

**LOWE, BROCKENBROUGH & COMPANY, INC.**  
INVESTMENT COUNSEL

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This brochure provides information about the qualifications and business practices of Lowe, Brockenbrough & Company, Inc. (LB&C). If you have any questions about the contents of this brochure, please contact us at 804-288-0404. 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.

Additional information about [Lowe, Brockenbrough & Company, Inc.](#) is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 1 – Cover Page**

## **Item 2 – Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. The brochure has been amended as of March 31, 2012 for an annual update. There have been no material changes made.

Pursuant to new SEC Rules, we will ensure that clients receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business’s fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting David A. Lyons, Managing Director, at 804-288-0404 or [dlyons@lowebrookenbrough.com](mailto:dlyons@lowebrookenbrough.com). Our brochure is also available on our website, [www.lowebrookenbrough.com](http://www.lowebrookenbrough.com).

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Throughout this brochure, “LB&C”, “the Firm”, “Advisor”, “we”, “our”, or “us” refers to Lowe, Brockenbrough & Company, whereas “you”, “your” or “Client” refers to the client or prospective client.

## **Item 4 – Advisory Business**

LB&C was founded in 1970. LB&C is primarily owned by Austin Brockenbrough III. As of December 31, 2011, LB&C managed \$1.55 billion on a discretionary basis

The primary business function of the firm is to serve institutional and high net worth clients to achieve their long-term investment goals. It is the continuous dedication to producing positive investment returns while monitoring each client's portfolio results that is the key to the firm's success over the years. Clients' accounts are managed based on stated client investment objectives. LB&C invests clients' portfolios in, but not limited to, separately managed accounts, mutual funds, exchange traded funds or limited partnerships. LB&C's investment advisory services include:

- Wealth Management Services
- Investment Management Services
- Institutional Advisory Services
- Retirement Plan Services

## **Item 5 – Fees and Compensation**

Advisory fees are stated in the client's investment advisory agreement. LB&C charges fees quarterly in advance based on the account value at the end of the prior quarter as reported by LB&C. Most clients authorize LB&C to deduct fees automatically from their brokerage accounts, but clients may request that LB&C send quarterly invoices to be paid directly.

Upon termination, the client will receive a pro-rata refund representing the period from termination date to the end of the quarter. There are no termination charges levied by LB&C; however, there may be termination or transfer charges incurred at the client's custodian.

The stated fee rates are:

### **Investment Management Services - Equity and Asset Allocation Accounts**

0.75% on the first \$10 million

0.625% on next \$10 million

0.5% thereafter

Subject to a minimum annual fee of \$7,500.

Either party may terminate the advisory agreement upon a written notice to the other at any time.

### **Investment Management Services - Municipal and Taxable Fixed Income Accounts**

0.5% on first \$10 million

0.375% on next \$15 million

0.25% thereafter

Subject to a minimum annual fee of \$5,000.

Under special circumstances, fees will be negotiated at rates which are both above and below stated fee schedules.

On occasion, LB&C may charge a fixed rate for negotiated reporting requirements or minimum fees.

Either party may terminate the advisory agreement a written notice to the other at any time.

**Fully Discretionary Institutional Advisory Services**

- .50% on the first \$50 million
- .40% on the next \$75 million
- .35% on the next \$75 million
- .25% thereafter

The Agreement may be terminated by either the Client or LB&C upon thirty (30) days prior written notice of termination to the other. Upon termination, any fees owed to LB&C shall be paid by the Client on a prorated basis as of the effective date of termination, and any fees paid by the Client which have not been earned shall be refunded to the Client on a prorated basis as of the effective date of termination.

The Firm's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which will be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investments 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 the LB&C advisory fee, and LB&C will not receive any portion of these commissions, fees, and costs. There are no start-up or termination fees charged by LB&C.

LB&C has been engaged by the Board of Trustees of the Williamsburg Investment Trust as the investment advisor for the Jamestown Family of Funds. Under the investment advisor agreements, LB&C is entitled to compensation on each fund based on the Fund's daily average net assets at the following rates: Jamestown Equity Fund 0.65%, Jamestown Balanced Fund 0.65% and the Jamestown Virginia Tax Exempt Fund a stated fee of 0.40%. LB&C may waive a portion of the management fee in an effort to reduce overall fund expenses.

LB& C has been engaged as the investment advisor of the LBC Real Estate Fund I, LP. LB&C charges the advised private fund a fee of 0.75% annually of the Net Capital Contributions of the limited partners of the Partnership, for the period beginning on the initial closing date and continuing through the remainder of the term of the Partnership. Management Fees are calculated and paid in advance at the beginning of each quarter in an amount equal to (0.1875%) of the net capital contributions of the limited partners at the beginning of the applicable quarter.

