

# **Lepercq de Neuflize Asset Management LLC**

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**7/01/2012**

This Brochure provides information about the qualifications and business practices of Lepercq de Neuflize Asset Management LLC (“LNAME”). If you have any questions about the contents of this Brochure, please contact Mr. Gwenolé Le Blevennec at 212-698-0775 or [gwenolel@lepercq.com](mailto:gwenolel@lepercq.com).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

LNAME is 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 to help you determine whether to hire or retain an Adviser.

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

## Item 2 – Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amended the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated December 31, 2011 is an updated document prepared according to said SEC requirements and rules. This Brochure contains no material changes from the December 31, 2010 Brochure.

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Pursuant to current SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our firm’s fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Currently, our Brochure may be requested by contacting Mr. Gwenolé Le Blevennec, Chief Operating Officer (COO), Administration at 212-698-0775 or [gwenolel@lepercq.com](mailto:gwenolel@lepercq.com). Additional information about LNAM is also available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

To the extent that this Brochure is made available to you via electronic means, we will also mail you a copy via US mail or hand you a copy at our office to comply with the SEC delivery requirements.

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## Item 4 – Advisory Business

### **Principal Owners:**

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

Francois Letaconnoux is President and CEO of both LNAM and LN&Co.

### **Firm Description:**

LNAM furnishes investment supervisory services to institutional and individual clients. The firm primarily focuses on U.S. securities exchange traded or in over-the-counter national markets.

LNAM uses the services of Tocqueville Asset Management ("TAM") as sub advisor for the management of its client portfolios under a sub advisory agreement. LNAM provides for portfolio supervisory services, determining portfolio rebalancing when necessary and upon clients' directives, which are communicated to its sub advisor. The advisory fees are shared between LNAM and TAM

### **Assets Under Management:**

Discretionary:           \$154,267,782.00

Non-Discretionary: \$91,700,000.00

Total:                   \$245,967,782.00

**As of: 12/31/2011**

## Item 5 – Fees and Compensation

For advisory services, LNAM charges a fee billable at the end of each quarter. The quarterly fee is based on an agreed-upon percentage of the average of the valuation of the portfolio during the quarter, except that the fee will be pro-rated to reflect actual number of days the account was under management for any period where the account was not under management for the full quarter. The percentage charged for investment advisory accounts varies with the scope of services provided, is negotiated on an individual basis, and is paid at the end of the period. This percentage varies from .375% to 1.00%. In the event a client's assets are invested in mutual funds, the client, in effect, pays a management fee to LNAM and to the mutual fund investment manager.

LNAM advisory clients are often invested in U.S. registered investment companies managed by a sub advisor of LNAM (such as TAM). Such accounts will not be charged a management fee on such assets, but will incur mutual fund charges.

LNAM's 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 LNAM's fee, and LNAM shall not receive any portion of these commissions, fees, and costs.

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

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

LNAM 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) and does not engage in any side-by-side management of client assets. (Side-by-side management involves simultaneous management of mutual funds and hedge funds.) LNAM does not advise mutual funds or hedge funds.

## **Item 7 – Types of Clients**

LNAM provides portfolio management services to high net worth individuals, charitable organizations, and trusts, as well as corporations or other businesses.

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

LNAM assigns its portfolio management to its sub advisor, TAM. Under this sub advisory agreement, TAM has discretion in the selection of securities, timing and the amount to be bought and sold under LNAM's supervision. As per its standard client contract, LNAM has the discretion to choose the broker / dealer, and currently the broker / dealer selected is Tocqueville Securities LP ("TS").

LNAM's security analysis methods, through its sub advisor TAM, include:

- Charting, Fundamental and Technical Strategies

The main sources of information LNAM uses are:

- Financial newspapers and magazines;
- Inspections of corporate activities;
- Research materials prepared by others;
- Annual reports, prospectuses, filings with the SEC; and
- Company press releases

The investment strategies used to implement any advice given to clients include:

- Long term purchases (securities held over one year);
- Short term purchases (securities sold within one year);
- Trading (securities sold within 30 days); and
- Margin transactions.

### Risk of Loss

All investment programs have certain risks that are borne by the investor. LNAM's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.



- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required in this Item to provide you with certain information or disclosures about disciplinary information and matters. LNAM has no applicable disciplinary information.

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

LNAM has arrangements that are material to its advisory business or its clients with a related person that is an investment advisor.

LN&Co. owns 100% of its subsidiary Lepercq Retirement Corp.

LN&Co. owns 10.5% of Jacob Asset Management of NY LLC (hereinafter “JAM”), an investment advisor that acts as advisor to the investment companies, Jacob Internet Fund, Jacob Small Cap Growth and Jacob Wisdom Fund, registered under the Investment Company Act of 1940. In addition, JAM may provide investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other businesses.

LN&Co owns 88% of Lepercq Lynx Investment Advisory LLC (hereinafter “Lepercq Lynx”), an investment advisor with offices in Washington, D.C. Lepercq Lynx provides various investment advisory services for institutions, private clients and not-for-profit organizations. Francois Letaconnoux is CEO of Lepercq Lynx.

LN&Co. owns 40% of Gladiator LLC (hereinafter “Gladiator”), a real estate investment company with offices in South Orange, NJ. Gladiator provides various real-estate related investment opportunities as well as property management services for multi-family residential properties. Gladiator occasionally utilizes space at the offices of LN&Co.

LN&Co. owns 33.5% of Blue Bridge Wealth Management Consultants Inc. (hereinafter “Blue Bridge”), a wealth management consulting firm with offices in Montreal, Canada. Blue Bridge provides high net worth individuals and family offices with various investment consulting services.

