

# ALEXANDRA & JAMES ADVISORY SERVICES, LLC

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March 31, 2011

This brochure provides information about the qualifications and business practices of Alexandra & James Advisory Services, LLC (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at 212.697.3418. This information has not been approved or verified by the SEC or by any state securities authority.

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

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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## **Item 4. Advisory Business**

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

The Adviser is an investment adviser with its principal place of business in New York, NY. The Adviser commenced operations as an investment adviser on September 18, 2007 and has been registered with the SEC since February 5, 2008. Alexandra & James LLC is the parent company (“Parent Company”) of the Adviser. Alexandra Lebenthal and the James A. Lebenthal Family Trust are the principal owners of the Parent Company.

### **B. Description of Advisory Services (including any specializations)**

The Adviser provides the following advisory services both on a discretionary and non-discretionary basis to its clients, which include individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities with separately managed accounts. These services 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. The Adviser may also serve as a sub-adviser for accounts managed by third-party advisers whereby clients directly pay fees to such third parties. The third party manager then allocates a percentage of the fee paid by the client to the Adviser as compensation for their sub-advisory services. The compensation paid to the Adviser is included in the fee paid to the third party manager.

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

The Adviser provides advice to client accounts based on specific investment objectives and strategies. The Adviser tailors its advisory services based on a variety of information it obtains from its 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**

This item is inapplicable.

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

As of December 31, 2010, the Adviser had approximately \$370,892,608 client assets under management. As of that date, the Adviser managed \$318,116,527 on a discretionary basis and \$52,776,081 on a non-discretionary basis.

## Item 5. Fees and Compensation

### A. Advisory Fees and Compensation

#### Asset-Based Compensation

The Adviser charges each client an investment management fee based on the value of the client's assets under management, in accordance with the following schedule:

| Assets in the Account        | Investment<br>Fee (As<br>% of Assets) | Management<br>an<br>Annual |
|------------------------------|---------------------------------------|----------------------------|
| \$ -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                 |

Investment management fees are 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. 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 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 and will be prorated for the number of days remaining in the quarter.

These 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 or not the client is an employee or affiliate of the Adviser.

## Performance-Based Compensation

The Adviser may also be paid a performance-based fee of 25%. Typically, this is done at the client's request in exchange for a lower asset-based fee, and is not dependent on investment strategy or asset class under management. 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). 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.

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 or not the client is an employee or affiliate of the Adviser.

### B. Payment of Fees

On a quarterly basis, the Adviser either instructs the custodian to deduct investment management fees from client accounts for credit to a proprietary account, also held at the custodian, or bills clients directly on a quarterly basis. The client may select the method by which it would like to pay the investment management fee.

### C. Other Fees and Expenses

In addition to paying investment management fees and, if applicable, performance-based fees or other compensation, client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange 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. 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. Client assets may be invested in money market mutual funds, ETFs, or other registered investment companies. In these cases, the client will bear its pro rata share of the investment management fee and other fees of the fund, which are in addition to the investment management fee paid to the Adviser. Client assets may be invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. In addition, clients may incur brokerage and other transaction costs. Please refer to 'Brokerage Practices' later in this brochure for a discussion of the Adviser's brokerage practices.

### D. Prepayment of Fees

The clients are required to pay the Adviser's fees in advance.

The client obtains a refund of a pre-paid fee if the advisory contract is terminated or a withdrawal is made from the account before the end of a billing period. The fee applicable to the amount of funds withdrawn is calculated and pro-rated for 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**

This item is inapplicable.

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

The Adviser is entitled to be paid performance-based compensation by certain client accounts. The Adviser and its investment personnel, including investment personnel that share in performance-based compensation, manage both client accounts that are charged performance-based compensation and accounts that are charged an asset-based fee, which is a non-performance-based fee. In addition, certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When the Adviser and its investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. The Adviser and its investment personnel have a greater incentive to favor client accounts that pay the Adviser (and indirectly the portfolio manager) performance-based compensation or higher fees.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews 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, the Adviser's 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. With transactions for accounts being managed according to an internal equity strategy, this is accomplished at the point of order entry using Pershing LLC's 'Order Blast' tool. Order Blast automatically allocates executions pro rata based on asset size across accounts grouped by this strategy. The Adviser also requires that, to the extent orders are aggregated, the client orders are price-averaged. Finally, the Adviser's 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 the Adviser's Chief Compliance Officer.

