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Part 2A Appendix 1 of Form ADV

## **Item 2 – Material Changes**

There have not been, nor are there any material changes that since the last update of the *Wrap Fee Program Brochure*.

**This Wrap Fee Program Brochure provides information about the qualifications and business practices of du Pasquier Asset Management. If you have any questions about the contents of this brochure, please contact us at 212-624-1001. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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## Item 4 – Services, Fees and Compensation

Wrap Fee arrangements have become more popular. Under a wrap fee, the client usually pays a single fee, typically up to 3% of assets under management for investment advisory, brokerage, and other services including custody and performance review. The services provided under the du Pasquier Asset Management Wrap Fee Program includes but are not limited to: private investment goal and guideline consultation with an Investment Manager, professional investment management of client's accounts, distribution of quarterly account statements, performance, investment and reinvestment review and payment of asset management fees.

Clients are cautioned that depending on the level of fees charged by the executing Broker-Dealer, and the amount of portfolio activity in the clients account, the value of the services provided under this Program may exceed the total cost of such services had they been provided separately. In addition, a disparity in wrap fees may exist between the wrap fees charged to other clients.

Fees charged to clients who maintain a wrap fee account will typically be up to 3% of total assets managed. Additional expenses, i.e. SEC fees, trailing commissions, annual IRA fees, wire funds transfer fees, postage and handling fees, are not covered under a Wrap Fee. Typically, du Pasquier Asset Management fee structure is:

### **Equity and Balanced Accounts**

3.0% for first \$500,000

2.0% for next \$4,000,000

1.5% for assets over \$5,000,000

### **Fixed Income Accounts**

1.50% for first \$500,000

1.25% for next \$1,000,000

1.00% for next \$3,000,000

0.75% for assets over \$4,500,000

du Pasquier Asset Management considers this a negotiable fee.

Clients who elect the du Pasquier Asset Management Wrap Fee Program utilizing the investment management services of an Independent Adviser are advised that the Independent Adviser will receive a portion of the fee paid to du Pasquier Asset Management for their investment management services, typically 50%.

Fees are calculated quarterly, based upon the market value of the portfolio. One fourth of the annual fee will be billed in advance and debited from the Client's account each quarter (unless paying separately by check).

Clients participating in the du Pasquier Asset Management Wrap Fee Program may pay either more or less than a client might otherwise pay if purchasing the services separately. There are several factors which may determine whether such costs would be more or less, including but not limited to the following: size of the portfolio; types of investments made by the portfolio manager; the amount of trading effected by the Investment Manager; and the actual costs of such services if purchased separately.

In light of the services provided by du Pasquier Asset Management including research, supplemental advisory and client-related services which may be offered through Investment Managers, the wrap fees charged may exceed those of other Broker-Dealers and/or Investment Advisers. To the extent that fees charged are negotiable, they may differ from client to client based upon a number of factors, including, but not limited to, the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplemental advisory and client-related services to be provided to the account. Moreover, fees, as well as other account requirements, may vary as a result of the application of prior policies depending upon customer account inception date. For more information regarding the above, contact your du Pasquier Asset Investment Manager.

Additional expenses i.e., SEC fees, trailing commissions, annual IRA fees, wire transfer fund fees, postage and handling fees are not covered under a Wrap Fee.

### **Item 5 – Account Requirements and Types of Clients**

The minimum market value to establish an account is typically \$500,000. At the discretion of the firm, exceptions to the minimum amount to open an account are made.

du Pasquier Asset Management, a Registered Investment Adviser, provides comprehensive investment management services to individuals, corporations, and pension fund clients.

### **Item 6 – Portfolio Manager Selection and Evaluation**

The du Pasquier Asset Management investment approach integrates a strong bias towards companies with a long-term history of superior performance and a proprietary software system that optimizes and quantifies specific risk parameters and return objectives. The two approaches tend to compliment one another through a variety of economic environments. The following outlines the process and also explains the uniqueness of our asset management program.

#### du Pasquier Asset Management Investment Process & Strategies Consists of Five Steps:

- Determine client investment goals
- Asset allocation
- Optimization
- Senior Management Team
- Portfolio Review

#### Determine Client Investment Goals:

In this first step the client submits investment objectives and guidelines from which the portfolio will be managed. From this information, intermediate and long term objectives are established. Additionally, the client's risk tolerance with respect to volatility, loss and other criteria are determined and calculated. Subsequent to this comprehensive review, the benchmarks, or yardsticks, from which the portfolio and Manager will be measured are agreed upon in advance. The du Pasquier Asset Management program also

makes available to the client a variety of other measurements to evaluate the portfolio's long-term success.

