



ALHAMBRA  
INVESTMENTS



# ADV – Part 2

March 31, 2021



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Palmetto Bay, FL 33176



## Item 1 – Cover Page

This Brochure provides information about the qualifications and business practices of Alhambra Investment Management. If you have any questions about the contents of this Brochure, please contact us at 1-888-777-0970 or [info@alhambrapartners.com](mailto:info@alhambrapartners.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Alhambra Investment Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Alhambra Investment Management is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Alhambra Investment Management who are registered, or are required to be registered, as investment adviser representatives of Alhambra Investment Management.

## Item 2 – Material Changes

Item 4: Assets under management rose significantly in 2020 to \$202,378,455 from last year's \$175,047,437.

Item 12: Fidelity and other custodians may charge account holders separately for custody services. All custodians may not charge this fee now, but Alhambra expects it to become industry practice due to lost revenue from the shift to no commission trading. Depending on the amount of the fee it could be material for smaller accounts.



# Item 3 – Table of Contents

|  |    |
|--|----|
| Item 1 – Cover Page .....  | 2  |
| Item 2 – Material Changes .....  | 2  |
| Item 3 – Table of Contents .....   | 3  |
| Item 4 – Advisory Business .....   | 4  |
| Item 5 – Fees and Compensation .....                                       | 4  |
| Item 6 – Performance-Based Fees and Side-By-Side Management.....           | 5  |
| Item 7 – Types of Clients .....  | 5  |
| Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss ..... | 6  |
| Item 9 - Disciplinary Information.....                                     | 13 |
| Item 10 – Other Financial Industry Activities and Affiliations.....        | 13 |
| Item 11 – Code of Ethics.....  | 13 |
| Item 12 – Brokerage Practices .....  | 15 |
| Item 13 – Review of Accounts.....  | 16 |
| Item 14 – Client Referrals and Other Compensation .....                    | 16 |
| Item 15 – Custody.....   | 16 |
| Item 16 – Investment Discretion.....                                       | 17 |
| Item 17 – Voting Client Securities .....                                   | 17 |
| Item 18 – Financial Information .....                                      | 17 |



## Item 4 – Advisory Business

Alhambra Investment Management provides investment management services on a discretionary and non-discretionary basis. The company commenced operations in July 2006. Alhambra Investment Management LLC (AIM) is owned by Alhambra Investment Partners LLC (AIP). The principal owners of AIP are Joseph Y. Calhoun, III, Orlando Casariego, Douglas Terry, and Jeffrey Snider. No single owner has more than 20% of the outstanding shares of AIP.

Alhambra Investment Management provides investment management services. The company also provides financial planning services for its investment management clients. AIM does not provide financial planning on a standalone basis.

AIM manages portfolios based on the risk tolerance of each client. Risk tolerance is determined through ongoing discussions with the client. Clients may direct AIM to exclude certain types of securities from their portfolio for personal or financial reasons. Examples might include not purchasing the shares of the client's employer due to concentration concerns or the desire to avoid securities issued by companies or entities the client feels act contrary to their personal moral views.

We do not participate in any wrap fee programs.

As of 12/31/2020, Alhambra advised client assets, discretionary and non-discretionary, of \$202,378,455.

## Item 5 – Fees & Compensation

All fees are subject to negotiation.

The specific manner in which fees are charged by AIM is established in a client's written agreement with the firm. AIM will generally bill its fees on a quarterly basis in advance. Clients may elect to be billed directly for fees or to authorize AIM to directly debit fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). 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.

AIM management fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges



imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to AIM's fee.

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

### Fee Schedule

1.25% for the first \$500,000  
Plus 1% for additional assets up to \$3 million  
Plus 0.75% for additional assets up to \$5 million  
Negotiable for assets managed above \$5 million

## Item 6 – Performance-Based Fees & Side-By-Side Management

Alhambra Investment Management 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).

## Item 7 – Types of Clients

Alhambra Investment Management provides portfolio management services to individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations and corporations.