LN&Co. owns 90% of Lepercq de Neuflyze Asia Pte. Ltd. (“LDNA”) located in Singapore, which acts as a corporate protector for Singapore trusts, with specified power to replace the trustee or to veto certain actions of the trustee. Francois Letaconnoux and Gwenole Le Blevenec are Directors of LDNA.

## Item 11 – Code of Ethics

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

LNAM has established procedures intended to limit conflicts of interest in cases when LNAM, a related person or any of their employees, buys or sells securities recommended by LNAM to clients. LNAM has adopted a Code of Ethics for its employees as required by SEC Rule 204A-1. This Code is available to any LNAM client upon request by contacting Mr. Gwenolé Le Blevennec. It is the policy of LNAM that no persons employed by LNAM may purchase or sell any security prior to a transaction being implemented for an advisory account so long as the employee is aware of the transaction, thus attempting to prevent such employees from benefiting from transactions placed on behalf of advisory accounts. LNAM does not advise any accounts that are subject to the Investment Company Act and therefore does not need to conform to Rule 17j-1 of the Investment Company Act that requires access persons to pre-qualify their trades. All “access person” transactions are reviewed against the trading blotter to determine if an access person received a favorable trade execution or for instances of front running and other trade-related violations. Securities accounts of LNAM “access persons” and their immediate families are reviewed to determine compliance with such restrictions. Appropriate disclosure is made in marketing materials that LNAM and related persons may have an interest in the securities recommended.

## Item 12 – Brokerage Practices

LNAM has a negotiated advisory fee for all brokerage accounts handled by TS, an affiliated broker/dealer of LNAM's sub advisor TAM. These charges are available to all advisory clients and may on occasion be less than its commission schedule due to economies of scale.

LNAM operates as client's adviser on a discretionary basis wherein it has engaged a sub advisor, TAM, as its designated portfolio manager. LNAM clients are afforded a discount off TS' standard rate with a maximum brokerage commission rate of \$0.05 per share for equity securities trading at more than \$5/share, \$0.03 per share for securities trading at \$1.01 to \$5/share and \$0.01 per share for securities trading at \$1/share or less. All trades are subject to a minimum ticket charge of \$25, plus a \$2 handling fee charged by the clearing agent. All international trades are subject to a minimum \$50 commission charge (or the equivalent in the foreign currency where the trade is executed), plus a \$2 handling fee charged by the clearing agent, Pershing, LLC.

TS may recommend similar transactions in the same securities for several advisory clients. In these circumstances TS may bunch client orders for trade execution. In such cases clients will receive average prices and TS will allocate purchases or sales among clients in a manner that TS deems equitable, taking into consideration such factors as size of account, investment objective, cash availability and other factors relevant to each client. The bunching of orders may or may not affect the overall execution price of securities transactions and will not result in a reduction of each client's commission rates.

The following is a brief description of TS' brokerage allocation policies:

TS does not utilize a fixed formula in the allocation of brokerage business, but allocates such business on a transaction-by-transaction basis. Trades on behalf of LNAM's advisory clients are executed by TS at the discretion of TAM. TS allocates brokerage business to brokers who supply research to TS. TS does not now, nor does it intend in the future, to allocate its brokerage business if, as a result thereof, it does not obtain the best prices and execution for its clients. To the extent that the services supplied by other brokers were available to aid TS in fulfilling its obligations under its advisory contract with its clients, the receipt of such services by TS tended to reduce its expenses, as compared to paying up for such services using "hard dollars." Where commissions paid reflect research or statistical services furnished in addition to execution, TS will stand ready to demonstrate that such services were bona fide and rendered for the benefit of its clients. Research and/or statistical services include, but are not limited to, stock analysis, research reports, newsletters and updates. Research may be used by TS for accounts other than those generating commissions to pay for such research.

In judging the reasonableness of broker's fees, LNAM considers the quality of execution of each transaction in light of such factors as: (1) general market conditions; (2) checks of the floor market; (3) indications of brokers who are buyers and sellers in specific stocks; and (4) indications from quotation systems for securities not traded on the floor of the New York Stock Exchange.

TS will not encourage or solicit brokerage business in return for brokerage transactions executed by other brokers on behalf of clients of LNAM. However, LNAM has in the past, and TS intends in the future, to execute brokerage transactions for such other registered representatives of TS unaffiliated with LNAM, in the normal course of their business.

### **Directed Brokerage**

LNAM requests that its clients direct transactions be executed through TS. All clients are given the option to opt out of this directed brokerage arrangement. The benefits to clients obtained through this directed brokerage arrangement are aggregation and economies of scale, use of Pershing as a qualified custodian and the portfolio accounting system available to LNAM for the benefit of all of its clients.

### **Item 13 – Review of Accounts**

All investment accounts are reviewed weekly, quarterly and annually, by Mr. Francois Letaconnoux and/or Mr. Gwenole Le Blevennec.

Weekly review focuses on portfolio transactions including capital additions, withdrawals, dividends, purchase and sales transactions, and performance.

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

Annually during the last calendar quarter of each year the firm discusses with clients the summary report of year-to-date performance.

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

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

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

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

LNAM does not receive client referrals or other compensation.



### **Item 15 – Custody**

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

## Item 16 – Investment Discretion

LNAM receives discretionary authority from the client at the outset of an advisory relationship to select the:

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

In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

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

Investment guidelines and restrictions must be provided to LNAM in writing.

LNAM has selected TAM as its sub advisor and regularly reviews the performance of its sub advisor. LNAM has selected TS as its executing broker.

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

As a matter of firm policy and practice, LNAM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. LNAM may provide advice to clients regarding the clients' voting of proxies.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about LNAM's financial condition. LNAM 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.