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This brochure provides information about the qualifications and business practices of Lebenthal Asset Management, LLC (the “Firm”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). Registration with the SEC or with any state securities authority does not imply a certain level of skill or training. This information has not been approved or verified by the SEC or by any state securities authority.

Our Brochure may be requested by contacting Monique Schulman, CCO, at 212-682-0531 or [mblechner@lebenthal.com](mailto:mblechner@lebenthal.com), or at the above telephone number.

The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Additional information about Lebenthal Asset Management, LLC is also available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 2. Material Changes**

The following summarizes the material changes to the Brochure since the last version of this Brochure, dated December 7, 2016

- In April 2016, the Firm changed its Chief Compliance Officer. The Firm's CCO is Monique Schulman.
- In June 2016 LAM was appointed as a Sub-Advisor of the Copley Fund (COPLX).
- In February 2017, Lebenthal Asset Management LLC revised their investment advisory agreement relinquishing the Advisors responsibility to vote proxies on behalf of its advisory clients.

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## **Item 4. Advisory Business**

### **A. General Description of Advisory Firm**

#### **Lebenthal's Corporate History**

The company Lebenthal was founded in 1925 by husband and wife Louis and Sayra Lebenthal. It operated as a broker-dealer and financial advisory firm from 1925 until 2002 when it was sold to Advest and then to Merrill Lynch. Merrill Lynch retired the Lebenthal name after the acquisition. In 2007, James A. Lebenthal and Alexandra Lebenthal bought back the name and created Lebenthal Holdings, LLC (a holding company) and Lebenthal & Co., LLC (a FINRA registered broker-dealer). In 2008, they launched Lebenthal Asset Management, LLC ("LAM"), an SEC registered investment advisor which is the subject of this Brochure, as well as an affiliated business providing family-office services such as tax administration, estate administration, and bill-paying services, called Lebenthal Family Office, LLC. In late 2013

This Brochure concerns Lebenthal Asset Management, LLC's business.

#### **Lebenthal Asset Management, LLC's Corporate History and Affiliates**

Lebenthal Asset Management, LLC ("LAM" or "we" or "us" or the "Firm") was formed on September 18, 2007 and has been registered with the SEC since February 5, 2008. LAM's principal place of business is New York, NY. Lebenthal Holdings, LLC is LAM's parent company which maintains sole (100%) ownership of LAM.

LAM itself owns a 48% interest in Lebenthal Lisanti Capital Growth, LLC ("LLCG") an SEC registered investment advisory firm located in New York. LLCG provides equity asset management services to individuals and pensions and also advises a mutual fund named Lebenthal Lisanti Small Cap Growth Fund. As set forth herein, LAM has affiliations with Lebenthal Wealth Advisors, LLC and Lebenthal Partners, LLC, both of which are SEC registered investment advisors, as well as Lebenthal Family Office, LLC. All of these entities are also wholly owned by LAM's parent Lebenthal Holdings, LLC. LAM also has an affiliation with Lebenthal & Co., LLC, which is a FINRA registered broker-dealer which is 49% owned by Lebenthal Holdings, LLC.

### **B. Description of LAM's Advisory Services**

LAM's advisory services are offered through a variety of investment products and arrangements. LAM primarily offers its services through separately managed accounts (either directly or through wrap fee programs or dual contract arrangements with third parties or affiliated parties). In that regard, the Firm provides specific asset management services to clients through separately managed accounts either in a direct or sub-advised capacity in the following investment strategies:

**US Value Equities:** LAM's US equity strategies focus on a broad range of equity investment styles, including growth, dividend growth, core, and value, as well as portfolios designed to be "style-neutral". Some client accounts focus on specific ranges on the capitalization scale, from

micro-cap, through small-cap, mid-cap and large-cap, to mega-cap. Other client accounts will focus on investment opportunities in more than one capitalization category or across all capitalization levels.

**US Mid-Cap Growth Equities:** This strategy seeks long-term capital appreciation through investment in equities. This strategy involves using computer screening to identify equities with disadvantaged growth attributes simultaneously with cheapness in the equity's price (i.e., low price/earnings, dividend yield, low price/cash flow, etc.) Our portfolio managers then qualitatively utilize various sources including company reports and filings, fundamental analysis, publicly available media sources, and corporate rating services. The Firm typically pursues investments with a long-term perspective, and endeavors to minimize short-term trading, and rarely utilizes margin (specific permission and client applicability is needed from the client).

**Griffin Asset Management ("GAM") Growth:** The investment objective is capital appreciation. The strategy invests in large, mid & small capitalization companies with above-average growth driven by differentiated products & services, superior management, or opportunities created by economic, political or corporate change. Large-Cap focus is on companies with proprietary products, strong positions in dynamic economies & the management expertise to lever these strengths into sustainable advantages and rapid profit growth. Emerging growth focus is on innovative companies that develop unique products offering improved features, lower costs or other advantages that generate significant growth. The Strategy identifies high-quality growth investments by recognizing important trends before they are recognized. In addition, established growth companies sometimes fall out of favor for short-term reasons and present unusual buying opportunities.

#### **GARP – Growth At A Reasonable Price**

The investment objective is to combine growth and value characteristics when building a portfolio. This goal is accomplished by the belief that corporate profit growth enhances shareholder value, and equity markets can provide opportunity to purchase growth at an advantageous price. The strategies and disciplines established to implement the philosophy looks at price to earnings ratios and earnings growth. Investment results are the product of continuous, consistent application of disciplines.

**International/Global Equities:** LAM offers global equity, international equity, EAFE Plus, Emerging Markets, Emerging Markets Tactical Allocation and Global SRI portfolios. These strategies are long-only equity strategies driven by a combination of top-down country allocation and bottom-up stock selection derived from our proprietary country-allocation and stock selection models. The models evaluate developed and emerging markets based on several investment factors. Our strategies may include investments in ETFs, baskets of ADRs and local shares. LAM also offers a global macro investing strategy where the goal is to anticipate global macroeconomic events using discretionary selection, pre-determined mathematical trading models or a combination of both.

**Equity Dividend Growth/Covered Equity Call Strategies:** This strategy utilizes equity-based options to attempt to generate enhanced income. LAM seeks to accomplish that goal first by building a portfolio of high quality, large capitalization equities that pay regular dividends higher than the dividend yield of the S&P 500, and then sometimes selling out of the money calls on those equities to generate additional cash flow. Typically, the covered call options are written out of the money on a significant portion of the portfolio's holding to generate premium income. While the primary emphasis of the strategy is on the generation of income, the Firm also seeks capital appreciation on the underlying equities on which the call options are written. Although not true in all cases and under all market conditions, due to the cash flow generated by selling the call options, the volatility in this strategy tends to be lower than that of the S&P 500.