**Defined Contribution Plan Level Co-fiduciary Investment Advisory Services :**

- .60 of 1% on the first \$5 million of assets under management
  - .55 of 1% on the next \$5 million of assets under management
  - .50 of 1% thereafter
- Subject to a minimum annual fee of \$3,000

The Agreement may be terminated by either the Client or LB&C upon sixty (60) days prior written notice of termination to the other. Upon termination, any fees owed to LB&C shall be paid by the Client on a prorated basis as of the effective date of termination, and any fees paid by the Client which have not been earned shall be refunded to the Client on a prorated basis as of the effective date of termination

We have entered into an agreement with Charles Schwab & Company, Inc. (Schwab) to participate in the Schwab Advisor Network, a client referral service. LB&C pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by LB&C is a percentage of the fees the client owes to LB&C or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. LB&C charges an investment management fee that is higher than the standard fee on these referral accounts. See section 14 for further information on the referral program.

#### Schwab Advisor Referral Fee Schedule:

##### Equity and Asset Allocation Accounts

0.90 of 1% on the first \$5 million

0.85 of 1% on the next \$5 million

0.80 of 1% thereafter

Subject to a minimum annual fee of \$4,500

##### Fixed Income Accounts

0.65 of 1% on the first \$5 million

0.60 of 1% on the next \$5 million

0.55 of 1% thereafter

Subject to a minimum annual fee of \$3,250

LB&C is a participant in an advisor referral service run by Wells Fargo Advisors, LLC known as the Private Advisor Network. LB&C provides investment management services to clients referred through these services. Client transactions are directed to Wells Fargo, Inc., pursuant to written client direction. LB&C receives no additional compensation for the management of these funds other than our management fee.

Lowe, Brockenbrough and its employees do not accept compensation, including sales charges or service fees, from any person or entity for the sale of securities or other investment products.

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

LB&C does not charge any performance fees. Some investment advisors experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to LB&C.

## **Item 7 – Types of Clients**

LB&C primarily provides customized investment management services to high net worth individuals, trusts, retirement plans, foundations, endowments, investment companies and other legal entities.

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

### Wealth Management Services

Wealth management services are offered to those high net worth individuals and families who seek assistance in areas which extend beyond portfolio management. We recognize that these clients have complex investment needs that require additional sophisticated planning strategies. LB&C offers clients a resource for financial advice and planning. Our staff has tremendous experience advising individuals and their families on the myriad issues related to the accumulation, preservation and effective distribution of assets. Our staff understands the importance of preserving family wealth and income for future generations and related charities.

Our professionals work to identify and address tax and estate issues related to investment management. Our efforts are coordinated with the client's personal attorney and accountant to meet their complex investment objectives, maximize tax savings and effectively plan for the transfer of wealth. We fully appreciate that each client has unique circumstances and tailor our services to address the very specific wealth management needs of each client. Lowe, Brockenbrough provides wealth management clients with portfolios that are broadly diversified across equity and fixed income strategies. Our portfolio construction process thoroughly considers client-specific liquidity and cash flow needs, income requirements, and the client's tolerance for risk. Asset mix ranges are established to assist clients in meeting their long-term goals. Portfolios are structured within these strategic asset allocation guidelines based on longer-term risk/reward relationships. Portfolio rebalancing will be implemented within specified ranges as market conditions change. We do not make short-term market timing moves as such moves normally prove unsuccessful due to the high costs of turnover and low probabilities of continued success in making these predictions.

Asset allocation shifts are made in the portfolios when our macroeconomic and market factors indicate risk or return measures are at extreme levels. These relationships are continuously reviewed and when extreme levels are reached, actions are taken in the portfolios within client guidelines.

LB&C augments core equity and fixed income strategies with a broader range of investment strategies. We evaluate, select and monitor these complementary investment strategies. Choosing among a large universe of investment strategies, LB&C designs a diversified, flexible portfolio tailored to each client's unique requirements.

The strategies identified for each portfolio may include separately managed accounts, mutual funds, exchange-traded funds or limited partnerships. Whichever investment vehicles are selected for clients, LB&C monitors each strategy to ensure integrity of style and manager stability and will evaluate risk-adjusted performance.

## Investment Management Services

LB&C's investment management services include, large cap core equity management, taxable fixed income management and tax-exempt fixed income management.

## Separately Managed Equity Strategies

LB&C believes that stocks of larger, well-capitalized companies producing sustainable, above-average earnings growth when purchased at reasonable valuations, should produce superior returns for our clients. In an effort to realize such returns, LB&C employs a process which combines an experienced team of investment professionals with proven quantitative research and fundamental disciplines.

Our firm offers the following separately managed equity strategies; Earnings Driven, Earnings Driven Select and Equity Income. The investment strategies are described below.

### Earnings Driven Strategy

Earnings Driven

Earnings Driven Select

Our Earnings Driven strategies incorporate a multi-factor screening process and the systematic implementation of buy and sell disciplines to construct diversified portfolios. These portfolios emphasize securities and industries with the most compelling earnings and valuation profiles. These investment strategies are designed to deliver consistently strong risk-adjusted performance in a more efficient segment of the market. We strive to generate positive excess returns across market cycles without undue volatility of absolute or relative return. The systematic implementation of our investment process should reduce the judgmental biases and behavioral traits that can influence investment decisions and convey greater confidence in repeatable results.