#### Asset Allocation:

A client's portfolio performance is, for the most part, predicated on how the capital is allocated. Asset groups include large-, small- and mid-cap stocks, bonds, money markets and other investment alternatives. This second step identifies those asset groups and industry sectors that have low or negative correlation yet are consistent with the client objectives. Asset groups that tend to move in opposite directions through a variety of economic cycles can often reduce risk without adversely affecting return or in fact, can improve return while maintaining the same level of risk.

Investment performance will typically be compared to a recognizable industry index such as the S&P 500 or the Barclays Capital U.S. Aggregate Float Adjusted Index. du Pasquier Asset Management works with each client at the time the account is opened to pre-select an index which will be used as the benchmark for the account.

#### Optimization:

du Pasquier Asset Management identifies the asset groups and industry sectors that are appropriate to the client's investment goals and objectives. A decision matrix is then crafted to reduce the alternatives to a suitable number. This matrix is distinctive to the client's portfolio and needs. It reflects the unique objectives of the portfolio's quantifiable risk tolerance and performance goals. The matrix indicates how groups have historically performed with respect to loss, return and volatility. From this matrix a correlation analysis can be derived that identifies which asset groups or sectors, when combined, would best compliment each other. For instance, too high a correlation tends to indicate a lack of balance in the risk profile of the portfolio. The asset groups are then mathematically optimized to determine the allocation necessary to best achieve the client's goals of return, volatility, loss and return per risk taken. The optimization virtually calculates all combinations available to determine the best asset allocation.

#### Senior Management Team:

The client objectives along with the results of the decision matrix and optimization are then submitted to our Senior Management Team. This committee is a team of du Pasquier Asset Management senior management with significant investment experience who operate in an unencumbered environment.

The team screens domestic corporations based on quantifiable measurements that compare fundamental and intrinsic value analysis. With this strong growth bias, du Pasquier Asset Management evaluates public companies with the same discipline one would evaluate private companies. To find stocks du Pasquier Asset Management begins by analyzing the entire business as a potential acquisition. Typical sources of information include: company reports, SEC filings, computer databases, newspaper/magazine articles and analysts' reports. Information is used to focus on earnings, book value, cash flow, capital structure and industry. Once a company is given an estimates value, du Pasquier Asset Management compares the calculated value to the price of the stock.

As Investment Managers, the Senior Management Team combines in-depth domestic and international economic research with comprehensive and diligent analysis of individual companies. du Pasquier Asset Management carefully evaluates each investment opportunity for such characteristics as a strong balance sheet, above average return on equity, long-term profitability with good prospects, prices below intrinsic value, superior management and sound products and services. This approach, which is closely monitored by the Senior Management Team, has achieved significant capital growth during market expansion, and preservation of wealth during periods of market weakness. The Senior Management Team meets frequently to review the asset allocation, portfolio performance and general economic outlook.

du Pasquier Asset Management employs a number of investment strategies in connection with its wrap fee and other investment advisory services, depending upon the type of client involved, the product chosen and the objective selected by the client. These strategies may involve long- and short-term investments and covered option writing, but may also include in special circumstances short-term trading, short sales, margin transactions and other hedging techniques.

#### Portfolio Review:

The last step of the du Pasquier Asset Management process, portfolio review, is perhaps the most important. The system provides the portfolio with a unique summary that helps determine whether the many assumptions that have been made in the process are correct. When inconsistencies are detected in the historic summary this is viewed as a warning signal. That warning signal prompts a re-evaluation of market conditions and economic cycles and other assumptions so a quick adjustment to the program can be activated prior to incurring adverse affect on return.

Investment Managers are selected after a profile interview is completed with the prospective client. A Manager is selected whose discipline style and manner is most compatible with the client's risk/reward performance. Manager review is performed annually. If the client is dissatisfied with that Manager for any reason, it is recommended that he might be replaced.

#### "Look Back" Analysis:

An effective asset management program must do more than record and display past performance history. It must try to determine how this history might project to future markets. The "look back" analysis helps bridge this gap.

du Pasquier Asset Management Senior Management establishes a consensus on what the economy in general will be over the next twelve to thirty-six months. Once agreed upon, it looks back to find an economic environment similar to what is expected in the future. du Pasquier Asset Management's proprietary system then allows full credit to be given to the asset group that performed well in that environment and less credit for performance that may not be significant in the future. The combination of computer analysis and the more subjective market experience is a good check and balance from which the customer can only benefit.

Investment Managers employed by du Pasquier Asset Management are selected based on several factors which include but are not limited to: education, industry experience and investment performance.

DPAM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Methods of Analysis include: charting, fundamental, technical, and cyclical analysis  
Investment Strategies uses to implement advice given to clients include:

- (1) Long term purchases (securities held at least a year)
- (2) Short term purchases (securities sold within a year)
- (3) Trading (securities sold within 30 days)
- (4) Short sales
- (5) Margin transactions
- (6) Option writing, including covered options, uncovered options, or spreading strategies

Investing in securities involves risk of loss that clients should be prepared to bear.