**Investment-Grade Municipal Bonds:** LAM manages both national and single state municipal bond investment grade portfolios. The portfolios are managed for total return. The Firm looks to add value through active management of the portfolio through careful bond selection and appropriate selective repositioning as circumstances warrant. Among the key factors we monitor are individual credit considerations, changes in the shape of the yield curve, call features, changes in the future expectation of economic activity, and changes in various specific sectors of the municipal bond market.

In addition to these strategy-specific asset management offerings, LAM also provides general investment advisory services to clients, which may include individual portfolio management services and investment advisory services relating to asset allocation, the selection of managers or money management programs, application of specific investment strategies across relevant portfolios, and monitoring and reporting of portfolio performance to clients on a periodic basis. Under these wealth management-type engagements, LAM will first assess the client's investment objectives relevant to the management of their portfolios. When an investment strategy is developed and agreed upon by the client, LAM will undergo a screening process to identify specific suitable investment management vehicles. The Firm will generally then recommend an investment strategy utilizing independent investment managers, mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities or other vehicles (including alternative investments when appropriate) that seek to meet the client's investment objectives. The implementation of these plans may be provided by LAM through the use of discretion granted to them or on a non-discretionary basis by the client after discussion with a LAM representative. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising LAM's recommendations and/or services.

In addition to these asset management and investment advisory services, the Firm (through its International Equity Strategies group ) issues several research publications regarding country allocation and sector/industry analysis based on a series of value, growth, risk, and sentiment/momentum factors. This group does not provide security-specific research.

LAM also provides asset allocation analysis and models to its affiliate Lebenthal Wealth Advisors, LLC and from time to time assists Lebenthal Wealth Advisors, LLC with its due diligence on new products and services which might be offered by Lebenthal Wealth Advisors, LLC.

### **C. Availability of Tailored Services for Individual Clients**

LAM provides advice to client accounts based on specific investment objectives and strategies. We tailor our advisory services based on a variety of information obtained from clients, including a client's investment objectives, financial circumstances, risk tolerance and any reasonable investment restrictions that the client wishes to place on the management of the client's account. Clients may impose restrictions on investing in certain securities or certain types of securities.

### **D. Wrap Fee Programs**

LAM may offer a wrap fee program to its clients. Additionally, LAM may be selected as a sub-advisor to third party wrap fee program providers as part of the wrap fee program those other entities sponsor.

Under a wrap fee arrangement, LAM, a brokerage firm, or another company may recommend retention of a particular advisory firm in addition to LAM to manage all or a portion of the client's assets. The client's account would then be managed by us subject to the client's particular investment needs and objectives which have been provided to us. It is important to note that in a wrap fee arrangement where LAM is a sub-advisor, we may have limited or minimal contact with the client where the brokerage firm or other company maintains the direct and primary relationship with the client. Further, depending upon the amount of the wrap fee, the brokerage firm or other company charges the client, the number of securities in the client's account, the value of custodial or other services the client may receive under the arrangement, the amount of the wrap fee may or may not be less than the total cost for such services if added together the client obtained them separately. Clients can find more specific information on each wrap fee arrangement in the sponsor's Wrap Fee Program Brochure which the client can obtain from, the brokerage firm or other company which acts as the sponsor of the wrap fee program.

### **E. Client Assets under Management**

As of December 31, 2016, we have approximately \$ 1,419,899,992.00 client assets under management. As of that date, we managed \$ 1,373,149,727.00 on a discretionary basis and \$ 46,750,265.00 on a non-discretionary basis.

## **Item 5. Fees and Compensation**

All fees are subject to negotiation. The specific manner in which we charge fees is established in a client's written agreement with us, and may be payable in advance or arrears. Depending on the mix of investments in a client's portfolio, a particular client may pay a blended fee rate. We do not offer fixed fee accounts.

### **A. Advisory Fees and Compensation**

#### **Asset-Based Compensation**

We generally charge each client an investment management fee based on the value of the client's assets under management, in accordance with the following schedules:

##### **Domestic Equities**

Assets in the Account	Investment Management Fee (As an annual percentage of total assets)
\$ -0- to \$1,000,000	2.00%
\$1,000,001 to \$3,000,000	1.75%
\$3,000,001 to \$5,000,000	1.50%
\$5,000,001 to \$10,000,000	1.25%
\$10,000,001 to \$15,000,000	1.00%
\$15,000,001 to \$20,000,000	0.75%
\$20,000,001 and higher	Negotiable

##### **International Equity Strategies**

Assets in the Account	Investment Management Fee (As an annual percentage of total assets)
\$ -0- to \$5,000,000	1.50%
\$5,000,001 to \$20,000,000	1.25%



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**\$20,000,001 and higher**

**Negotiable**

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**Municipal Bond Strategies**

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Assets in the Account

Investment Management Fee  
(As an annual percentage of  
total assets)

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**\$ -0- to \$5,000,000**

**.50%**

**\$5,000,001 to \$10,000,000**

**.45%**

**\$10,000,001 to \$20,000,000**

**.40%**

**\$20,000,001 and higher**

**.25%**

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**Municipal Bond Strategies - Referred Accounts from Other Financial Institutions**

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Assets in the Account

Investment Management Fee  
(As an annual percentage of  
total assets)

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**\$ -0- to \$2,000,000**

**.25%**

**\$2,000,001 to \$5,000,000**

**.225%**

**\$5,000,001 to \$10,000,000**

**.20%**

**\$10,000,001 and higher**

**.125%**

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**Taxable Fixed Income Strategies**

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Assets in the Account

Investment Management Fee  
(As an annual percentage of  
total assets)

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<b>\$ -0- to \$2,000,000</b>	<b>.50%</b>
<b>\$2,000,001 to \$5,000,000</b>	<b>.45%</b>
<b>\$5,000,001 to \$10,000,000</b>	<b>.40%</b>
<b>\$10,000,001 and higher</b>	<b>.25%</b>

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Where LAM acts as a sub-advisor to third parties in wrap fee programs or through a dual contract, its fees are typically lower than the amounts stated above. Additionally, for individualized asset management services, the fee is negotiable but generally varies between (0.50% and 2.50%), depending on the size and composition of a client's portfolio and the type of services rendered.