We apply a multi-factor screening process to a defined universe of stocks. Each stock in the universe is screened and assigned a ranking based upon earnings and valuation characteristics. Once rankings have been established, the portfolio is constructed by generally purchasing those securities with the highest rankings in the defined universe. Stocks are regularly reviewed and assigned updated rankings.

As the process seeks to gain incremental exposure to the stocks with the highest rankings in our screening metrics, the residual holdings characteristics generally reflect the dynamic aspect of this strategy. The consistent application of earnings and valuation screens is expected to result in portfolios demonstrating higher growth characteristics with lower valuation levels. The portfolio construction process is consistent across each strategy.

The Earnings Driven and Earnings Driven Select strategies apply the multi-factor screening model to a universe of 600 stocks consisting of the S&P 500 companies, the 50 largest Mid-Cap stocks and the 50 largest ADRs - (American Depositary Receipt – shares of non-U.S. companies trading in the U. S. Markets). The portfolios are diversified across 40 – 50 holdings, resulting in an average position size of approximately 2% to 3%.

Where possible, we attempt to reduce volatility through sector diversification of securities with the highest rankings. The strategies are managed to emphasize securities with the most appealing earnings characteristics; however, the Earnings Driven strategy incorporates a less active implementation process than that of the Earnings Driven Select strategy.

Clients may access the Earnings Driven strategy through the Jamestown Equity Fund. The cost structure and tax consequences associated with a mutual fund differ from separate portfolio management and should be considered before investing in the fund. The Earnings Driven Select strategy is only available with separately managed accounts.

### Equity Income Strategy

The implementation of our Equity Income process begins with a 1500 member universe. This universe is screened to identify larger capitalization, higher quality stocks which currently pay a dividend. The resulting sub-universe of approximately 350 companies is then screened for dividend persistence, quality and valuation.

The strategy's dividend analysis seeks stocks that have paid a dividend in each of the last 3 years, have had no dividend cuts during that period, and have exhibited dividend growth of 5% annually. The company's actual cash flow is compared to its indicated annual dividend, and highly-leveraged companies are eliminated. Valuation screens rank a stock in each sector according to its current yield relative to its 10-year maximum yield.

Stocks that rank highest, based on these measures, comprise a list of attractive buy candidates. Holdings that rank poorly on any of the same measures or exhibit deteriorating fundamentals are candidates for sale.

Buy candidates, as well as existing portfolio holdings, are subject to fundamental analysis. This research effort may include both direct company contact as well as outside analytical research. The analysis focuses on earnings and cash flow indicators, balance sheet composition, the competitive environment for the industry, and the macroeconomic themes affecting the sector.

### Separately Managed Fixed Income Strategies

#### Taxable Fixed Income Strategy

LB&C's taxable fixed income process seeks to provide current income by investing in a portfolio of investment grade bonds (rated in the four highest rating categories by any of the nationally recognized rating agencies, or unrated securities determined by LB&C to be of comparable quality). The strategy seeks to generate total returns consistent with moderate levels of credit risk and interest rate risk. An allocation to fixed income may dampen volatility and risks in other asset classes as part of a balanced portfolio. Portfolios are tailored to meet a client's income goals, liquidity needs, and risk tolerance. Our fixed income style incorporates interest rate anticipation and sector rotation, and it is typically characterized by low turnover in order to reduce transaction costs that can diminish returns.

#### Duration

The most important decision for fixed income management is determining the duration of a portfolio. Duration refers to the weighted average maturity of the present value of the expected cash flows of a portfolio; it is used to measure the price sensitivity of a portfolio to changes in

interest rates. Our view on the direction of interest rates is expressed by a portfolio's duration relative to that of its benchmark. If we believe interest rates are headed lower, we will construct a portfolio with duration longer than that of our benchmark. Conversely, if we believe rates are headed higher, we will adjust the duration of our portfolios to be shorter than that of the benchmark.

For our fixed income process, average portfolio durations vary between ranges set around the appropriate index. These ranges vary depending on the client's objectives. Portfolio maturity will be determined through our interest rate management process. This process is based on analysis of current economic indicators, inflation trends, monetary policy, consumer activity, as well as technical factors. Current data trends are then assessed against historical norms to develop an analysis of the likely path of interest rates in the future.

#### Yield Curve Analysis

The yield curve refers to the interest rate spread between short maturities and long maturities. We believe historical yield curve relationships are important in determining not only relative value along the curve, but also in predicting the most probable shape the curve will take. We assess the shape of the yield curve and allocate our duration dollars along the curve while seeking to benefit from changes in the shape of the curve. Yield curve strategy can have significant impact on total return.

#### Sector Rotation

Our view on the economy and the direction of interest rates leads to the next step in our process: sector analysis. This is where we allocate the portfolio among the major investment grade sectors: U.S. Treasuries, Government Agencies, corporate bonds and mortgage-backed securities. Our sector work seeks to identify and take advantage of opportunities that represent value. Our systematic discipline in the valuation of sectors incorporates historical yield spreads, credit risks, market volatility, call features and supply/demand variables. When our analysis indicates that a sector has become undervalued, we will overweight this sector to participate in its anticipated relative performance.