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

*Alhambra Investment Management utilizes, among other methods discussed in this section, a top down, macro-economic approach to asset allocation. Our observations on global economic conditions is the primary driver of allocations to each asset class. While this sounds like a simple task, our experience informs us of the difficulty in assessing current conditions. In no way does the firm claim any ability to predict the future course of the global economy. We will not always be accurate in our descriptions of the economy and the impact of economic policies over which we have no control. Unpredictable events that can impact current and future economic conditions might include war, natural disasters, epidemics, disruptions in supply or demand, unexpected changes in government economic policy, political scandals and terrorist attacks. This is by no means a comprehensive list. The future is unpredictable and the firm has no special ability to anticipate the unpredictable. Investors should understand that the risk of investing involves uncertainties beyond Alhambra Investment Management's control and could result in unexpected losses.*

*AIM's top-down style depends on the ability of the firm to observe current economic conditions and extrapolate market movements based on historical precedents. There is no assurance that markets will act in the future as they have in the past.*

## Goals, Strategy & Tactics

### **Goal Setting**

Goal setting is an essential part of any successful venture. It provides direction to you and others working to make the venture successful. It eliminates ambiguity and maintains focus on accomplishing those things most important to you. Alhambra asks potential clients to define their goals to aid us in choosing an appropriate strategy.

Goals should be as specific as possible and have a defined time frame. Goals can be ranked by importance. Critical goals can utilize more conservative strategies while aspirational goals can utilize more aggressive strategies. Some clients may choose to implement a common strategy for all goals based on their risk tolerance.

We attempt to define risk tolerance through extensive conversations with our clients.



## ***Portfolios***

Alhambra takes a modular approach to building portfolios for our clients.

- **The Fortress** – A multiple asset class, passive portfolio of ETFs or mutual funds
- **The Citadel** – Adds a tactical overlay to the Fortress portfolio
- **The Alhambra** – Adds individual securities to the Citadel portfolio

## ***Strategy***

A strategy, according to the Oxford English Dictionary, is a plan of action designed to achieve a long term or overall aim. Strategy guides the entire endeavor. Strategies are generally rigid and only change if the goal is altered or under extraordinary circumstances.

