the client themselves or by other firms. Actions may be recommended to the client based on our assessment of their holdings, the client's financial goals, and their risk tolerance. The client might buy or sell individual securities based on our recommendations or use other financial professionals to execute the trades.

Lummis Asset Management, L.P. also provides investment advice to a financial institution that provides investment management services to third parties. Our firm is retained to review the stocks and bonds held by their clients. We make individual stock and bond buy and sell recommendations if requested by the financial institution.

**Investment Planning Services:** Investment planning involves the creation of a formal written plan to help clients deal with various financial issues through proper planning, which might include cash flow, education, retirement, investment, insurance, tax, and estate planning. The plan is constructed using financial planning software and takes into account all questions, information, and advice as it impacts the financial and life situation of the client. The financial plan hopes to assist the client in achieving realistic financial goals by a specified target date. The plan will recommend how the client's investment portfolio should be constructed to best meet the client's financial goals after taking into consideration their risk tolerance. For example, for a client with a moderate tolerance for risk, the plan may recommend that the client's portfolio be comprised of 50% stocks, 30% bonds, and 10% alternative investments, and 10% cash. When the client agrees to the plan's recommended investment portfolio allocation, the firm will then set about constructing and managing the portfolio. The plan may be updated to accommodate financial or life events that could affect the client's goals or the time required to meet those goals.

When a client engages Lummis Asset Management, L.P. for investment portfolio services, the client grants the Firm the authority to make investment decisions and execute trades on their behalf. In some

instances, the client may instruct us to purchase or sell a specific security. In addition, a client may place restrictions as to the types of securities or businesses in which their money is invested. For instance, a client may not want us to purchase any security of a company that manufactures and sells products detrimental to people's health, like cigarettes and alcohol.

We provide a statement of portfolio holdings and investment results quarterly, or more frequently if requested by the client.

Lummi Asset Management, L.P. also produces a quarterly market update newsletter, which is provided at no charge to our clients and other interested parties. A copy of the latest Market Update can be requested by phone, mail, or email. The Market Update will then be mailed or emailed to the requestor.

As of December 2022, Lummi Asset Management, L.P. was managing \$169,754,179 in discretionary client assets and \$8,190,636 in non-discretionary assets.

## **5. Fees and Compensation**

a. For investment portfolio management services, the fee schedule is as follows:

### **For the portion of the portfolio invested in equities and cash:**

The annual fee is:       1.00% on the first \$2,000,000  
                                  0.875% on the next \$2,000,000  
                                  0.750% of the next \$2,000,000  
                                  0.50% on the remaining balance of the equities portfolio

### **For the portion of the portfolio invested in fixed income securities (i.e. bonds):**

The annual fee is:       0.50% on the first \$2,000,000  
                                  0.375% on the remaining balance of the fixed income portfolio

### **For the portion of the portfolio invested in mutual funds:**

The annual fee is a flat .50%

Fees are billed at the end of each quarter and are due when the bill is received. Most clients choose to have us directly deduct the fees from their brokerage account, but they do have the option of paying by check if preferred.

All Lummis Asset Management, L.P. fees are negotiable.

In addition to management fees, clients are responsible for transactions fees charged by the companies through which trades are placed. Mutual funds may also charge their own management fees in addition to those charged by Lummis Asset Management, L.P.

b. Investment planning services that are not part of portfolio management are billed at \$175 per hour. These fees are due when billed.

## **6. Performance Based Fees and Side-by-Side Management**

Not applicable.

## **7. Types of Clients We Serve**

Our clients are fairly evenly divided between individuals, high net-worth individuals, charitable organizations, and corporations or other businesses with a minimum of \$1,000,000 to invest and individuals with less than that to invest. All of our clients tend to be conservative investors who appreciate our disciplined investment strategy aimed at preserving their capital and growing it over the long-term.

In addition, we provide investment planning consultation services to a banking institution on an hourly basis.