#### Security Analysis

The next step in our process is security analysis. Here we select which securities to include in our portfolio. Thorough and ongoing attention to the credit worthiness of issuers is essential, and we employ a number of resources to monitor credit profiles. We try to avoid deteriorating credit trends. High quality is a point of differentiation of our style. In most environments, our portfolios are underweight to the lowest rung of investment grade credits.

When deemed appropriate, pooled vehicles such as open-ended mutual funds and exchange-traded funds may be utilized to implement the appropriate strategy for taxable fixed income allocations.

#### Tax-Exempt Fixed Income Strategy

LB&C's municipal bond process seeks to provide current income free from federal income taxes by investing in a portfolio of high-quality municipal debt securities. Municipal obligations include bonds, notes and commercial paper issued by or on behalf of states, territories and possessions of the United States and the District of Columbia and their political subdivisions, agencies or instrumentalities, the interest on which is exempt from federal income taxes. The strategy seeks to generate total return consistent with moderate levels of credit risk and interest rate risk. An allocation to tax-exempt fixed income may dampen volatility and risks in other asset classes as part of a balanced portfolio. Portfolios are tailored to meet a client's income goals, liquidity needs,

and risk tolerance. Our tax-exempt fixed income style incorporates interest rate anticipation and sector diversification, and it is typically characterized by low turnover in order to reduce transaction costs that can diminish returns.

The LB&C tax-exempt fixed income strategy emphasizes a disciplined balance between sector selection and moderate portfolio duration shifts (see the explanation of duration above) to enhance income and total return. The client's portfolio will generally concentrate in high-quality bonds (rated in the three highest rating categories by any of the nationally recognized rating agencies, or unrated securities determined by LB&C to be of comparable quality) and will invest in securities and market sectors that LB&C believes are undervalued by the marketplace. The selection of undervalued bonds by LB&C is based on, among other things, historical yield relationships, credit risk, market volatility, absolute levels of interest rates, as well as supply and demand factors. A security may be sold due to changes in the market condition or LB&C's market outlook.

Clients may access this strategy through the Jamestown Tax Exempt Virginia Fund. The cost structure and tax consequences associated with a mutual fund differ from separate portfolio management and should be considered before investing in the fund.

When deemed appropriate, pooled vehicles such as open-ended mutual funds and exchange-traded funds may be utilized to implement the appropriate strategy for tax-exempt fixed income allocations.

### Institutional Advisory Services

LB&C offers more than 40 years of experience in managing assets for institutions. We understand well the fiduciary and investment management issues faced by these institutions. Our Institutional Advisory Services are offered to Endowments, Foundations, Operating Reserve and Funded Depreciation Accounts and Qualified Retirement Plans.

LB&C provides fully discretionary fiduciary advisory services offering prudent oversight and management of the client's investment portfolio. We serve as an extension of the client's investment committee and assume full discretion with regard to asset allocation structure and portfolio implementation. Balancing risk and return across key factors, including total return and inflation protection, based on client needs, liquidity requirements and risk tolerances, LB&C constructs the investment portfolios with a broad range of investment strategies.

We carry out the evaluation and selection of investment strategies. Choosing among a broad universe of investment strategies, LB&C designs diversified, flexible portfolios structured to address the client's investment goals. Our universe of managers, strategies and funds, is maintained and monitored on an ongoing basis. It is not our practice to radically shift the complexion of the portfolio based on fleeting trends in pursuit of higher returns. Instead, we remain steadfast in our commitment to identifying those investment strategies, managers and funds which fit our disciplined investment process and meet the client's specific investment objectives.

Our investment approach is to develop an optimal long-term asset allocation strategy that allows for the capture of appropriate current opportunities. We may over/underweight asset categories and styles, not to forecast short-term trends, but to take advantage of favorable market conditions, which can mean going against prevailing trends. Subtle or moderate shifts will be made within specified ranges or to rebalance to the target allocation as the allocation reaches the bounds of the

range or as market conditions change. We typically do not make short-term market timing moves; as such moves normally prove unsuccessful due to the high costs of turnover and low probabilities of continued success in making these predictions. Asset allocation shifts are made in the portfolios when our indicators show risk or return measures at extreme levels.

The primary objective of asset allocation policy is to provide a strategic mix of asset classes which produces the highest expected return within a prudent risk framework. Asset allocation policy considers asset classes not in isolation, but in the context of a diversified portfolio, where diversification benefits can increase expected returns while potentially reducing overall portfolio risk. Within this context, interaction and correlation among asset classes is integral to the overall asset allocation policy.

Strategic asset allocation will be approached generally with a risk-averse nature. The process should evaluate the risk of potential loss. This tenet does not imply that all individual investments will be risk averse, but that the portfolio, when viewed in aggregate, will have characteristics designed to offer protection in negative market return environments and participation in positive market return environments, with the ultimate goal of compounding capital over long periods of time.