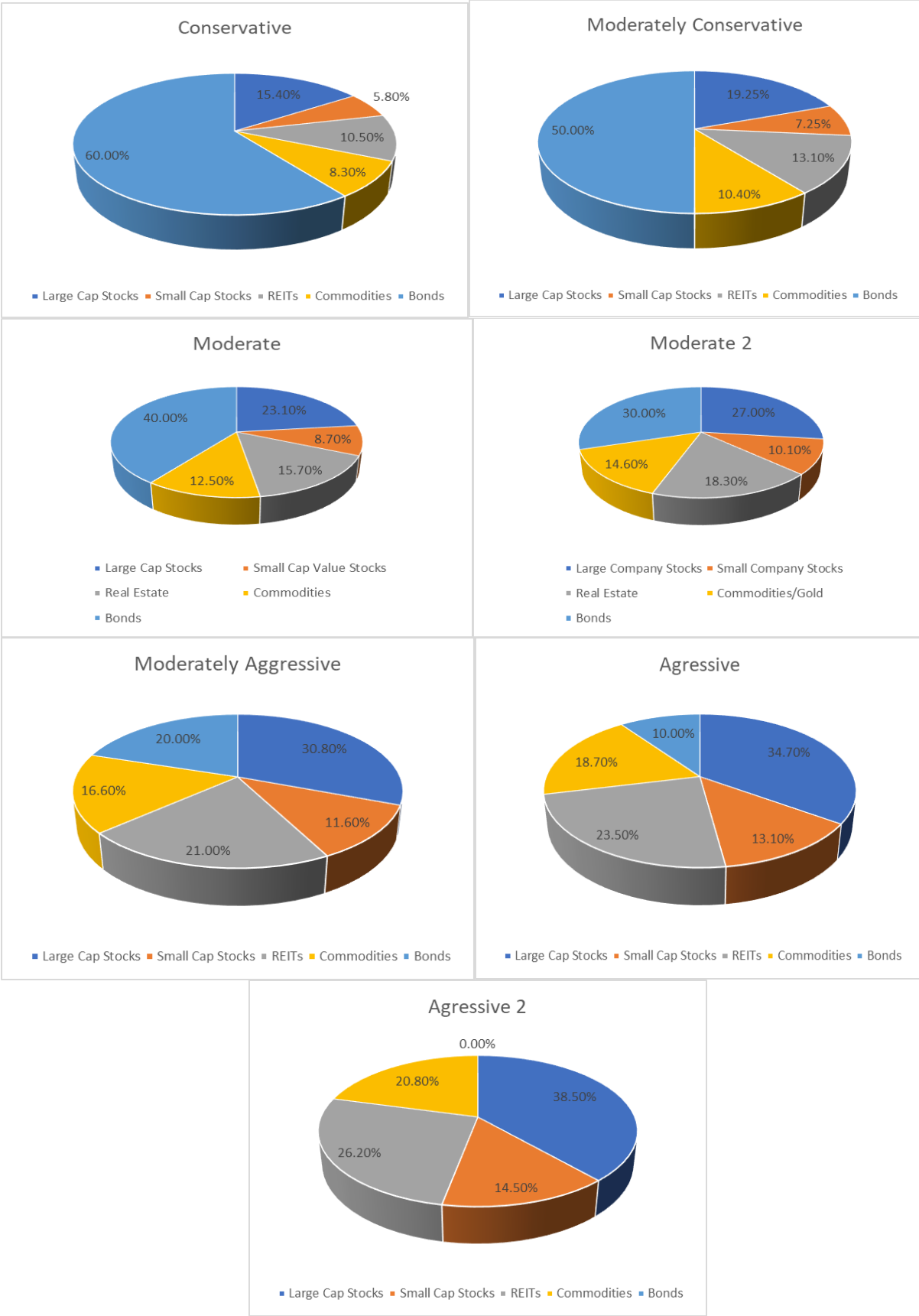
### ***The Fortress Strategy***

In investing, strategy generally refers to asset allocation. The concepts of Alhambra's Fortress Strategy define the underlying structure of our portfolios. The strategy has an asset allocation across 5 distinct asset classes:

1. **Large company stocks**
2. **Small company stocks**
3. **Real Estate**
4. **Commodities and gold**
5. **Bonds**

We use seven different versions of this strategy based on risk. The most aggressive version holds no bonds while the most conservative holds 60% of the portfolio in safe, US Treasury notes.







The Fortress Strategy was developed to be an all-weather portfolio, producing consistent returns in the four major economic environments:

|                                 |                                  |                                   |                                  |
|---------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| Growth Rising,<br>Dollar Rising | Growth Rising,<br>Dollar Falling | Growth Falling,<br>Dollar Falling | Growth Falling,<br>Dollar Rising |
|---------------------------------|----------------------------------|-----------------------------------|----------------------------------|

The Fortress Strategy is a fixed, passive strategy. Accounts invested in the Fortress Strategy are rebalanced at least annually.

Fortress portfolios are comprised of ETFs or mutual funds.

## ***Tactics***

A tactic, according to the Oxford English Dictionary, is an action carefully planned to achieve a specific end. That sounds a lot like the definition of strategy. The difference is mostly about time. Tactics are methods used to achieve shorter term goals that help one accomplish an overall strategy.

Tactics, unlike strategies, are flexible and fit the situation. Tactics concentrate on specific aspects of the overall strategy. Tactics are how we implement our strategy.

## ***The Citadel Portfolio***

The Citadel portfolio adds a tactical overlay to the Fortress strategy. While the Fortress is a static, passive portfolio, the Citadel is tactically-adjusted based on:

1. The economic environment
2. Momentum within and across asset classes

Clients are assigned to an underlying Fortress allocation based on risk tolerance (overall or goal specific). The risk designation is determined by the bond allocation and only changes with a significant change in the economic outlook. Alhambra monitors several broad economic indicators to identify these significant economic changes:

1. Yield curve: An inverted yield curve is a general precursor to recession. A very steep yield curve is a general precursor to recovery. Alhambra monitors yield curves across numerous markets.



2. Credit spreads: The difference between high yield (junk) bond yields and Treasuries provides timely information about the cost and risk associated with financing high risk businesses.
3. Chicago Fed National Activity Index: This broad indicator of economic growth is an amalgam of 85 separate economic indicators. The indicators can range from -1 to +1 with zero representing trend economic growth.

Significant changes in the economic outlook (onset of recession or recovery) can trigger a change in a client's risk allocation. Onset of recession will trigger an increase in bond holdings; onset of recovery will trigger a decrease in bond holding.

We also monitor a wide range of high frequency economic data that aid us in making tactical changes to the Citadel portfolios but changes to a client's risk allocation will generally only be triggered by one of these broad indicators.