Investment management fees are generally charged each quarter in advance based on the total market value of the assets in the client account including net unrealized appreciation or depreciation of investments on the first day of the quarter. In certain instances, these fees are charged in arrears. If a new client account is established during a quarter or a client makes an addition to its account during a quarter, the investment management fee will be prorated for the number of days remaining in the quarter; it is charged as of the effective date of the investment management agreement or the date of the additional contribution, based on the value of the assets as of the applicable date. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

LAM may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention, pro bono activities and whether the client is our employee or an employee of an affiliate.

### **Performance-Based Compensation**

See Item 6, below.

#### **B. Payment of Fees**

Client fees are typically billed in advance each calendar quarter. In certain limited instances, and subject to our discretion, client fees may be billed in arrears.

Absent unusual circumstances, typically, client fees are debited directly from their account(s). In very limited circumstances, and on an exception basis only, the Firm may approve a client request to be billed directly. Based on which method is utilized, on a quarterly basis, we either instruct the custodian to deduct investment management fees from client accounts for credit to a proprietary account, also held at the custodian, or bill clients directly.

### C. Other Fees and Expenses

In addition to paying investment management fees and, if applicable, performance-based fees or other compensation, client accounts may also be subject to other investment expenses such as custodial charges, ticket charges, brokerage fees, commissions (typically only for transactions that are not executed at the custodian at which a client's account is maintained) and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with certain foreign or international transactions; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the client's account invests) associated with products or services that may be necessary or incidental to such investments or accounts. **In some relationships, clients are charged commissions where their trades are not executed through the custodian at which the client maintains their account. In those relationships, LAM typically seeks to execute such transactions at those custodians which are selected by the client to the greatest extent possible, but there may be instances where transactions will be executed away from the custodians and as such commissions will be charged in addition to the management fee charged by LAM. LAM monitors this process through its review of trades and its best execution practices.**

Client assets may be invested in pooled investment vehicles. In these cases, clients will bear their pro rata share of the underlying fund's operating and other expenses including, in addition to those listed above: sales expenses, legal expenses; internal and external accounting, audit and tax preparation expenses; and organizational expenses.

With respect to mutual funds, ETF, or other investment companies (which may include alternative investments) clients should be aware that these investments may be more expensive than other investment options in their advisory account. In addition to our fee, a client pays the fees and expenses of the fund, ETF or investment company in which their account is invested, as mutual funds, ETF and investment company's fees and expenses are charged directly to the pool of assets the mutual fund, ETF and investment company invests in and are reflected in the share price. These fees and expenses are an additional cost to the client and are not included in the fee amount in your account statements. Clients do not pay any sales charge for purchases of mutual funds, ETF, or other investment companies however, some funds may charge, and not waive, a redemption fee on certain transaction activity in accordance with their prospectus.

LAM's affiliated broker-dealer, Lebenthal & Co., LLC may receive expense payments and fees for other services from mutual funds and some alternative investment companies. To address this conflict of interest, the Firm does not compensate its investment advisor representatives on any of those expenses which might be paid to Lebenthal & Co., LLC by a mutual fund, ETF or investment company sold to an advisory client.

### D. Prepayment of Fees

Generally, our clients are required to pay our fees in advance, although in limited circumstances some pay in arrears.

The client obtains a refund of a pre-paid fee if the advisory contract is terminated before the end of a billing period. With respect to withdrawals, typically no portion of any pre-paid fee will be

refunded based on the value of partials withdrawals made from the account before the end of a billing period. In the event of a partial withdrawal, the Firm may decide to refund the fee applicable to the amount of funds withdrawn by calculating and pro-rating the withdrawn asset value versus the number of days remaining in the quarter. This amount is refunded to the client prior to the next billing period, either with a check mailed to their address of record, or with a credit to their custodial account.

#### **E. Additional Compensation and Conflicts of Interest**

Clients can engage certain persons associated with LAM (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with LAM.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of Lebenthal & Co., LLC ("Lebenthal & Co."), an SEC registered broker-dealer and member of FINRA, may provide securities brokerage services and implement securities transactions (including the sale of alternative investments) under a separate commission-based arrangement. Supervised Persons may be entitled to a portion of the brokerage commissions paid to Lebenthal & Co., as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds or investment companies. LAM may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with Lebenthal & Co. and/or the Custodian.

A conflict of interest exists to the extent that LAM recommends the purchase or sale of securities where its Supervised Persons receive commissions or other additional compensation as a result of the Firm's recommendation. The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of clients. For certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that LAM, in its sole discretion, deems appropriate, LAM may provide its investment advisory services on a fee-offset basis. In this scenario, LAM may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of Lebenthal & Co.

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

In accordance with Rule 205-3 of the Investment Adviser Act of 1940 (the "Act"), we may also be paid a performance-based fee of up to 30%. A performance-based fee is compensation that is based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle). Performance fees are negotiable based on factors that may include, but are not limited to, total assets under management across all portfolios within a given relationship, characteristics of the securities within the investment portfolio (e.g., asset class, concentrated positions, control and restricted securities), and whether the client is our employee or an employee of an affiliate.

Under certain circumstances, receipt of performance-based compensation may be subject to a hurdle rate tied to a benchmark relevant to the client's investment profile (an "incentive fee"). Both realized and unrealized capital gains and losses in a client's portfolio are included when

calculating performance-based fees. For example, an incentive fee will be equal to 30% of the account's excess return above that of the S&P 500 Index.<sup>1</sup> If portfolio return is less than the S&P 500 total return for the calendar year, then no incentive fee will be charged.

The firm currently has one performance based fee account.

#### How the Incentive Fee is Calculated

The incentive fee will be charged annually and measured on a calendar year basis, except for the partial calendar years in which the account initiates or terminates. For the partial calendar years in which an account initiates or terminates, the incentive fee will be measured as if the entire period that the account was open and actively managed was a single calendar year. External assets added to the account will be charged an incentive fee at calendar year-end, subject to all the conditions above, pro-rated from the date they are received in the account. Similarly, assets withdrawn from the account will be charged an incentive fee upon withdrawal, subject to all the conditions above, pro-rated to the date they are withdrawn. Calculations used to determine incentive fees will be sent to clients whenever such fees are incurred.

In some instances, a client may pay management fees in addition to performance fees, as stated in the investment advisory agreement for that client.

#### **Potential Conflicts Arising from Performance-Based Compensation**

When we and our investment personnel manage more than one client account, one of which is obligated to pay a performance-based fee and the other is not, a potential exists to favor the client paying the performance-based fee. Performance-based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

LAM has implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts. These are designed to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among clients. We review investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, our policies and procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in

investment opportunities pro-rata based on asset size, risk profile, investment horizon and suitability.