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

The Adviser's clients consist of individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

The Adviser requires that a client invests and maintains 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 the Adviser to meet the minimum account size.

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

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

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental research, charting analysis, and cyclical analysis, as well as use of quantitative tools and investment approaches, or technical analytical tools and approaches.

In connection with research, the Adviser reviews financial publications and research prepared by third parties, including research obtained from commercially-available information services. The Adviser also reviews 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, the Adviser obtains information through conferences and consultations with industry experts.

With respect to investments in other pooled vehicles, the Adviser primarily focuses on underlying portfolio managers (each, a “Portfolio Manager”) in terms of research rather than individual securities. The Adviser’s analytical process includes both quantitative and qualitative elements. The Adviser endeavors to analyze 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.

The Adviser employs the following investment strategies:

#### **Buy and Hold**

The Adviser engages in a buy and hold investment strategy wherein the Adviser buys securities and holds them for a relatively longer period of time, regardless of short-term factors such as fluctuations in the market or volatility of the stock price.

#### **Equity**

The Adviser’s equity strategy focuses on a broad range of equity investment styles, including 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. In addition, the Adviser manages client accounts that are global, multi-national, or focused on particular geographic regions or specific countries.

#### **Fundamental Value**

The Adviser engages in a fundamental value investment strategy wherein the Adviser attempts to invest in asset-oriented securities the Adviser believes are undervalued by the market.



## **Global Macro**

The Adviser engages in a global macro investing strategy wherein the Adviser attempts to anticipate global macroeconomic events using discretionary selection, pre-determined mathematical trading models or a combination of both.

## **Growth**

The Adviser engages in a capital growth investment strategy wherein the Adviser attempts to select securities of a company whose earnings the Adviser expects to grow at an above-average rate compared to the company's specific industry or the overall market.

## **Hedging**

The Adviser utilizes a variety of financial instruments such as derivatives, options, interest rate swaps, caps and floors, ETFs, futures and forward contracts for risk management purposes.

## **Leverage**

The Adviser's investment program sometimes utilizes leverage which involves the borrowing of funds from brokerage firms, banks and other institutions in order to be able to increase the amount of capital available for marketable securities investments.

## **Option Trading**

The Adviser engages in various option trading investment strategies. Options are investments whose ultimate value is determined from the value of the underlying investment. The Adviser engages in the following types of option trading strategies:

- Write covered calls
- Buy calls
- Buy naked puts

## **Short Selling**

The Adviser engages in short selling strategies. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser makes short sales (i) as a form of hedging to offset potential declines in long positions in similar securities, (ii) in order to maintain flexibility and, (iii) for profit.

These methods, strategies and investments involve(s) risk of loss to clients and clients must be prepared to bear the loss of their entire contribution or investment.

## **Sponsored Platforms**

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.

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

### **Hedging**

There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

### **Interest Rate Risks**

Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

### **Issuer-Specific Changes**

Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

### **Lack of Diversification**

Client accounts will not necessarily be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

### **Leverage**

Performance may be more volatile if a client's account employs leverage.

### **Short Selling Risk**

The Adviser's investment program may include short selling. Short selling transactions expose the Adviser 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 the Adviser 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, wherein the Adviser

might be compelled, 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.

### **C. Risks Associated with Types of Securities that are Primarily Recommended Including Significant or Unusual Risks**

#### **Derivatives**

Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or the Adviser. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

#### **Emerging Markets**

The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

#### **Equity Securities**

The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

## **Fixed-Income and Debt Securities**

Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

## **Illiquid Instruments**

Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.

## **Non-U.S. Securities**

Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

## **REITs**

REITs in which the Adviser invests client accounts are affected by underlying real estate values, which may have an exaggerated effect to the extent that REITs in which the Adviser invests concentrate investments in particular geographic regions or property types. Investments in REITs are also subject to the risk of interest rate volatility. Further, rising interest rates will cause investors in REITs to demand a higher annual yield from future distributions, which will in turn decrease market prices for equity securities issued by REITs. REITs are subject to risks inherent in operating and financing a limited number of projects because they are dependent upon specialized management skills, and have limited diversification. REITs depend generally on their ability to generate cash flow to make distributions to investors.

## **Security Futures and Options**

In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options

in the client's account. In addition, the Adviser's investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

## **Item 9. Disciplinary Information**

This item is inapplicable.