Optimal asset allocation evolves through time in response to changing economic circumstances and dynamic market prices. Lowe, Brockenbrough may tactically manage the investment asset allocation within the long-term strategic ranges. Implementation of any such tactical strategy recognizes the inherent uncertainty of short-term forecasts of asset class returns and the high relative risk of even small deviations from the market exposures of the strategic allocation targets. Therefore, we will typically scale any tactical asset allocation positions to ensure only modest risk relative to the strategic allocation targets. The asset allocation decision process considers multiple factors signaling subsequent future price risk. Factors addressed include valuation levels, economic and monetary trends, sentiment, interest rates, inflation trends and excess price volatility. These relationships are continuously reviewed and when extreme levels are reached, actions are taken in the portfolios within client guidelines. These actions may include reducing allocation weightings to more risk sensitive strategies or raising cash reserves where appropriate. When the process again signals a lower risk level in the markets, opportunistic positions are re-established.

The Investment assets shall be allocated among the following asset classes:

#### GLOBAL EQUITY

The Global Equity portfolio is reviewed from a global perspective, rather than as discrete 'domestic' or 'international' mandates. The Global Equity Portfolio has the ability to weight the portfolio toward geographies that provide the best risk/reward at a given point in time. The Global Equity Portfolio may likely include individual managers that focus opportunities globally, individual managers that focus on domestic markets only as well as individual managers that invest primarily in international markets only. The Global Equity Portfolio may contain both passive and active strategies. Passive strategies can include, but are not limited to, index funds, ETFs, swaps and other derivative products utilized from time to time to add or reduce the directionality (beta) of the portfolio. Active strategies will seek to

generate additional return (alpha) relative to market indexes through asset allocation and individual security selection. Active investment strategies can include both long-only and long-short managers. The portfolio may, at times, include some amount of U.S. or non-U.S. Credit or Fixed Income, but any exposure that exists is typically not part of the primary mandate of the manager and is likely to remain relatively small.

## ABSOLUTE RETURN

Absolute return investments seek to generate positive investment returns by exploiting market inefficiencies. The absolute return portfolio is managed by investment firms pursuing a wide variety of strategies, which can be broadly categorized as event-driven or value-driven. Event-driven strategies generally involve hedged investments in mispriced securities and depend on specific corporate events, such as mergers or bankruptcy settlements, to achieve targeted returns. Value-driven strategies also entail hedged investments in mispriced securities, but rely on changing company fundamentals or increasing market awareness to drive prices toward fair value.

The Absolute Return Portfolio has two primary components – credit and multi-strategy.

Credit strategies may include investments in publicly and privately traded credit and ‘credit-related’ securities. Credit portfolios may hold a mix of traditional (benchmark relative) and alternative (absolute return) strategies. The portfolio may hold a combination of investment grade and high yield, may include performing and non-performing securities, and may include both U.S. and Non-U.S. issues. In certain situations, the definition of a ‘credit-related’ security can vary, and may include, but is not limited to, bonds, equities, derivatives, currencies or private securities. While the credit portfolio will likely have some form of current income, outside of specific guidelines/mandates from certain institutions, the portfolio will be managed primarily for capital appreciation and will not specifically be managed to duration or ratings guidelines.

The goal of the multi-strategy portfolio is to generate equity-like returns with lower volatility than equities. Multi-strategy may invest across multiple investment strategies in which they maintain expertise and allocate assets to these strategies according to the risk and reward of the current and future opportunity set. The range of strategies employed and/or the number of positions comprising a multi-strategy portfolio is typically quite diverse in order to dampen overall volatility. The multi-strategy portfolio may use swaps, derivatives, ETFs or other instruments to alter the overall directionality of the portfolio. The overall liquidity of this portfolio will be less than that of public equities, but may be more liquid than private investments. The multi-strategy managers may typically have low market exposure and/or low correlations to other asset classes in the portfolio.

## REAL ESTATE

The goal of this asset class is to provide equity-like returns while providing a hedge against inflation. The Real Estate Portfolio also provides an important role in diversifying the portfolio. The asset class may include public or private real estate, but is largely invested in illiquid structures with a long time horizon.

## REAL ASSETS

This asset class provides a hedge against inflation risk and also provides an important role in diversifying the portfolio. The asset class includes inflation indexed bonds, commodities, oil and gas, and timber/farmland. Real Assets is largely directed toward illiquid investments with a long time horizon.

## PRIVATE EQUITY

Private Equity investments allow access to a large pool of non-public assets that offer the potential for higher returns than public markets. Private Equity is defined to include, but is not necessarily limited to, investments commonly referred to as venture capital, distressed or subordinated securities, buy-outs, and mezzanine funds. Investments may be in both domestic and international markets. Private Equity has some diversifying characteristics on the portfolio level. The investments are illiquid, and are generally structured as limited partnerships, which return cash flow to investors over a long period of time, typically 10 years or greater. The lack of liquidity and higher complexity is expected to compensate the portfolio with higher returns than public market investments. These investments are also characterized by a wider dispersion of possible investment returns across different investment managers. The Private Equity Portfolio is expected to be diversified across categories and investment stage.