Please also see Item 12, “Brokerage Practices,” describing our policies to protect the allocation of investment opportunities among our clients.

### **Item 7. Types of Clients**

LAM provides customized wealth management solutions for individuals, families, trusts and institutions. Lebenthal Asset Management also manages money for individuals, institutions and investment companies seeking our expertise in various investment strategies. The minimum relationship size varies by investment strategy and level of service.

We generally require that certain clients invest and maintain a minimum of \$250,000.00 to open an account. If the account size falls below the minimum requirement due to market fluctuations only, a client will not be required to invest additional funds with us to meet the minimum account size. The Firm may, in its sole discretion, accept clients with smaller portfolios based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. The Firm may aggregate the portfolios of family members to meet the minimum portfolio size.

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

### **A. Methods of Analysis and Investment Strategies**

We use a variety of methods and strategies to make investment decisions and recommendations. Our methods of analysis include fundamental research, charting analysis, technical analysis and cyclical analysis, as well as the use of quantitative tools and investment approaches.

In connection with research, we routinely review financial publications and research prepared by third parties, including research obtained from commercially-available information services. We also review private placement memoranda and other private placement due diligence materials as well as prospectuses with respect to the investment of client assets in private investment vehicles and registered investment companies, respectively. In addition, we obtain information through conferences and consultations with industry experts.

With respect to investments in other pooled vehicles, we focus primarily on underlying portfolio managers (each, a “Portfolio Manager”) in terms of research rather than individual securities. Our analytical process includes both quantitative and qualitative elements. Our analysis generally includes a Portfolio Manager’s strategy, philosophy and decision making process, proprietary models, research and portfolio management systems, the quality of its investment professionals, and its organizational structure.

We employ the following investment strategies:

**US Value Equities:** LAM’s US equity strategies focus on a broad range of equity investment styles, including growth, dividend growth, core, and value, as well as portfolios designed to be “style-neutral”. Some client accounts focus on specific ranges on the capitalization scale, from micro-cap, through small-cap, mid-cap and large-cap, to mega-cap. Other client accounts will focus on investment opportunities in more than one capitalization category or across all capitalization levels.

**International/Global Equities:** LAM offers global equity, international equity, EAFE Plus, Emerging Markets, Emerging Markets Tactical Allocation and Global SRI portfolios. These strategies are long-only equity strategies driven by a combination of top-down country allocation and bottom-up stock selection derived from our proprietary country-allocation and stock selection models. The models evaluate developed and emerging markets based on several investment factors. Our strategies may include investments in ETFs, baskets of ADRs and local shares. LAM also offers a global macro investing strategy where the goal is to anticipate global macroeconomic events using discretionary selection, pre-determined mathematical trading models or a combination of both.

**Equity Dividend Growth/Covered Equity Call Strategies:** This strategy utilizes equity-based options to attempt to generate enhanced income. LAM seeks to accomplish that goal first by building a portfolio of high quality, large capitalization equities that pay regular dividends higher than the dividend yield of the S&P 500, and then selling out of the money calls on those equities to generate additional cash flow. Typically, the covered call options are written out of the money on a significant portion of the portfolio’s holding to generate premium income. While the primary emphasis of the strategy is on the generation of income, the Firm also seeks capital



appreciation on the underlying equities on which the call options are written. Although not true in all cases and under all market conditions, due to the cash flow generated by selling the call options, the volatility in this strategy tends to be lower than that of the S&P 500.

**Dividend Growth Strategy:** The investment objective of the Dividend Growth Strategy is long-term capital appreciation and income. The Strategy invests primarily in large and mid-capitalization dividend paying stocks that are conservatively financed and trading at a discount to the investment managers' assessment of intrinsic value. The key to the Strategy's success over time has been a disciplined approach to stock picking and portfolio construction. A focus on dividends and low P/E multiples is a major piece of the puzzle. In addition, non-traditional valuation and quality metrics like Free Cash Flow Yield and Return on Invested Capital have enhanced the Strategy's ability to perform well in all market environments. Since this strategy is invested in equities there will be times of high volatility with the potential for loss of capital

**GAM Growth Strategy:** The investment objective of Griffin's Growth Strategy is long-term appreciation. During times of uncertainty, the Strategy stresses short-term preservation of capital. The Strategy invests in large, mid and small-capitalization stocks of companies with above-average growth prospects and strong balance sheets. The keys to the Strategy's success over time have been the identification of companies developing innovative products, or new approaches to old problems, that afford the opportunity for above-average sales growth, earnings growth and high returns on capital. Such opportunities can occur in growth industries like health care and technology as well as new approaches in more mature industries. Since this strategy is invested in equities there will be times of high volatility with the potential for loss of capital

**US Mid-Cap Growth Equities:** This strategy seeks long-term capital appreciation through investment in equities. This strategy involves using computer screening to identify equities with disadvantaged growth attributes simultaneously with cheapness in the equity's price (i.e., low price/earnings, dividend yield, low price/cash flow, etc.) Our portfolio managers then qualitatively utilize various sources including company reports and filings, fundamental analysis, publicly available media sources, and corporate rating services. The Firm typically pursues investments with a long-term perspective, and endeavors to minimize short-term trading, and rarely utilizes margin (specific permission and client applicability is needed from the client).

**Investment-Grade Municipal Bonds:** LAM manages both national and single state municipal bond investment grade portfolios. The portfolios are managed for total return. The Firm looks to add value through active management of the portfolio through careful bond selection and appropriate selective repositioning as circumstances warrant. Among the key factors we monitor are individual credit considerations, changes in the shape of the yield curve, call features, changes in the future expectation of economic activity, and changes in various specific sectors of the municipal bond market.

**Individualized Advisory Services:** Under a wealth management-type engagement, LAM will first assess the client's investment objectives relevant to the management of their portfolios. When an investment strategy is developed and agreed upon by the client, LAM will undergo a screening process to identify specific suitable investment management vehicles. The Firm will



generally then recommend an investment strategy utilizing independent investment managers, mutual funds, exchange-traded funds (“ETFs”), individual debt and equity securities or other vehicles (including alternative investments when appropriate) that seek to meet the client’s investment objectives. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising LAM’s recommendations and/or services.

In developing investment strategies, LAM considers factors such as economic conditions, earnings, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, interest rates and risk premiums.

### **Sponsored Platforms**

We may recommend certain sponsored platforms to our clients, after due investigation. Such recommendations may result in a conflict of interest, which we monitor and attempt to mitigate as follows. There may be a disincentive to trade for accounts participating in certain sponsored platforms because the profit from a client’s participation in the platform retained by the sponsor is reduced each time a trade is done and the resulting execution costs are incurred. A participating portfolio manager may have an incentive to keep trading down to promote a continuing stream of referrals from the sponsor. Our Investment Committee periodically reviews portfolio investment decisions made for each of our clients to minimize the impact of potential conflicts.