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

### **A. Broker-Dealer Registration Status**

Certain of the Adviser's management persons are registered as a registered representative of a broker-dealer.

### **B. Commodities-Related Registration**

This item is inapplicable.

### **C. Material Relationships or Arrangements with Industry Participants**

#### **1. Broker-Dealer, Municipal Securities Dealer or Government Securities Dealer or Broker**

The Adviser has entered into a relationship with Lebenthal & Co., LLC whereby the Adviser may engage Lebenthal & Co., LLC to effect securities transactions on behalf of its clients. Lebenthal & Co., LLC will retain commissions and commission equivalents and mark-ups, mark-downs, spreads and other transaction-related charges in connection with execution of transactions for advisory accounts. This arrangement represents a conflict of interest because they provide an economic incentive for the portfolio managers to use Lebenthal & Co., LLC, in lieu of other brokers, municipal securities dealers, or government securities dealers or brokers to effect client securities transactions. These conflicts of interest are disclosed to clients, and the Adviser obtains client consent as applicable.

### **D. Material Conflicts of Interest Relating to Other Investment Advisers**

This item is inapplicable.

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

### **A. Code of Ethics**

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its related persons to put the interests of the Adviser's clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser's personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Jack Glasheen (Chief Compliance Officer) by email at [jglasheen@alexjamesco.com](mailto:jglasheen@alexjamesco.com), or by telephone at 212.697.3418. See below for further provisions of the Code as they relate to the pre-clearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client's benefit.

### **B. Client Transactions in Securities where Adviser has a Material Financial Interest**

Please see our disclosures under Item 10- 'Other Financial Industry Activities and Affiliations'.

The Adviser or its related persons, as principal, buys securities from (or sells securities to) its client. This practice creates a conflict of interest because the Adviser or its related person has an incentive to recommend/buy securities from (or sell securities to) clients based on its own financial interests, rather than solely the interests of a client.

With respect to principal transactions, the Adviser discloses to the client in writing before the completion of the transaction the capacity in which the Adviser is acting with respect to this transaction, and obtains the client's consent to such transaction as required by Section 206(3) of the Advisers Act.

### **C. Investing in Securities Recommended to Clients**

In addition, the Adviser or its related persons invests in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a related person recommends to clients. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its related person are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Adviser's or its related person's objectivity, these practices by the Adviser or its related persons may also harm clients by adversely affecting the price at which the clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: The Adviser typically aggregates personal trades for its related persons/access persons in any given security with client trades in the same security on the same day. In addition, the Adviser's Code prohibits the Adviser or its related persons/access persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser's related persons/access persons are required to disclose their securities transactions and holdings on at least a quarterly basis. Trading in employee accounts will be reviewed by the Chief Compliance Officer, compared with transactions for the client accounts, and reviewed against the restricted securities list.

To the extent that the Adviser or a related person or any of their employees own securities that the Adviser or its related person also recommends to clients, such clients' proxies will be voted according to predetermined guidelines rather than subject to the Adviser's (or its related person's) discretion. Please refer to Item 17 – "Voting Client Securities" later in this brochure for further information regarding the Adviser's proxy voting policy and procedures.

#### **D. Conflicts of Interest Created by Contemporaneous Trading**

The Adviser or a related person from time to time recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that the Adviser or related person buys or sells the same securities for its own account in accordance with the procedures described herein in order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for the Adviser or its related person to the detriment of the client. In addition, the Adviser has adopted the aggregation policies and procedures discussed in Item 12 – "Brokerage Practices – Order Aggregation" later in this brochure.

### **Item 12. Brokerage Practices**

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

The Adviser considers 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. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, offering to the Adviser on-line access to computerized data regarding a client's accounts. Additionally, the Adviser may select broker-dealers based on the Adviser's 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 doing so, the Adviser seeks overall best execution for each client account. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates. The Adviser's Best Execution Committee meets quarterly to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

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

This item is inapplicable.

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

This item is inapplicable.

##### **3. Directed Brokerage**

Under certain circumstances, the Adviser may permit clients to direct the Adviser to execute the client's trades with a specified broker-dealer. When a client directs the Adviser to use a specified broker-dealer to execute all or a portion of the client's securities transactions, the Adviser treats the client direction as a decision by the client to retain, to the extent of the direction, the discretion the Adviser would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions for the client's account. Although the Adviser attempts to effect such transactions in a



manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which case the Adviser 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, the Adviser will select broker-dealers other than the directed broker-dealer to effect client securities transactions. A client who directs the Adviser 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 the Adviser 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 the Adviser to execute the client's trades through a specified broker-dealer, the Adviser will make no attempt to negotiate commissions on behalf of the client and, 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 the Adviser 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 the Adviser 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 other clients of the Adviser.