## **8. Investment Philosophy, Strategies, and Associated Risks**

### **Stocks**

We view equities as the best means of compounding long-term wealth over time. Wealth is best compounded by buying companies that are simple to understand, have pricing power, have strong balance sheets, generate consistent cash flows, require little in the way of capital to maintain the business, and earn attractive returns on capital. Management of these companies should treat shareholders as partners and have a history of rationally allocating capital towards debt repayment, acquisitions, dividends, and/or stock buybacks.

We are patient investors. Cash balances and portfolio turnover is a product of the abundance or scarcity of investment opportunity. We are also tax sensitive. Taxes paid cannot be recouped. As a result, portfolio turnover is typically very low. We have positions in portfolios that we have owned for a decade for more.

We are size agnostic. We are willing to own small, mid, or large-cap stocks. Mature portfolios typically hold 25-35 positions.

When initiating a position, we look for stocks that trade at a discount to fair value. The price paid should offer us a margin of safety, that is, upside potential should far exceed downside potential. First and foremost, we seek to avoid a permanent loss of capital.

### **Bonds**

Due to their conservative nature, most of our clients own bonds to provide income and reduce the volatility of their portfolios. We prefer to purchase investment grade bonds at par value or at a discount so that we can capture price appreciation as the bonds age and their remaining life shortens. We purchase corporate bonds, United States treasuries, and municipal bonds depending on the risk adjusted yield. We use a laddered approach to building bond portfolios; that is, we ladder bonds by maturity so that the bonds mature at various times. We then hope to reinvest the proceeds in new bonds that pay a higher yield. The average maturity of bond portfolios is typically three to seven years.

We do not trade securities frequently. When we buy stocks, we are comfortable holding them for some time (three to five years). When we buy bonds, we prefer to hold them to maturity.

We live in uncertain times. Risk remains elevated in all capital markets. The price of stocks and all other investment products, including United States treasury bonds, will fluctuate. Our perception that a security is undervalued could prove to be incorrect. Complex inter-relationships among larger economic factors may also cause unexpected security price changes. Inflation also can cause the purchasing power of a currency to fall, negatively impacting all securities priced in that currency.

Investing in securities is inherently risky. Investors could lose money. Lummis Asset Management, L.P. cannot guarantee that any client will achieve their investment goals or that any client will receive a

return of its investment. Past investment performance of the firm and its clients does not guarantee future results.

## **9. Legal and Disciplinary Events**

There are no legal or disciplinary events, past or pending, to report.

## **10. Other Financial Activities and Affiliations**

Lummis Asset Management, L.P. does not have any relationship with a broker-dealer, securities dealer, investment advisor, investment planner, bank, accounting firm, law firm, insurance agency, pension consultant, or real estate broker of any other institution that might represent a material conflict of interest with clients.

Michael Kirk Wimberley is the COO at Lone Oak Trust Company. As the COO of a trust company since January 3, 2023, he diligently oversees the operations department, dedicating 65 hours monthly during trading hours and 25 hours outside, anticipating 50% of his yearly compensation to stem from the business.

## **11. Code of Ethics and Company Policies related to Client and Personal Trading**

We recognize that our clients have placed their trust in us, and that we must earn and then keep their trust. Because of this, we hold ourselves to the highest ethical standards and conduct our business with integrity and honesty. Our policies and procedures were developed to make sure that we comply with all securities regulations. In addition, the firm has developed a Code of Ethics that all employees must read and sign at the beginning of their employment at Lummis Asset Management, L.P. and thereafter on an annual basis. A copy of the Code of Ethics is available to clients or prospective clients upon request.

In order to maintain our high standards of service, employees attend continuing education classes on a regular basis.

The misuse of significant information that is not publicly available for monetary gain or to avoid losses is strictly prohibited.

Personal trading and investment activities are subject to federal laws and regulations that require all employees to avoid any actual or potential conflict of interest or abuse of the individual's position of trust and responsibility. The Client's interests come before the Firm's, and before the interest of the Firm's employees. Employees must report their transactions and portfolio holdings to the Chief Compliance Officer on a quarterly basis. Employee also must obtain prior approval to invest in initial public offerings or unregistered securities.