### **Material Risks Including Significant or Unusual Risks Relating to Investment Strategies**

*Investing in securities involves risk of loss that clients should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a client’s investments may fluctuate due to market conditions and other factors. The investment decisions made and the actions taken for our clients are subject to various market, liquidity, currency, economic and political risks, and will not necessarily be profitable. Past performance in your account is not indicative of future performance, which may vary.*

This brochure does not disclose every potential risk associated with an investment strategy, or all of the risks applicable to a particular client account. Rather, it is a general description of the nature and risks of the strategies affecting the securities and other financial instruments in which a particular client account may invest.

#### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of

LAM’s recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that the Firm will be able to predict those price movements accurately or capitalize on any such assumptions.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are generally required to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Equity Securities*

Stocks and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operational risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risk of loss. Equity securities fluctuate in value and such fluctuations can be pronounced. In general, stock values fluctuate in response to the activities of individual companies and in response to the general market and economic conditions. Accordingly, the value of the stocks and other securities and instruments may decline over short or extended periods of time. The stock markets tend to be cyclical, with periods when stock prices generally rise and periods when stock prices generally decline.

### *Fixed Income Securities*

Fixed Income securities are subject to market, interest rate and credit risk and are also subject to availability and market conditions. Interest rate risk describes the risks that the value of a security will go down because of a change in interest rates. For example, when interest rates overall increase, bond issuers must offer higher coupon rates on new bonds in order to attract investors. The consequence is that the price of existing bonds drop because investors prefer the new bonds paying the higher rate. On the other hand, there's also interest rate risk when rates fall because maturing bonds or bonds that are paid off before maturity must be reinvested at a lower yield.

Credit risk, also called default risk, is the possibility that a bond issuer will not pay interest as scheduled or repay the principal at maturity. The Firm does not guarantee in any way the obligations or financial condition or credit rating of any issuer or the accuracy of any financial information provided by any issuer in which an account may be invested.

### *Alternative Investments*

The Firm may recommend that clients allocate a portion of their assets to investment managers that follow alternative investment strategies, such as hedge fund investments. These strategies may be speculative, entail substantial risk and may not be suitable for all investors, nor do they represent a complete investment program. Many alternative investment managers and their related products are not subject to the same regulatory requirements as traditional investments.

Alternative investments may include specific risks associated with limited liquidity, the use of leverage, arbitrage, short sales, option, futures and derivative instruments. There can be no assurances that a manager's strategy (hedged or otherwise) will be successful or that a manager will employ such strategies with respect to all or any portion of a portfolio. Clients should recognize that they may bear asset-based fees and expenses at the manager-level, and indirectly, fees, expenses and performance-based compensation. Performance-based compensation may create an incentive for the managers that share in that performance-based compensation to make investments that are riskier and more speculative than would be the case if this special allocation were not made. Because the individual managers make trading decisions independently of each other, it is possible that they may, on occasion, hold substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject to the client's investments to more volatility than would be the case if the client's assets were more widely diversified.

### *Money Market Funds*

An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other governmental agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, there is no assurance that will occur, and it is possible to lose money if the fund value per share falls. Moreover, in some circumstances, money market funds may be forced to cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings are liquidated and distributed to the fund's shareholders. This liquidation process could take up to one month or more. During that time, these funds would not be available to you to support purchases, withdrawals, and, if applicable, check writing or ATM debits from your account.

### *International/Foreign Investment Risk – Developing Market Countries/Emerging Market Countries/Frontier Market Countries*

Investment strategies in developing market countries are subject to all of the risks of foreign investing generally, and may have additional heightened risks due to a lack of established legal, political, business and social frameworks to support securities markets, including: delays in settling portfolio securities transactions; currency and capital controls; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate and volatility; and inflation, deflation or currency devaluation.

Emerging market countries are subject to all the risks of developing market countries generally, and have additional risks due to a lack of established legal, political, business and social frameworks to support capital markets, including: delays in settling portfolio securities transactions; currency and capital controls; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate and volatility; and inflation, deflation or currency devaluation.

Frontier market countries generally have smaller companies and less developed capital markets than traditional developing and emerging markets. The increased risks are the result of: potential for extreme price volatility and illiquidity in frontier markets; government ownership or control of parts of private sector and of certain companies; trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which frontier market countries trade; and the relatively new and unsettled securities laws in many frontier market countries.

### *REITs*

Certain programs may offer real estate-related investment disciplines, which typically invest in common stocks of U.S. Corporations. Almost all such investments will be treated for tax purposes as investments in real estate trusts (“REITs”). REITs are subject to general equity risks described above, as well as fluctuation in underlying property values, expenses and income and environmental liabilities. Although it is unlikely that such investments will cause a tax-exempt investor to recognize “unrelated business taxable income”(“UBTI”), no assurances can be made that no UBTI will be recognized. If any investment causes a tax-exempt investor to recognize UBTI, and that tax-exempt investor is a charitable remainder trust, all of the income of the charitable remainder trust would be subject to federal income tax for the year in which the UBTI was recognized.

### *Use of Independent Managers and Affiliated Managers*

LAM may select certain Independent Managers and Affiliated Managers to manage a portion of its clients’ assets. In these situations, the Firm continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on their ability to successfully implement their investment strategies. In addition, LAM generally does not have the ability to supervise the Managers on a day-to-day basis and does not have a role in the day-to-day management of the investments. Consequently, the performance of such investments is substantially dependent on the skill and acumen of key employees of the managers. If such employees cease to participate in the manager’s business, the manager’s ability to select attractive investments and manage its portfolio could be impaired.

Independent Managers and Affiliated Managers may use various investment vehicles and strategies which involve additional risks not set forth herein. These additional risks may be disclosed in the Disclosure Brochures of the various Independent Managers and Affiliated Managers.

### *Options*

Some of the strategies used may involve options, which may present substantial risks and may not be suitable for all clients. In addition to specific risks attendant to options trading itself, options also bear risks that relate to the trading of securities generally; state of the economy, the supply and demand factors in options markets and other related markets; the factors affecting the values of the various underlying interests; the factors affecting the volatility, liquidity and efficiency of the options markets or of other markets or other factors that may affect the pricing of particular options; the quality or operations of the various options markets at any particular time; and the procures of the various options markets and of brokers in transmitting orders and effecting executions.