As a matter of DPAM firm policy and practice, DPAM does not have any authority to and, does not vote proxies on behalf of advisory clients. Our client advisory agreements provide that our advisory clients expressly retain the authority and responsibility for voting proxies of portfolio securities. DPAM may provide advisory clients with administrative assistance regarding proxy voting or issues but the clients have the responsibility to receive and vote any proxies.

#### **Item 7 – *Client Information Provided to Portfolio Managers***

Investment Managers will typically complete an account evaluation questionnaire for each newly opened managed account. Answers are formed through in-depth conversations with clients. Questions are specific and relate to such items as Age, Occupation, Annual Income, Net Worth, Need for Withdrawals, Portfolio Strategy, Portfolio Objectives, Risk Tolerance, Performance Horizon, Income Requirements, Dividend Requirements and Preferences to Maturities. du Pasquier Asset Management requests that the investment manager review the questionnaire annually and confirm with the client that there are no changes in the clients investment objectives so as to ensure continued understanding of the client's investment objectives

Clients of du Pasquier Asset Management typically have a minimum of \$500,000 to invest.

#### **Item 8 – *Client Contact with Portfolio Managers***

du Pasquier Asset Management promotes open lines of communication between the Portfolio Manager and our clients, encouraging the Manager's attempt to remain available to discuss investment philosophy, objectives and to answer client questions.

Typically, clients schedule a meeting with their Portfolio Manager in advance. Meetings can be done over the phone or in person. Clients can also contact the manager via email.



## **Item 9 – Additional Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of DPAM or the integrity of DPAM's management. DPAM has no information applicable to this Item.

The principal business of DPAM or its principal executive officers involves something other than providing investment advice.

DPAM is a SEC registered investment advisor. However, the principal executive officers and other employees are separately licensed as registered representatives of DP, a registered broker-dealer and a FINRA member firm.

While these individuals endeavor at all times to put the interest of the clients first as part of DPAM's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations.

These individuals may spend less than 50% of their time with all of these related activities.

DP is registered (or has an application pending) as a securities broker-dealer.

DPAM or a related person is not a general partner in any partnership in which clients are solicited to invest.

DPAM or a related person recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest. DPAM or a related person buys or sells for itself securities that it also recommends to clients.

Employees of DPAM or its related persons, may have a position in securities which have been recommended to clients. They may also give advice and take action in the performance of their duties to clients which may be similar to or differ from advice given, or the timing and the nature of action taken, with respect to other clients' accounts. Additionally, employees of DPAM, from time to time, may not be free to divulge or act upon certain information in their possession on behalf of investment advisory or other clients. In particular, it should be noted that Investment Managers may direct the purchase and sale of securities of such accounts in a manner that differs from the recommendations or analyses of DPAM's research. No officer or employee of DPAM, or related persons, will be allowed to trade ahead of any client on any given day.

All personal and client transactions done through DP are reported to and reviewed daily by Compliance. All employee and employee related accounts generate duplicate statements to Compliance and subject to the firm's Insider Trading Policy. For all employees accounts away from DP, duplicate confirms and statements are received and reviewed by Compliance.

DPAM has adopted a Code of Ethics consistent with Rule 204A-1 of the Advisors Act. DPAM's Code of Ethics provides for a high ethical standard of conduct for all DPAM's professionals and employees, compliance with federal securities laws, and policies and

procedures for the reporting of certain personal securities transactions on a quarterly basis and initial and annual security holdings by DPAM's professionals and employees. Among other things, DPAM's Code of Ethics also requires the prior approval of any IPO and private placement investments, supervisory reviews, enforcement and recordkeeping. A copy of DPAM's Code of Ethics is available to DPAM's advisory clients upon written request to the Compliance Officer at DPAM's principal office address.

DPAM has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at DPAM must acknowledge the terms of the Code of Ethics annually, or as amended.

DPAM anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which DPAM has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which DPAM, its affiliates and/or clients, directly or indirectly, have a position of interest. DPAM's employees and persons associated with DPAM are required to follow DPAM's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of adviser and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for DPAM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of DPAM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of DPAM's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between DPAM and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with DPAM's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. DPAM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

DPAM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Emanuel Scott.

It is DPAM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. DPAM will also not cross trades between client

accounts. 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. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. 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.

### *REVIEW OF ACCOUNTS*

DPAM may have arrangements, oral or in writing, where it is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients.

DPAM may compensate certain representatives by paying a percentage of the advisory fee received. These agreements do not increase any costs to the client and have no impact on advisory fees. DPAM and representatives are required to comply with all pertinent SEC, state and federal laws for client referrals. DPAM receives 12b-1 fees.

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about DPAM's financial condition. DPAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

### **Item 10 – Requirements for State-Registered Advisers**

DPAM is a registered SEC adviser.