The principal of Lummis Asset Management, L.P. and related persons may invest in the same securities or related securities that are purchased for, or recommended to, clients. If these securities are purchased at different times, it is possible the price of the security could rise as a result of a purchase by a principal of the firm or a related person and result in a higher cost to clients. It also is possible that the price of the security could fall as a result of a sale by the principal of the firm or related persons, resulting in lower proceeds from the subsequent sale of the same security of the client. To mitigate

these potential conflicts, Lummis, Asset Management, L.P. aggregates purchases or sales for principals, related persons, and clients in a single transaction whenever possible.

## **12. Brokerage Arrangements**

### **The custodian and brokers we use:**

Lummis Asset Management, L.P. does not maintain custody of client assets that we manage, although we may be deemed to have custody of their assets if they give us authority to withdraw assets from their account (see Item 15 – Custody). Client assets must be maintained in an account at a “qualified custodian”, generally a broker-dealer or bank. We request that our clients use Charles Schwab & Co. Inc. (“Schwab”), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab.

The custodian will hold client’s assets in a brokerage account and buy and sell securities when we (or the client) instruct them to do so. While we request that clients use Schwab as custodian/broker, some clients prefer not to change custodians when they engage us as investment advisors. If the client decides to open an account at Schwab, they enter into an account agreement directly with them. Although we may assist in the process, we will not open the account for the client.

### **How we select brokers/custodians:**

We seek to recommend and use a custodian that will hold client assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including but not limited to:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for the client’s account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, ETFs, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, security, and stability
- Prior service to us and our clients
- Availability of other products and services that benefit us, as discussed below.

We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.



**Client brokerage and custody costs:**

For our clients' accounts that Schwab maintains, Schwab generally does not charge separately for custody services, but is compensated by charging commissions or other fees on trades that it executes or that settle into a Schwab account. Schwab also is compensated by earning interest on the uninvested cash in clients' accounts.

**Products and services available to us from Schwab:**

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage our business. Schwab's support services are generally available on an unsolicited basis (we do not have to request them) and at no charge to us.

**Support services that we use include, but are not limited to:**

- Access to a broad range of investment products, some of which we might not otherwise have access to or that would require a significantly higher minimum initial investment
- Execution of securities transactions and custody of client assets
- Investment research, both Schwab's own and that of 3<sup>rd</sup> parties
- Software and other technology
- Facilitation of trade execution and allocation of aggregated trade orders for multiple client accounts \*
- Pricing and other marketing data
- Facilitation of client fee payment
- Educational conferences and events
- Consulting on technology, compliance, and business needs
- Publications and conferences on practice management

*\* Lummis Asset Management, L.P. attempts to aggregate client purchases and sales in a single trade whenever possible. If an entire order cannot be executed on the same trading day, the Firm requires the use of a rotational allocation procedure with the smallest account (based on the number of shares to be allocated) receiving first priority and the largest account receiving last priority. This procedure insures that for any and all trades, all client accounts are treated in a consistent fashion.*

**13. Review of Accounts**

All accounts are reviewed on a regular basis to ensure they are invested according to the investment policy agreed on by the client and the advisor. This investment policy serves as the portfolio manager's investment road map.

At the very least, the investment advisor reviews each account monthly. Most accounts are reviewed weekly. All accounts are typically reviewed when a new security is considered for inclusion in portfolios.

Clients receive full portfolio reports on a quarterly basis. The quarterly reports consist of a portfolio statement, which lists all the securities held by the account, along with their cost and current value as well as other information. Portfolio returns for the quarter, year-to-date and since inception also are reported. Asset class performance returns are reported over the same period for each distinct asset class, such as cash, domestic equities, foreign equities, and bonds. At the end of the fourth quarter, a realized gains and losses report for the calendar year is provided to all clients.