## FIXED INCOME

Fixed income assets generate stable flows of income, providing greater certainty of nominal cash flow than any other asset class. In addition, Fixed Income Portfolios exhibit a low correlation with other asset classes and serve both as a liquidity reserve and as a hedge against deflation. Fixed Income, by definition, may include, but is not limited to, U.S. dollar denominated bonds, including U.S. Treasury and Agency securities, mortgage-backed and asset-backed securities, U.S and non-U.S. domiciled corporations, and sovereign and supranational issuers. The Fixed Income Portfolio will generally be of high quality, with the primary goals of producing diversification benefits and liquidity to the portfolio or underlying institutions.

## CASH

Cash and cash equivalents (i.e., high credit quality and low duration fixed income securities) provide the lowest risk and most liquid investment option, but are also, historically, the lowest returning asset over long periods of time. Cash can be regarded as a risky investment given its low return and the diminution of purchasing power that this entails.

LB&C analyzes liquidity on several levels and will be considered in construction of asset allocation guidelines and the implementation of portfolio strategy.

LB&C believes that identifying truly skilled managers who will beat their benchmarks is highly labor intensive and requires a great deal of skill, experience and judgment. Although asset allocation drives the majority of attribution for a managed pool of investment assets, there is significant value that can be added through manager selection and this can be a successful effort. The due diligence approach we employ in selecting managers is based on our goal to own those managers where our confidence is very high and the uncertainties are very low.

LB&C's staff collectively offers vast experience within the investment community, including an extensive number of contacts and relationships with fund managers, CIOs of endowments, pensions and foundations, funds of funds, Wall Street analysts, bankers and traders, family offices, as well as other primary investment decision makers. LB&C utilizes these relationships and meets frequently with both existing and prospective managers. LB&C meets regularly across the spectrum of managers from long tenured to newly launching funds. The term 'investible' manager is defined by LB&C as a manager who employs a consistent and repeatable investment strategy to produce relatively uncorrelated (to other positions in LB&C's portfolio) investment returns that exceed appropriate benchmarks, while typically producing volatility that is equal-to or lower-than the broader averages or applicable benchmarks over periods of time. Continuity in tenure of the primary decision-makers of the firm is also vital. LB&C's process involves identifying why a fund performed well in the past, determining if the portfolio management team has an identifiable edge that contributed to that outperformance (i.e., are we confident the past performance was the result of skill rather than luck) and assessing whether the edge (if one exists) is sustainable. Once a manager is identified, LB&C reviews and takes in to account, in addition to absolute performance:

- Performance consistency, volatility and downside risk relative to the fund's peer group and benchmarks over a wide variety of time periods
- Special factors that impacted performance that may not be repeatable, such as a very large contribution to longer-term outperformance from a single year or from just one or two "home run" stocks
- The level of assets on which the record was based- a possible red flag is if current assets are much larger, yet the performance was generated with a tiny asset base and/or by investing in small companies.

LB&C will typically build strong confidence in the manager's investment process, discipline in executing that process, and plans for managing growth if LB&C is able to:

1. Determine if there is consistency between the way the manager describes his/her investment process and the investments they actually own. We question the way that each investment was researched and confirm that the justification for the buy decisions are in line with the investment philosophy. We assess their sell discipline, discussing stocks that have been sold and the reasons why. If we find major inconsistencies this might tell us that the manager is not disciplined in executing the strategy or that the description of their investment process includes aspects that are more marketing spin than substance. Either one is a big negative.
2. Determine if there is consistency among all team members. By talking to members of the analyst team, we can see if everyone is on the same page and gain further clues as to

- whether the process is executed as described.
3. Evaluate the quality of the team. We evaluate how smart, driven, focused, passionate, experienced, humble, confident, performance-oriented, etc., the analysts are.
  4. Evaluate the culture and compensation incentive systems. We want to assess whether the team is likely to stick together. We believe stability is critical to the ability of an investment organization to stay focused, so we look for firms that have healthy work environments and where everyone is passionate about what they are doing. If there has been personnel turnover in the past, we do everything we can to understand the reasons behind it.
  5. Understand management's vision for their business. We want to know how they see the firm changing over time, how the team might change, what other products they might launch, how big they want to get, etc. We understand that all businesses want to grow, but we want to see the desire for growth balanced against a clear understanding of the firm's fiduciary responsibility to its current shareholders.

LB&C employs a rigorous manager selection and due diligence process to ensure that each manager displays and implements strong risk controls and risk management procedures on an ongoing fashion. LB&C will monitor portfolios and/or exposure reports frequently to ensure risk management procedures are properly followed, which may include things such as: value-at-risk calculations, geographic exposures, gross and net exposures, sector exposures as well as over-weights and underweights within sectors, listing of largest positions long and/or short, number of positions owned, amount of illiquid securities owned and overall attribution of returns where this data is available.

The goal, with regard to the initial selection of managers, is to be extremely discerning with the intent of minimizing the termination of managers. The investment portfolio is generally fully invested, such that a 'forced displacement' approach is generally employed with managers, where each manager is viewed within the context of the universe of other new and existing managers in an attempt to always have the highest-quality managers possible in the portfolio. While manager lock-ups and infrequent capital raises do not always allow this to be an instantaneous process, the goal of this constant and iterative process is to continuously upgrade and improve the base of managers over time.