#### *Leverage*

Performance may be more volatile if we use leverage in a client's account. This strategy also involves a higher degree of risk. There can be no assurance that conditions in the global financial markets, industry issues and/or operating problems will not adversely affect one or more of a client's portfolio companies or other investments, particularly when such investment is leveraged.

#### *Short Selling Risk*

LAM's investment program may include short selling. Short selling transactions expose us to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by us in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur. This would force us, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

#### **Item 9. Disciplinary Information**

Neither LAM nor its Management Persons have been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

LAM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. The Firm has described such relationships below:

### **Affiliated Broker Dealer and Insurance Agency**

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LAM is affiliated with Lebenthal & Co., which is a separate entity and broker-dealer in which LAM's parent Lebenthal Holdings LLC has an ownership interest. In addition, certain Supervised Persons and Management Persons of LAM are also registered representatives and/or insurance agents of Lebenthal & Co. and in such capacity, such Supervised Persons may effect securities brokerage and insurance transactions on a commission basis including transactions for LAM's investment advisory clients. These Supervised Persons may receive additional compensation in the form of insurance commissions and/or 12b-1 fees on mutual funds held in a client's account. A conflict of interest exists to the extent that LAM recommends the purchase of securities where LAM's Supervised Persons receive commissions or other additional compensation.

To the extent it is requested to act as an executing broker, Lebenthal & Co., LLC generally does not act as principal in executing trades for LAM investment advisory clients (except to the extent permitted by a program and the law).

Lebenthal & Co., LLC, LAM and their affiliates provide a variety of services (including research, brokerage, asset management, access to alternative investments and investment banking services) for each other and for various clients, including issuers of securities that LAM may recommend for purchase or sale by clients or are otherwise held in client accounts and investment management firms in the programs described in this brochure. Lebenthal & Co., LLC, LAM and their affiliates receive compensation and fees in connection with these services. Lebenthal & Co., LLC, LAM, and their affiliates and employees may hold a position (long or short) in the same securities held in client accounts. Lebenthal believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account. Accordingly, it is likely that securities in an account will include some of the securities for which Lebenthal & Co., LLC, LAM and their affiliates perform investment banking or other services. Further, there may be periods during which Lebenthal & Co., LLC are not permitted to initiate or recommend certain types of transactions in the securities of issuers for which Lebenthal & Co., LLC is performing broker-dealer or investment banking services or have confidential or material non-public information,

LAM and their affiliates may give different advice, take different action, receive more or less compensation, or hold or deal in different securities for any other party, client or account (including their own accounts or those of their affiliates) from the advice given, actions taken, compensation received or securities held or dealt for your accounts.



## **Related Investment Adviser**

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LAM is under common control with its affiliated SEC registered investment adviser, Lebenthal Wealth Advisors, LLC (“LWA”) and Lebenthal Partners, LLC. Lebenthal Wealth Advisors ceased operations on September 30<sup>th</sup>, 2016 and Lebenthal Partners LLC is a non operating entity.

## **Lebenthal Lisanti Capital Growth**

On March 2, 2015, Lebenthal Asset Management made an investment in an SEC registered investment advisory firm named AH Lisanti Capital Growth, LLC. Contemporaneously with that investment, AH Lisanti renamed itself Lebenthal Lisanti Capital Growth, LLC. As such, Lebenthal Lisanti is an investment advisor that is directly affiliated with LAM. Lebenthal Lisanti provides equity asset management services to individuals and pensions and also advises a mutual fund named Lebenthal Lisanti Small Cap Growth Fund. From time to time, LAM representatives may recommend investment Lebenthal Lisanti Small Cap Growth Fund. Clients are advised of the conflict of interest associated with such recommendation. To address the conflict of interest, the Firm evaluates each clients selection of Lebenthal Lisanti Small Cap Growth Fund to ensure that the product selected is suitable for the client. Neither LAM nor its representatives receive any direct compensation for recommended Lebenthal Lisanti or Lebenthal Lisanti Small Cap Growth Fund. With respect to certain Retirement Plan accounts in which Lebenthal Lisanti is selected, the Firm may offset or rebates fees where applicable so that it complies with Department of Labor and IRS rules and regulations.

## **The Copley Fund**

In June 2016, Lebenthal Asset Management Advisor Douglas Famigletti became a sub- Advisor of the Copley Fund (COPLX). LAM representatives may recommend investments in the Copley Fund to clients of the Firm. Clients are advised of the conflict of interest associated with such recommendation. To address the conflict of interest, the Firm evaluates each client’s selection of The Copley Fund to ensure that the product selected is suitable for the client. LAM and its representatives may receive direct compensation for recommending of the Copley Fund. With respect to certain Retirement Plan accounts in which the Copley Fund is selected, the Firm may offset or rebates fees where applicable so that it complies with Department of Labor and IRS rules and regulations

## **Related Accounting Firm**

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LAM, which does not offer accounting services to clients, is however, under common control with an entity named Lebenthal Family Office (“LFO”) which does provide accounting services to clients. In the event a client requires accounting services, the Firm may recommend a certified public accountant or it may recommend the services of Lebenthal Family Office (“LFO”). These services are rendered independent of LAM and pursuant to a separate agreement between the

client and the Firm. The Firm does not receive any portion of the fees paid by the client to LFO and at present does not receive a referral fee in connection with the accounting services that LFO renders to its clients. There exists a conflict of interest to the extent that the Firm recommends the services of LFO, where LFO receives compensation as a result.

### **Money Market Funds/Bank Deposit Programs**

The Firm's custodians may make available to clients the opportunity to invest available cash in money market funds or Bank Deposit Programs run by the custodian or its affiliates. In the event that a custodian's (or its affiliates) money market fund or Bank Deposit Program is selected, LAM's affiliated broker-dealer, Lebenthal & Co., LLC, may be compensated for such investment selection by the client. As such, a conflict of interest exists between recommending these products and money market or bank deposit programs of other providers.



## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Firm has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. The Firm’s Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons, and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of LAM’s personnel to report their personal securities holdings and transactions, and obtain pre-approval for all securities transactions on an electronic basis. The Firm has contracted with a third-party software vendor for trade pre-clearance and trade review purposes. The Firm’s Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm’s policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients;
- a decision has been made not to engage in the transaction for the client;

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact LAM to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

Our trading practices seek overall best execution for each client account. We consider a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, regardless of whether we recommend the use of Lebenthal & Co., LLC or a third-party broker to execute a particular transaction. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, and our on-line access to computerized data regarding a client's accounts. Additionally, we may select broker-dealers based on our ability to negotiate a fee with respect to certain client accounts whereby the client pays a flat, asset-based fee to the executing broker rather than being charged per trade. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, we need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost. To this end, LAM may receive preferential commissions or transaction fee pricing from Financial Institutions which LAM views to be very competitive and advantageous to its clients and LAM, therefore it gives LAM and incentive to recommend using those Financial Institutions as Custodians and/or broker-dealers to execute transactions. While this is a potential conflict of interest as these Financial Institutions/Custodians require LAM to meet a certain minimum amount of assets on their platform to obtain and maintain this preferential pricing, LAM believes that its selection of these Financial Institutions/Custodians and executing brokers is in the best interests of its clients because of the scope, quality and price of services LAM is able to obtain. Our Best Execution Committee meets quarterly to evaluate the broker-dealers used by LAM to execute client trades using the foregoing factors.

In the absence of specific instructions from a client, the registrant, while mindful of "Best Execution" requirements, selects brokers to execute the purchase or sale of securities for various clients on the basis of general research services including corporate and industry overviews, economic comments and forecasts, indications of market expectations and investigations of possible areas of future interest as well as access to various financial publications.

Commissions are either directed by the client or utilized to pay for execution and proprietary research.

In addition, due to the need for continuous computerized analytical capabilities in managing and monitoring accounts, brokers may provide certain specialized services in the form of on-line research and support in return for commissions. The foregoing services may comprise the use of software which may be provided to the registrant as part of the services. The registrant considers the above necessary to guide it in its investment decisions and in seeking the best information for the benefit of all clients, even if such clients do not directly benefit from each research service product. In the past year the Company used State Street and Pershing Advisor Solutions as its primary brokers to provide payment for Reuters Research and they received

approximately 35% of all commissions paid. The choice of a primary broker and/or the percentage of commissions allocated is subject to change year to year.

The registrant's selection of a broker due to research services is based on its evaluation of the quality and pertinence of that research which is often a subjective determination.

**In some relationships, clients are charged commissions where their trades are not executed through the custodian at which the client maintains their account. In those relationships, LAM typically seeks to execute such transactions at those custodians which are selected by the client to the greatest extent possible, but there may be instances where transactions will be executed away from the custodians and as such commissions will be charged in addition to the management fee charged by LAM. LAM monitors this process through its review of trades and its best execution practices.**

LAM may receive without cost from certain Financial Institutions computer software and related systems support, which allow LAM to better monitor client accounts maintained at a particular Financial Institution. LAM may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at that Financial Institutions. The software and support is not provided in connection with securities transactions of clients. The software and related systems support may benefit LAM, but not its clients directly. In fulfilling its duties to its clients, LAM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that LAM's receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, LAM may receive the following benefits from certain Financial Institutions:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts;
- Access to an electronic communication network for client order entry and account information;
- Educational conferences and events; and
- Technology, legal and business consulting.

## **B. Order Allocations**

At times, we may purchase large blocks of securities or other investments and allocate them to the appropriate client accounts. With transactions for accounts being managed according to a domestic equity strategy, this is typically accomplished at the point of order entry using

automated software with functionality to support this process. The software automatically allocates executions pro rata based on asset size across accounts grouped by this strategy. We also require that, to the extent orders are aggregated, the client orders are price-averaged. Finally, our policies and procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These limited opportunities are also allocated pro rata based on asset size, subject to the investment objectives and risk profiles of the subject accounts. These areas are monitored by our Chief Compliance Officer.

Our portfolio managers may consider the following factors, among others, in allocating securities among clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position (including any requirement to allocate only round lots); (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is our general policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead a portfolio manager to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Allocations will be made among client accounts eligible to participate in initial public offerings ("IPOs") and secondary offerings on a pro rata basis, except when we determine, in our sole discretion, that a pro rata allocation is not appropriate. This decision will be based on a variety of factors, including, without limitation, a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client's status as a "restricted person" under applicable law regulations.

Securities acquired by us for our clients through a limited offering will be allocated pursuant to the procedures stated in our allocation policy. The policy provides that each portfolio manager will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those client accounts eligible to hold such securities. Eligibility will be based on the legal status of the clients and the client's investment objectives and strategies.

### **1. Research and Other Soft Dollar Benefits**

LAM does receive soft-dollar payments from other institutions in connection with its international research group. In particular, the research produced by our International Equity Strategies group is sold outright to unaffiliated institutions;

### **2. Brokerage for Client Referrals**

LAM does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

### 3. Directed Brokerage

Clients have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us. Under certain circumstances, we may permit clients to direct us to execute the client's trades with a specified broker-dealer. When a client directs us to use a specified broker-dealer to execute all or a portion of the client's securities transactions, we treat the client's direction as a decision by the client to retain, to the extent of the direction, the discretion we would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions for the client's account. Although we attempt to effect such transactions in a manner consistent with our policy of seeking best execution, there may be occasions where we are unable to do so, in which case we will continue to comply with the client's instructions. Transactions in the same security for accounts that have directed the use of the same broker will be aggregated. When the directed broker-dealer is unable to execute a trade, we will select broker-dealers other than the directed broker-dealer to effect client securities transactions.

A client who directs us to use a particular broker-dealer to effect transactions should consider whether such direction may result in certain costs or disadvantages to the client. Such costs may include higher brokerage commissions (because we may not be able to aggregate orders to reduce transaction costs), less favorable execution of transactions, and the potential of exclusion from the client's portfolio of certain foreign ordinary shares and/or small capitalization or illiquid securities due to the inability of the particular broker-dealer in question to provide adequate price and execution of all types of securities transactions. By permitting a client to direct us to execute the client's trades through a specified broker-dealer, we will make no attempt to negotiate commissions on behalf of the client. As a result, in some transactions such clients may pay materially disparate commissions depending on their commission arrangement with the specified broker-dealer and upon other factors such as number of shares, round and odd lots and the market for the security. The commissions charged to clients that direct us to execute the client's trades through a specified broker-dealer may in some transactions be materially different than those of clients who do not direct the execution of their trades. Clients that direct us to execute the client's trades through a specified broker-dealer may also lose the ability to negotiate volume commission discounts on batched transactions that may otherwise be available to our other clients.

When a client directs us to use Lebenthal & Co., LLC, our affiliate, to effect transactions for the client, a conflict of interest arises because we have an incentive to place client trades with our affiliated broker-dealer instead of unaffiliated broker-dealers since our organization earns commissions on such trades. Additionally, by directing us to use a particular broker-dealer to effect transactions, a client may incur additional costs. Such costs may include higher brokerage and commission rates, less favorable execution of transactions, and the potential of exclusion from the client's portfolio of certain foreign ordinary shares and/or small capitalization or illiquid securities due to the inability of the particular broker-dealer in question to provide adequate price and execution of all types of securities transactions.

