



ALHAMBRA
INVESTMENTS



ADV – Part 2

March 31, 2024



8925 SW 148 St., Suite 214
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. 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. 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

There are no material changes to this brochure from the May 2023 version. The firm did execute the buyout of one minority owner (Jeffrey Snider) in 2023.



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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). Joseph Y. Calhoun, III, Orlando Casariego, and Douglas Terry are the managers of AIP and own 55% of the company.

Alhambra Investment Management provides investment management services. AIM outsources and oversees other professional services, such as Financial Planning, Tax Planning, and Estate Planning, used by its clients.

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.

Clients are required to enter into a written agreement prior to engaging AIM's investment advisory services. This agreement sets forth the fees to be charged and the terms and conditions under which AIM will provide its services. The advisory relationship will continue until terminated by the client or AIM in accordance with the provisions of the agreement.

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

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

AIM does not participate in any wrap fee programs.

As of 12/31/2023, Alhambra advised client assets, discretionary and non-discretionary, of \$265,530.052.

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.

A minimum of \$250,000 of assets under management is required to establish a client relationship with AIM. Account size may be negotiable under certain conditions.

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.

Neither AIM nor any of its supervised persons accept compensation for the sale of securities or any investment products.

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, charitable organizations, and corporations.



Methods of Analysis

AIM utilizes a top down, macro-economic approach to asset allocation. Our observations on global economic conditions are an input to the tactical overlay we use in our Citadel and Alhambra accounts. While we do not attempt to predict the future course of the global economy – an impossible task – we do use historical observations to guide tactical changes. However, there is no assurance that markets will act in the future as they have in the past.

We concentrate our efforts on assessing the current condition of the economy and while this sounds like a simple task, our experience is that it is much more difficult than most assume. Economic data is revised over time and recently released data may not be accurate. That being the case, we know that our tactical changes will not always produce better results than the strategic (static) alternative.

Because of the subjective nature of economic data analysis, AIM focuses on broad, market-based economic indicators. These market-based indicators provide an unbiased view of the economy, distilling the opinions of millions of investors. These indicators include but are not limited to:

- Government debt interest rates, nominal and real (inflation-adjusted)
- Yield curves (term spreads) of nominal and real interest rates
- Interest rate spreads between corporate and government debt (credit spreads)
- Short-term interest rate futures
- US Dollar Index and other exchange rates
- Commodity futures

AIM also uses broad based economic indicators that aggregate a wide variety of economic data such as:

- Chicago Fed National Activity Index
- Atlanta Fed's GDPNow
- Weekly Economic Index
- Leading Economic Indicators

AIM monitors economic data releases and changes in economic policy. Newly released economic data is monitored but no single release will have much impact on our investment portfolios.

AIM also uses momentum and other methods of technical analysis in making investment choices.



Investment Strategies

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.

All of our portfolios are fully customizable to fit a variety of risk tolerances.

Risk is adjusted through the bond allocation:

Aggressive: 0-10% bond allocation

Moderately Aggressive: 10-20% bond allocation

Moderate: 20-30% bond allocation

Moderately Conservative: 30-40% bond allocation

Conservative: 40-60% bond allocation

AIM offers five distinct investment strategies.

- **Fortalice** – A traditional stock and bond portfolio utilizing individual securities, ETFs, and mutual funds. Managed by Margarita Fernandez.
- **The Fortress** – A multiple asset class, passive portfolio of ETFs or mutual funds.
- **The Citadel** – Adds a tactical overlay to the Fortress. Team managed.
- **The Alhambra** – Adds individual securities, special situations, and alternative assets to the Citadel. Team managed.
- **World Allocation** - A dynamic, active, risk-adjusted portfolio. The portfolio uses downside mitigating securities to control for risk and is actively adjusted based on the economic environment and market signals. Managed by Douglas Terry, CFA.