Clients also may ask for reports on a more frequent basis or for additional reports at any time. The investment advisor is always available for consultations on the phone or in person.

#### **14. Compensation for Client Referrals**

Lummis Asset Management, L.P. has no arrangement with any outside entity for paying or receiving compensation for client referrals.

#### **15. Custody of Client Accounts**

Under revised government regulations, we are deemed to have custody of client assets if, for example, the client authorizes us to instruct Schwab, or other custodians such as Fidelity, to deduct our advisory fees directly from their account (or if they grant us authority to move money to another person's account or an account jointly owned with another person). Schwab (or Fidelity) maintain actual custody of client assets. Clients will receive account statements directly from them at least quarterly. They will be sent to the email or postal mailing address the client provided to Schwab. Those statements should be carefully reviewed promptly when received. We also urge clients to compare custodian account statements with the quarterly portfolio reports received from Lummis Asset Management, L.P.

#### **16. Investment Discretion**

Clients delegate Lummis Asset Management, L.P. investment discretion over their accounts. By delegating investment discretion, the client gives Lummis Asset Management, L.P. the discretion to make all investment decisions and place trades for their accounts.

When a client decides to have Lummis Asset Management, L.P. act as their investment manager, they sign an Investment Advisory Agreement which appoints the Firm as agent and attorney-in-fact with full power and authority in connection with the account. This gives the advisor the authority to (a) buy, sell, exchange, convert, and otherwise trade in any and all stocks, bonds, and other securities that the advisor may select; and (b) to establish and deal through accounts with the brokerage firms, dealers, or banks as the advisor may select. The client may designate which broker or dealer will act as custodian of the client's assets and the advisor will make trades through that custodian. The custodial firm also will require the advisor to have power of attorney over the account before they can have access to it.

At the time the account is established, the client and the advisor will decide what types of securities and in what proportion the account will be invested. The client is free to place any restrictions on the types

of securities in which he or she wishes the funds to be invested. These decisions will be reflected in the Investment Policy Statement. The client can request that the policy be revised at any time. In addition, the advisor may suggest revising the Investment Policy from time to time as circumstances change.

Only after the Investment Advisory Agreement and the Investment Policy Statement are signed will Lummis Asset Management, L.P. begin managing the client's investments.

#### **17. Proxy Votes for Client Shares**

The investment advisor is responsible for making all proxy voting decisions. Such decisions will be made in such a way as to maximize shareholder value. Accordingly, the investment advisor will monitor corporate actions and gather sufficient information to make informed decisions regarding voting issues.

Although rare, conflicts of interest in particular voting issues may arise between the client's best interest and those of the investment advisor. When this happens, the advisor will give the client three options:

1. The client can cast the proxy votes.
2. The client can give consent for the investment advisor to vote the shares.
3. The client can allow a third-party hired by the investment advisor to vote the shares.

Clients can get information from Lummis Asset Management, L.P. about how proxies were voted by calling or writing us. They may also request a copy of our proxy voting policies and procedures.

#### **18. Financial Information about Lummis Asset Management, L.P.**

Lummis Asset Management, L.P. does not require or solicit repayment of fees from any client. The firm has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its availability to manage client accounts.

#### **19. Other Required Information**

LAMCO Capital, L.L.C. is the sole general partner of Lummis Asset Management, L.P. It does not engage in any business activities outside of its investment advisory services provided by Lummis Asset Management, L.P.

## **Information about Investment Advisory Personnel**

Portfolio Manager and Investment Advisor Representative:

P. Bradley Lummis, CPA  
BBA Southern Methodist University  
MBA University of Texas at Austin

Additional information about these personnel is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

All personnel are located in the offices of Lummis Asset Management, L.P.:

301 Commerce Street, Suite 1380  
Fort Worth, Texas 76102  
(817)348-0577

Supervisory responsibilities:

P. Bradley Lummis has supervisory responsibility for the firm, including monitoring the advice that is provided to clients. He may be reached at (817) 348-0577.