We also classify the current economic environment and can make tactical adjustments based on historical performance:

| <b>Growth Rising,<br/>Dollar Rising</b>  | <b>Growth Rising,<br/>Dollar Falling</b>  | <b>Growth Falling,<br/>Dollar Falling</b>   | <b>Growth Falling,<br/>Dollar Rising</b>   |
|--|---|---|--|
| <b>US Large &amp; Small<br/>Company Growth<br/>Stocks</b><br><br><b>Corporate Bonds</b><br><br><b>High Yield Bonds</b> | <b>Int'l Large &amp; Small<br/>Company Growth Stocks</b><br><br><b>US Large &amp; Small<br/>Company Value Stocks</b><br><br><b>Emerging Market Stocks</b><br><br><b>Commodities</b> | <b>International Value<br/>Stocks</b><br><br><b>US Defensive Stocks</b><br><br><b>Real Estate</b><br><br><b>TIPS</b><br><br><b>Gold</b> | <b>US Defensive Stocks</b><br><br><b>Long Duration<br/>Treasuries</b><br><br><b>Hedged Equity</b><br><br><b>Gold</b> |
| <b>Late 1990s, 2010s</b>   | <b>Late 1980s, 2002-2008</b>  | <b>1970s</b>  | <b>2008 crisis, Japan, Asian<br/>crisis, EM crises</b>   |

These are general observations based on historical evidence and variations can occur from cycle to cycle. Therefore, Alhambra uses this in conjunction with momentum observations to make tactical adjustments to the Citadel portfolios.

Alhambra monitors momentum within and across asset classes to make tactical changes to the Citadel portfolios.

Citadel portfolios are composed of ETFs and mutual funds.



## **Individual Securities**

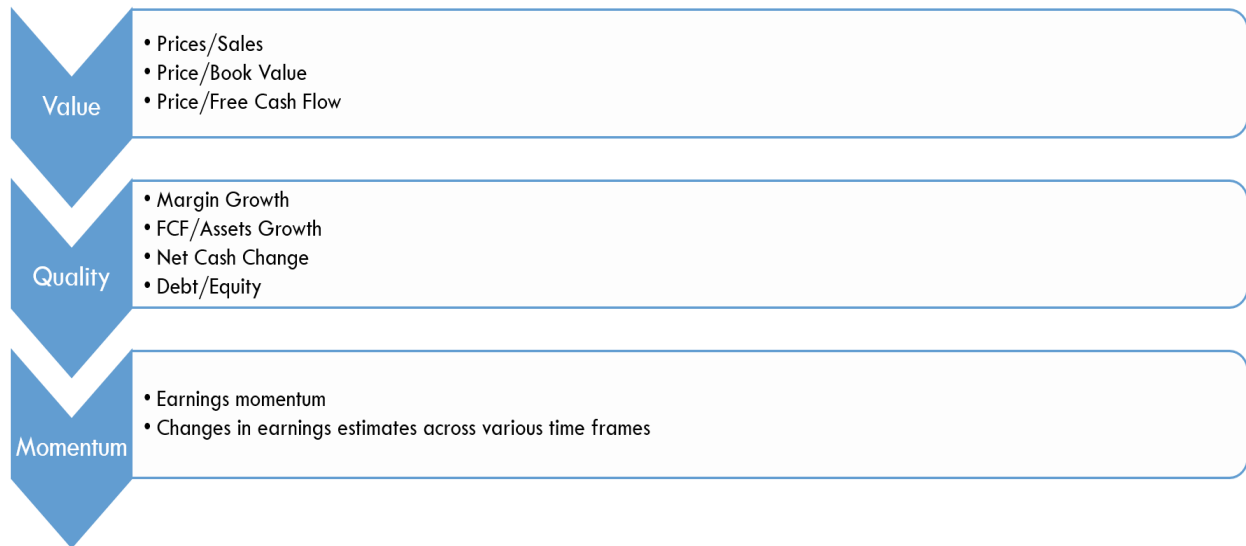
Individual securities can be used to provide more specific market exposures than can be found in ETFs and mutual funds. Alhambra uses individual stocks and bonds at times to invest in long term trends we have identified.

## **The Alhambra Portfolio**

The Alhambra portfolio continues to build on the tactical adjustments of the Citadel portfolio by adding individual securities (Archer Portfolio).

Alhambra employs several proprietary techniques to select individual equity securities. Our main methodology incorporates Value, Quality and Momentum metrics to identify high quality companies with significant upside potential.