Risk of Loss

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

Some of the risks an investor should be aware of include, but are not limited to:

- **Interest rate risk:** *Fluctuations in market interest rates can impact the value of other investments.*
- **Market risk:** *The prices of investments may drop due to factors that are external to the underlying fundamentals of a particular security.*
- **Inflation:** *Inflation is a change in the purchasing power of money. This may impact an investor's ability to achieve their financial goals.*
- **Currency risk:** *Fluctuations in currency values can impact the value of non-Dollar denominated investments.*
- **Political risk:** *The political environment can change rapidly and without warning, affecting individual companies and entire industries.*



- **Liquidity risk: The ability to convert investments to cash can change with little warning.**

Other 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 AIM's control and could result in unexpected losses.

Item 9 – Disciplinary Information

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

Neither AIM, nor any member of its management is registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator, or commodity trading advisor. AIM does not have any affiliation with any related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships. AIM does not receive compensation directly or indirectly from other advisers that creates a material conflict of interest, nor does it have other business relationships with advisers that would create a material conflict of interest.

AIM's sole business is to provide investment advisory services to its clients.



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 on 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 any 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. 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 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 or any other broker/dealer or custodian. AIM does not receive client referrals from any broker/dealer or any other third party.

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.

Alhambra Investment Management has similar arrangements with other brokers/custodians. The majority of Alhambra client assets are held at Fidelity and Charles Schwab. 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.



In some instances, an adviser may be able to obtain better prices and lower execution costs for its clients if it aggregates (also known as bunching or block trading) multiple smaller orders into one large order. When determining whether or not to aggregate a transaction, AIM still remains subject to its duty of best execution.

Including proprietary accounts of AIM (and its affiliates) and/or personal accounts of its supervised persons in an aggregated order creates a conflict of interest due to the fact that AIM and/or its supervised persons would have an incentive to favor such proprietary or personal accounts. AIM has established procedures to ensure that proprietary and/or personal accounts are not favored in such situations.

Item 13 – Review of Accounts

Portfolios are monitored continuously by Douglas Terry, CFA (SVP), Margarita Fernandez (SVP, Portfolio Manager) and Joe Calhoun (President) to ensure that portfolios conform to the risk profile of each client.

Account reviews are triggered by:

- Deposits and withdrawals of more than a de minimis amount
- Changes in model investments for the model in which a client is invested
- Changes in the client’s situation or investment objectives
- Re-balancing of accounts

Clients receive periodic (usually monthly) statements from their custodians. Performance reports are made available by AIM on a quarterly basis.

Alhambra Investment Management communicates with clients frequently by email and letter. AIM 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

AIM does not pay referral fees to independent persons or firms (“solicitors”) for introducing clients to the firm.



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.

Under Rule 206(4)-2 of the *Advisers Act* ("Rule 206(4)-2") and its requirements, custody is defined as holding, directly or indirectly, clients' funds or securities, or having the authority to obtain possession of them. Under Rule 206(4)-2, custody will include the following:

- Having possession of client funds or securities, unless such assets are received inadvertently and the adviser returns them to the sender within three business days (This would not include possession of a check drawn by a client that is made payable to a third party.);
- Having arrangements, including a general power of attorney, whereby an adviser is authorized or permitted to withdraw client assets maintained with a custodian upon the adviser's instruction to the custodian (This would include having the ability to deduct fees or other expenses directly from a fund's or client's account.) and;
- Acting in any capacity that provides the adviser or any of its supervised persons with legal ownership or access to client assets, such as acting as general partner of a limited partnership, as managing member of a limited liability company, or as trustee of a trust.

According to this definition, AIM is deemed to have custody of client assets since it has management fees deducted directly from client accounts and paid to AIM. However, the automatic deduction of advisory fees from client accounts is the only form of custody AIM will maintain. AIM will not have direct access to client funds and securities, nor will it have control over client funds and securities. According to the exemption provided in the SEC's Custody of Funds or Securities of Clients by Investment Advisers Rule, since the deduction of client fees is the only form of custody AIM will maintain, AIM may indicate on its Form ADV Part 1, Item 9 that it does not have custody of any advisory clients' cash or bank accounts or securities. Further, since the only form of custody the firm has is the deduction of advisory fees, AIM is not subject to the Rule's surprise verification examination requirements.



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.

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

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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