### C. Order Aggregation

LAM may purchase or sell the same security for many clients at or near the same time and using the same executing broker. When we do so, it is our practice, where possible, to aggregate client orders for the purchase or sale of the same security submitted at or near the same time for execution using the same executing broker. We will also aggregate in the same transaction, the same securities for accounts where we have brokerage discretion. Such aggregation may enable us to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. However, in cases where the client has negotiated the commission rate directly with the broker, we will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the client will be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on a client's account, we may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or receive less favorable prices than clients who are able to participate in an aggregated order. When an aggregated order is completely filled, we allocate the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations.

If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, LAM's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating clients.

We or our related persons may also participate in an aggregated order.

### D. Principal Trading

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. Although we typically do not, we or our related persons (in particular our related broker-dealer Lebenthal & Co., LLC), as principal, may, in appropriate circumstances, buy securities from (or sell securities to) our clients. This practice creates a conflict of interest because we or our related person has an incentive to recommend/buy securities from (or sell securities to) clients based on our own financial interests, rather than solely the interests of a client.

With respect to principal transactions, we adhere to the requirements of Section 206(3) of the Act. This requires us to disclose to the client in writing before the completion of the transaction that we intend to act in the capacity of principal with respect to this transaction, and obtain the client's prior consent to such transaction.

## **E. Agency Cross Transactions**

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Although we typically do not, we may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable us to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar.

We recognize that there is a potential conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades or trades for which we or our affiliates are compensated as a broker, unless client consent has been obtained based upon written disclosure to the client of the capacity in which we or our affiliates will act.

Cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA. Cross transactions involving a registered investment company for which we serve as adviser are permitted only in accordance with the procedures stated in Investment Company Act of 1940 Rule 17a-7.

## **F. Trade Errors**

As a fiduciary, we have the responsibility to effect orders correctly, promptly and in the best interests of our clients. If it appears that a trade error has occurred, we will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, our error correction procedure is to ensure that clients are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred. We have discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a client account incurs a trade error as a result of our gross negligence, willful misconduct, or fraud, the error will be corrected by us as soon as practicable, in a manner such that the client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the client account.



## **Item 13. Review of Accounts**

### **A. Frequency and Nature of Review**

LAM monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on a quarterly basis. Ongoing reviews are conducted by the portfolio managers and quarterly reviews are performed at the supervisory level. All investment advisory clients are encouraged to discuss their needs, goals and objectives with LAM, and to keep LAM informed of any changes thereto.

### **B. Factors Prompting a Non-Periodic Review of Accounts**

Significant market events affecting the prices of one or more securities in client accounts, changes in the investment objectives or guidelines of a particular client, and/or specific arrangements with particular clients may trigger reviews of client accounts on other than a periodic basis. For our International Equity Strategies group, these factors may also include reviews relating to geopolitical risks and currency fluctuations.

### **C. Content and Frequency of Regular Account Reports**

Each client that holds a separate account will receive written reports, in the form of quarterly statements, directly from the Custodian. Ad hoc reports of varying content will be created as we deem necessary, given each client's subjective needs. Such reports may be delivered electronically to the client in accordance with the client's agreement with us. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from LAM and/or an outside service provider which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any reports they receive from LAM or an outside service provider.



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

### **A. Economic Benefits Received from Non-Clients for Providing Services to Clients**

Please refer to Item 10.

### **B. Compensation to Non-Supervised Persons for Client Referrals**

With respect to certain types of accounts, we make cash payments to unaffiliated third-party solicitors for client referrals. Generally, such solicitors are registered representatives and/or investment advisors registered at third party firms. Where applicable, all such arrangements will fully comply with the requirements of Rule 206(4)-3 of the Advisers Act and related SEC staff interpretations.

We do not differentiate among investors in providing investment advisory services based on how any investor became our client. When an investor introduced to us by a solicitor opens an advisory account with us, such client is treated in the same manner as all of our other clients. Thus, no conflicts of interest arise as a result of any such arrangements.

## **Item 15. Custody**

We do not have custody of client funds or securities.

Clients will receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. LAM urges clients to review carefully such statements and compare such official custodial records to the account statements that we may provide to you.

The Firm may also provide written performance reports upon request. The Firm urges clients to review carefully such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16. Investment Discretion**

We generally provide investment advisory services on a discretionary basis to clients. Investment guidelines and restrictions must be provided to us in writing.

Prior to assuming either full or limited discretion in managing a client's assets, we enter into an investment management agreement or other similar agreement that sets forth the scope of our investment discretion for each client account. In all cases, such discretion is exercised in a manner consistent with the stated investment objectives of the particular client, adhering to the investment policies, limitations and restrictions requested by the client.

Unless otherwise instructed or directed by a discretionary client, we have the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities stated in the applicable investment management agreement and any written investment guidelines); and (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, portfolio diversification, tax status and other criteria, there may be differences among clients in invested positions and securities held. Our portfolio managers either manually determine the allocation of securities to (or from) client accounts in advance of each trade/order submitted based on a combination of the criteria set forth below, or make use of available technology to automatically allocate securities pro rata based on the amount of a client's assets under management.

Please see Item 12 above for a further discussion of our brokerage practices and their impact on how we exercise discretion over our advisory account.

## **Item 17. Voting Client Securities**

### **A. Policies and Procedures Relating to Authority to Vote Client Securities**

LAM recognizes that the act of managing assets in client portfolios consisting of common stock includes the voting of proxies related to the stock. The power to vote proxies for a client is reserved to that client, unless otherwise requested by written authorization by the client. If we are responsible for voting the proxies relating to an account, LAM will do so in a manner that is in the best interest of the client. We will consider only those factors that relate to the client's investment, including how its vote will economically impact and affect the value of the client's investment. Absent unusual circumstances, proxy votes will be generally be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, and maintain or increase the rights of shareholders, and otherwise will generally be cast against proposals having the opposite effect.

If a material conflict of interest between us and a client exists with respect to an issue subject to a proxy vote, we will determine whether voting in accordance with the guidelines set forth in these proxy voting policies and procedures is in the best interests of the client.

### **Item 18. Financial Information**

LAM is not required to disclose any financial information due to the following:

(a) The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered; (b) the Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and (c) the Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

### **Item 19. Requirements for State-Registered Advisers**

This item is inapplicable.