Corrective action should be taken as a result of an ongoing review of the portfolio's investment strategies and managers. Corrective action or termination may be considered should any of the following occur:

**PORTFOLIO MANAGEMENT** - Investment managers may be replaced at any time as part of the overall restructuring of the portfolio or due to other events or circumstances that are deemed to be in the best interest of the institution's investment assets. This might include the termination of a manager for the purpose of funding a new manager which represents an upgrade over a current manager, or adding to or reducing position sizing within existing managers as recent manager performance and asset allocation or position sizing require.

**ORGANIZATIONAL STABILITY** - Major organizational changes in a firm, including any changes in major decision makers or portfolio managers, as well as high rates of turnover of other important investment or operating personnel could be cause for termination. A sale of

any portion of the business to another entity, or if a portfolio manager or firm chooses to withdraw a significant amount of capital from the fund could be grounds for termination. Decisions to allow other investment personnel to be more influential in the portfolio management of the fund would be cause for further due diligence and possible termination. Failure on the part of the Investment Manager to notify the Investment Advisor/Institutions of any such changes is grounds for termination. At all times, communication with the managers should be open and informative. Investment managers should be willing and able to meet at least annually.

**GOVERNANCE** - Violation of terms of contract constitutes grounds for termination. Additionally, any fraudulent, inappropriate or unethical behavior by a manager is clearly grounds for termination.

**INTEGRITY OF PROCESS** - As part of its overall asset allocation strategy, LB&C may choose managers with a stated core investment philosophy and/or geography in constructing a diversified portfolio. Any drifting or deviating from a manager's stated core investment strategy or announcement of a change in overall strategy could be grounds for termination, as this change in style or approach could nullify diversification benefits or create a portfolio with greater overall risk than LB&C expected when initially constructing the portfolio. Additionally, if performance, attribution and/or exposure begin to indicate changes in overall risk levels or selection of investments that are not consistent with previous returns, this may be grounds for termination.

**PERFORMANCE** - An investment strategy or fund will generally not be terminated on the basis of short-term performance. If the organization is sound and the firm is adhering to its style and approach, a sufficient interval of time over which to evaluate performance will be allowed. Performance will be viewed in light of the investment strategy's particular style and approach, keeping in mind at all times the portfolio's diversification strategy and other organizational and relationship issues.

LB&C will assist in the development, implementation and monitoring of the Institution's Investment Policy Statement. The Investment Policy Statement represents the formal document for the investment of the investments assets and serves as the roadmap for implementing an investment plan according to each client's performance objectives, risk parameters and timeframes. The Investment Policy Statement establishes policies for the administration and investment of investment assets and formally documents the goals, objectives and guidelines of the investment program. The Policy will be used as the basis for future investment performance measurement and evaluation of all investment assets.

Client-specific objectives should be appropriately diversified in order to provide reasonable assurance that no single investment strategy or class of investment strategies has a disproportionate impact on the portfolio. The Policy strives to provide a strategic mix of asset classes that produces the highest expected investment return for a given level of risk. Generally, risk is due to the uncertain nature of investment returns and can be defined as, but is not limited to, volatility in assets, liquidity risk, tracking error, and the risk of not earning a specific return threshold. Some, but not all, risk can be reduced through diversification at the security level, strategy level, and asset class level. Thoughtfully constructed portfolios of investment managers, strategies, and asset classes can help control risk for a certain level of expected return. Investment policy endeavors to reflect the

long-term investment horizon of the institution and provide for prudent diversification among investments. The Investment Policy Statement is the document providing long-term consistency of strategy, helping prevent emotional decisions due to short-term performance, and delivering a framework for evaluating changes to the portfolio.

### Retirement Plan Services

LB&C provides comprehensive retirement plan services in a fiduciary capacity directly to corporate retirement plan sponsors. LB&C coordinates all aspects of the plan's investment, administrative and trust functions to provide an integrated 401(k) plan solution. LB&C serves in a fiduciary capacity as investment advisor and oversees the plan's menu of investment options. In this capacity, LB&C is responsible for the evaluation, selection and monitoring of the plan's investment options. LB&C structures the investment options to achieve a broadly diversified menu.

LB&C identifies a third party administrator to provide plan recordkeeping and administration services. The record keeper / administrator can help design a plan that is tailored specifically to the plan sponsor's needs and flexible enough to keep pace as needs change.

The record keeper orchestrates the administration, recordkeeping and participant services for the plan and works to design a solution that is both appealing to employees and efficient to administer.

LB&C identifies a third party custody and trust provider to support the plan sponsor and record keeper, provide custodian and trustee services, plan distribution support, reporting and a robust trading platform offering a broad choice of investment options.

This service is provided on a non-discretionary basis.