## **Value, Quality & Momentum**



Client portfolios at Alhambra are not uniform across our client base. Each client is unique with specific needs and concerns. Some clients may place restrictions on our management that prevents us from purchasing specific types of securities. We work with each client to develop a portfolio that fits your needs and addresses your concerns.



## ***Client Service***

Alhambra uses a team approach to managing client relationships. The team consists of:

- Three portfolio managers
- One dedicated macro-economic researcher
- Two client service coordinators
- Two dedicated operations personnel to assist clients with custodian interactions

## ***Reviews***

Alhambra recommends quarterly reviews for new client relationships. Frequency of reviews can be adjusted as the relationship develops. Quarterly reviews can be conducted via phone, video conference or in person when practical. These reviews will generally cover asset allocation, performance and current conditions.



## Item 9 – Disciplinary Information

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

## Item 10 – Other Financial Activities & Affiliations

Rafael A. Perez and George McArdle, minority shareholders of Alhambra Investment Partners, are members of the Florida Bar whose principal business is the practice of law. Mr. McArdle does not materially participate in the business of Alhambra Investment Management. Mr. Perez is an investment advisory representative Alhambra Investment Management. The company and its principals do not participate in any financial industry activities other than as investment advisors for Alhambra Investment Management.

## Item 11 – Code of Ethics

Alhambra Investment Management 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 AIM must acknowledge the terms of the Code of Ethics annually, or as amended.

Alhambra Investment Management anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which AIM has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase



or sale of securities in which AIM, its affiliates and/or clients, directly or indirectly, have a position of interest. AIM's employees and persons associated with AIM are required to follow AIM's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Alhambra Investment Management and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Alhambra Investment Management's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Alhambra Investment Management 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 Alhambra Investment Management's clients. In addition, the Code requires pre-clearance of some 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 Alhambra Investment Management and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with AIM'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. Alhambra Investment Management 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.

Alhambra Investment Management's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Joseph Calhoun.

It is Alhambra Investment Management's policy that the firm will not effect any principal or agency cross securities transactions for client accounts. Alhambra Investment Management 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. Alhambra Investment Management is not so dually registered.



## Item 12 – Brokerage Practices

### **Clients may utilize the custodian of their choice.**

**Alhambra Investment Management** has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides **Alhambra Investment Management** with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist **Alhambra Investment Management** in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help **AIM** manage and further develop its advisory practice. Such services may include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom **AIM** may contract directly.

**Alhambra Investment Management** is independently operated and owned and is not affiliated with Fidelity.

Due to the move to no commission trading, Fidelity and other custodians may charge account holders separately for its custody services. Alhambra does not receive any portion of this fee. In addition to its own funds, Fidelity provides access to many mutual funds without transaction charges and other funds at nominal transaction charges.

Fidelity is providing **Alhambra Investment Management** with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

Alhambra Investment Management has similar arrangements with other brokers/custodians. The majority of Alhambra client assets are held at Fidelity, Charles Schwab and TD Ameritrade. Other clients have chosen to use other brokers. Alhambra will attempt to work with the broker/custodian of your choice but makes no guarantees in that regard.



## Item 13 – Review of Accounts

Portfolios are reviewed continuously by Douglas Terry, Joe Calhoun, and Margarita Fernandez to ensure that portfolios conform to the risk profile of each client.

Clients receive monthly statements from their custodians. Quarterly performance reports are available upon request. Alhambra Investment Management communicates with clients frequently by email and letter. Alhambra Investment Management publishes a periodic review of economic and market conditions distributed by email. Communications are more frequent when market conditions warrant.

## Item 14 – Client Referrals & Other Compensation

Alhambra Investment Management does not employ any paid solicitors.

## Item 15 – Custody

Clients should receive at least quarterly statements from their broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Alhambra Investment Management urges you to carefully review such statements and compare such official custodial records to any portfolio reports that we may provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Neither Alhambra nor its related persons is deemed to have custody of, possession of or access to client assets.





## Item 16 – Investment Discretion

Alhambra Investment Management usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

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

Investment guidelines and restrictions must be provided to Alhambra Investment Management in writing.

## Item 17 – Voting Client Securities

Clients may obtain a copy of Alhambra Investment Management's complete proxy voting policies and procedures upon request. Clients may also obtain information from AIM about how it voted any proxies on behalf of their account(s).

## Item 18 – Financial Information

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





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