When a client directs the Adviser to use Lebenthal & Co. LLC, which is affiliated with the Adviser, to effect transactions for the client, a conflict of interest arises because the Adviser has an incentive to place client trades with its affiliated broker-dealer instead of unaffiliated broker-dealers since the Adviser's organization earns commissions on such trades. Additionally, by directing the Adviser 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.

## **B. Order Aggregation**

The Adviser often purchases or sells the same security for many clients at or near the same time and using the same executing broker. It is the Adviser's 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. The Adviser will also aggregate in the same transaction, the same securities for accounts where the Adviser has brokerage discretion. Such aggregation may enable the Adviser 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, the Adviser 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, the Adviser 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, the Adviser allocates 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, the Adviser'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.

The Adviser or its related persons may also participate in an aggregated order.

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

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

Each client account is reviewed by the relevant portfolio manager of the Adviser, on a quarterly basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account.

### **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.

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

Each client that is 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 the Adviser deems necessary, given each client's subjective needs. Such reports may be delivered electronically to the client in accordance with the client's agreement with the Adviser.

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

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

Please refer to Item 10. – “Material Conflicts of Interest Relating to Other Investment Advisers” for a description of economic benefits received from non-clients for providing services to clients.

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

The Adviser makes cash payments to third-party solicitors for client referrals, provided that, to the extent required, each such solicitor has entered into a written agreement with the Adviser pursuant to which the solicitor will provide each prospective client with a copy of the Adviser's Form ADV Part 2, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and Adviser and any fees to be paid to the

solicitor. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.

## **Item 15. Custody**

The Item is inapplicable.

## **Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to clients.

Prior to assuming either full or limited discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) (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, tax status and other criteria, there may be differences among clients in invested positions and securities held. The Adviser's 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 (i.e., Order Blast) to automatically allocate securities pro rata based on the amount of a client's assets under management. The 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 the Adviser's 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 the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client's status as a "restricted person" under applicable regulations.

Securities acquired by the Adviser for its clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's 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.

The Adviser may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable the Adviser 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. The Adviser has a potentially 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 the Adviser or its affiliates are compensated as a broker unless client consent has been obtained based upon written disclosure to the client of the capacity in which the Adviser or its affiliates will act. In addition, 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 the Adviser serves as adviser are permitted only in accordance with the company's rule 17a-7 procedures.

If it appears that a trade error has occurred, the Adviser 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, the Adviser's 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. The Adviser has 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 the Adviser's gross negligence, willful misconduct, or fraud, the error will be corrected by the Adviser 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 17. Voting Client Securities**

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

To the extent the Adviser has been delegated proxy voting authority on behalf of its clients, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. In voting proxies, the Adviser votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification in common stock. The Adviser will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals, the Adviser will determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal

acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

The Adviser's clients are permitted to direct their votes in a particular solicitation. A client that wishes to direct its vote in a particular solicitation shall give reasonable prior written notice to the Adviser indicating such intention and provide written instructions directing the Adviser's vote in regard to the particular solicitation. Where such prior written notice is received, the Adviser will vote proxies in accordance with such written instructions received from a client, provided that such instructions are provided to the Adviser in a timely manner.

If a material conflict of interest between the Adviser and a client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the client or take some other appropriate action. The Adviser does not make any qualitative judgment regarding its client's investments.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting Jack Glasheen (Chief Compliance Officer) by email at [jglasheen@alexjamesco.com](mailto:jglasheen@alexjamesco.com) or by telephone at 212.697.3418.

#### **B. No Authority to Vote Client Securities and Client Receipt of Proxies**

In the event a Client has retained their authority to vote client securities, Clients will receive their proxies or other solicitations directly from their custodian. With respect to any questions about a particular solicitation, clients can contact Jack Glasheen (Chief Compliance Officer) by email at [jglasheen@alexjamesco.com](mailto:jglasheen@alexjamesco.com) or by telephone at 212.697.3418.

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

This item is inapplicable.

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

This item is inapplicable.

## Item 2. Appendix: Material Changes

This item is inapplicable.