



ALHAMBRA
INVESTMENTS



The Fortalice Portfolio

Managed By Margarita Fernandez



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Fortalice Portfolio

Alhambra's Fortalice equity strategy uses an earnings revision model as the foundation for stock selection. Central to this style is a belief that positive earnings surprises generate positive price movements, while negative earnings surprises generate negative price movements.

We combine fundamental research analysis with a quantitative, earnings momentum-based overlay to create highly diversified equity portfolios that can stand alone or be a fortifying allocation in your balanced investment account. The strategy, as the name implies, emphasizes strong (from the Latin, fortis) companies with positive earnings momentum and sound fundamentals.

Quantitative Modeling

A proprietary multi-factor process is employed utilizing a quantitative screen to generate a pool of potential purchase candidates. The model identifies and ranks companies according to the Fortalice criteria from a universe of approximately 3,000:

- Market Capitalization over \$1.5 billion
- Satisfactory Analyst coverage to form a consensus
- Positive Earnings
- Positive Free Cash Flow
- Targeted Present Value Ranking
- Targeted Earnings Revision Ranking

Fundamental Research

On a weekly basis, the by-product of the quant screen is reviewed and fundamental investment research is performed for new names of interest. We look at various aspects of a company's financial condition and business prospects:

- Income Statement
- Balance Sheet

- Cash Flows
- Sources of Growth
- Competitive Position
- Profit Margins
- Pricing Power

The result of these two steps is a pool of stocks with real business momentum, reasonable valuation, and a blend of appealing fundamental qualities. This purchase list spans all economic sectors, and a large number of industries within these sectors.

Portfolio Construction

- Apply any client-specific restrictions to define stocks eligible for purchase in a particular portfolio.
- Start from a sector-neutral posture with minor adjustments based on model outputs.
- Create a diversified portfolio of 40 – 60 stocks with broad economic sector representation and target stock selection as primary means of generating positive risk-adjusted returns.
- Monitor portfolio characteristics vs. appropriate benchmark.

Sell Discipline

We employ a blend of model signals, fundamentals, technical factors and valuation. Two or more factors turning negative create a sell signal. Of these, valuation alone is the least important. We believe in letting winners run; however, as weightings in a particular issue increase due to price appreciation, they are typically trimmed.

- Loss of earnings momentum
- Concern over company fundamentals
- Deteriorating stock price performance
- Excess valuation

Balanced Accounts

The Fortalice equity portfolio can be combined with a bond portfolio to produce a balanced account. Alhambra limits fixed income investment to investment grade corporate or municipal bonds and US Treasuries. The bond allocation will be diversified across bond type and economic sector, subject to bond availability.

Macroeconomic Considerations

Fortalice portfolios are long term investment accounts and do not hold cash as a tactical asset. Economic sector allocation may be impacted by economic conditions.



An Interview with Margie Fernandez

Alhambra Portfolio Manager

Interviewer: Margie, tell me where you went to school.

Margie: When I was 17, I left New York and came to Florida to attend college. I earned my undergraduate degree from Florida International University with a double major in Finance and International Business. I took some time, but received my Master of Science in Finance, also from F.I.U.

Interviewer: With those degrees, did you go immediately into the world of finance and investment?

Margie: I did. I completed my under-grad degree in a difficult job market and was job searching for several months before being offered a position in what I was really interested in. I was hired in the Trust Investment department of Pan American Bank. as an assistant portfolio manager. Two years later, I had worked my way up to a trust investment officer for the bank, and also an investment officer for the banks' investment management subsidiary, working with international clients.

When Pan American Bank announced a merger with a larger bank based in North Carolina, it was clear that most investment decisions would be made from there. Our investment team would have less say in managing portfolios and I didn't want to be constrained that way. So, the lady who hired me at the bank, the head of the trust investment department and I decided to open our own, boutique investment advisory firm, Investment Advisors of Key Biscayne.

Thirteen years later, we merged with a company in Texas, which gave us the opportunity to manage a large pension plan for a Fortune 500 company and some government agencies.

Interviewer: Tell me about the strategy you manage for Alhambra Investments.

Margie: We named it Fortalice. It is an equity strategy, often used in combination with fixed income to construct a balanced portfolio. The equity portion of the portfolio uses an earnings revision and valuation screen to find purchase candidates. We screen out the micro and very small capitalization companies - anything under \$1.5 billion in market cap.

The companies that come up, have to have at least two analysts following them and they should be raising earnings estimates. The companies are ranked as compared to the other companies in the data set and placed in percentiles. We cut off everything except the top 20% of the universe. We also have a valuation screen that cuts off anything ranking below 60%. That is how the process begins, afterwards we do fundamental research on some of the companies that make it through our screening process.

Interviewer: What is it about the investment industry that drives you?

Margie: I initially decided to enter this field because it's very interesting, and constantly changing. No way to get bored here! You're always reading/doing research and new things are happening all the time. I still love that.

But today, my number one driver is our clients. I appreciate the way we take care of clients here at Alhambra, in a small boutique style fashion that I don't believe is available anymore in the larger product-driven firms. We get to know our clients and over time, they become friends. I have relationships that go back to the time I first entered this business, forty years ago.

You start working with clients while they, themselves are still working, growing their own businesses and increasing their net worth. You get to hear all about their children, then their grandchildren, and great-grandchildren. Sometimes you are lucky enough to also work with the next generations. So, I still very much enjoy the investment side of the business, but I also enjoy the personal side of it. It's very fulfilling.

Interviewer: Tell me what drives you outside of Alhambra.

Margie: The most important part of my life are my children. They're now adults. So, it's a very different side of life. We just got back from a trip to Italy together. It's remarkable to see your

children all grown up and to go with them to have a meal and a glass of wine. That's what drives me outside of business.

Interviewer: Do you have a philosophy of life or certain principles that guide you?

Margie: I have the same way of thinking that I taught my children—to be a good person, to be honest, and to have empathy for other people. And that's how I feel. I feel responsible in my personal life for what I do—my actions. Also, I feel personally responsible for any decisions I make investing client money because I care about them and I take pride in doing a good job.



Form ADV 2B Brochure Supplement

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This brochure supplement provides information about Margarita Fernandez that supplements the Alhambra Investment Partners brochure. You should have received a copy of that brochure. Please contact us at 888-777-0970 if you did not or if you have any questions about the contents of this supplement. Additional information about Margarita V. Fernandez is available on the SEC's website at www.adviserinfo.sec.gov.

Educational Background & Business Experience

Year of Birth: 1958

Education

- Florida International University, B.A. Finance & International Business, 1982
- Florida International University, M.S. Finance, 2002
- Series 65 License Holder

Business Experience

- Portfolio Manager, SVP, Alhambra Investment Partners, LLC, 2013-Present
- V.P., Rushmore Investment Advisors, 2007-2013
- Co-Owner, Sr. Investment Officer, Biscayne Advisors, 2000-2007
- Co-Founder, Investment Advisors of Key Biscayne, 1986-2000
- Trust Investment Officer, Pan American Bank, NA, 1983-1986

Disciplinary Information

There is no reportable disciplinary information for Ms. Fernandez

Other Business Activities

Ms. Fernandez has no outside business activities

Additional Compensation

Ms. Fernandez does not receive any economic benefit for the provision of advisory services from anyone who is not a client of Alhambra Investment Partners or its subsidiary companies.

Supervision

Supervisor: Joseph Y. Calhoun, III

Title: CEO, Chief Compliance Officer

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