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

### Risk Associated with Investing in Securities

- Interest-rate Risk - Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk - The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events. Stocks and other equity securities are subject to inherent market risks and fluctuations in value due to earnings and other developments affecting a particular company or industry, stock market trends and general economic conditions, investor perceptions, interest rate changes and other factors. Stocks tend to move in cycles and may experience periods of turbulence and instability.
- Inflation Risk - When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Currency Risk - Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

- Reinvestment Risk - This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- Diversification Risk - Investments that are concentrated in one or few industries or sectors may involve more risk than more diversified investments, including the potential for greater volatility. The portfolio may not achieve the degree of capital appreciation that a portfolio investing solely in equity securities might achieve and may be subject to greater volatility than a portfolio investing solely in fixed income securities.
- Financial Risk - Excessive borrowing to finance a business' operations increases a risk to profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in default, bankruptcy and/or a declining market value.
- Liquidity Risk - When consistent with a client's investment objectives, guidelines, restrictions and risk tolerances, LB&C may invest portions of client portfolios in illiquid securities, subject to applicable investment standards. Investing in an illiquid (difficult to trade) security may restrict LB&C's ability to dispose of investments in a timely fashion or at an advantageous price, which may limit the ability to take full advantage of market opportunities. Accounts may hold securities which are partnerships. Some partnerships are relatively liquid and may be either exchange-listed or traded over-the-counter. However, most partnership securities are often illiquid and are subject to significantly less regulation than public investments.
- Fixed Income Risks - Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk, credit risk, and market risk, which could reduce the yield that an investor receives from his or her portfolio. These risks may occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets.
  - Call risk - The chance that during periods of falling interest rates, the issuer of a bond will repay—or call—securities with higher coupons, or interest rates, before their maturity dates. If LB&C is forced to reinvest the unanticipated proceeds from an early call at lower interest rates, a client's portfolio would experience a decline in income and lose the opportunity for additional price appreciation associated with falling interest rates. Some corporate bonds and municipal debt issues have sinking fund provisions, which require the issuer to periodically retire a predetermined number of bonds which act like call provisions. Some corporate bonds have a "make-whole" call provision, which allows the issuer to redeem the outstanding bonds prior to maturity at a price determined by a formula described in the prospectus.
  - Credit risk - The chance that a bond issuer will fail 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 bond to decline. Generally, lower rated bonds carry more credit risk. Certain events can impact an issuer's financial situation and ability to make timely payments to bondholders, including economic, political, legal or regulatory changes and natural disasters. Event risk is unpredictable and can significantly impact the price of the bond.
  - Mortgage-Backed Security (MBS) Risk - Changes in interest rates have an additional impact on MBS because they affect mortgage prepayment rates. The

prepayment rate for a mortgage pool affects the average life and yield. Prepayments often speed up as interest rates decline because mortgage holders are able to refinance at lower rates. Rising interest rates tend to slow loan prepayments. Principal may be returned to bondholders sooner than expected if mortgage holders prepay their loans. Bondholders then may have to reinvest the returned principal at a lower interest rate.

- Portfolio Concentration Risk - Municipal bond portfolios may be concentrated in a single state in order to generate income free from state income taxes; however, this increases the risk of poor performance due to economic or political circumstance unique to that one state.
- Investment Style Risk – Equity securities with a growth bias may appreciate in a cyclical nature and at various times be out of favor or underperform other investment styles. Also a more conservative quality-oriented bond strategy may underperform a portfolio of lesser quality at times.
- Large Company Risk - Larger capitalization companies may be unable to respond quickly to new competitive challenges, such as changes in technology and consumer tastes, and may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion.
- Management Risk – LB&C’s method of security selection or asset allocation may not be successful and the portfolio may underperform the stock market as a whole. Some portfolio securities may not appreciate in value as expected.
- Other risks - Option strategies and limited partnerships are very specific per client and pose additional risks that are discussed in detail with any clients where LB&C is considering the use of these investment vehicles.

## **Item 9 – Disciplinary Information**

LB&C and/or its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client’s evaluation of the company or its personnel.

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

LB&C is affiliated with the Williamsburg Investment Trust through which it is the investment advisor to the Jamestown Family of Funds. LB&C receives a management fee from this arrangement which is detailed in Item 5. Clients may be invested in these funds where the investment is suitable for the client’s investment objectives.

LB&C principals are affiliated with the LB&C Real Estate Fund I, LP for which LB&C is the investment advisor to the LP. LB&C receives a management fee from this arrangement which is detailed in Item 5. Clients may be invested in these funds where the investment is suitable for the client’s investment objectives

Senior principals of LB&C collectively own a controlling interest in a family office that provides bookkeeping and tax accounting services to high net worth individuals, trusts and other legal entities. This family office provides services to several LB&C advisory clients. LB&C receives no compensation from the family office in connection with these accounts. LB&C accounts where the family office provides check-writing services are annually subject to a surprise cash audit

conducted by an independent public accounting firm. The results of this audit are available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) as Form ADV E.

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

LB&C has adopted a Code of Ethics for all 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 personal securities trading procedures, among other things. The Code of Ethics requires all employees to place client interests first, to ensure all personal transactions are conducted consistent with the Code and all applicable securities laws, and to avoid any actual or potential conflicts of interest. The Code of Ethics restricts some activities and requires pre-clearance for others. All employee personal transactions (including Firm capital funds) are reported and reviewed by the Chief Compliance Officer. Clients may receive a copy of the Code of Ethics upon written notice to: Page Reece, Lowe, Brockenbrough & Company, Inc., 1802 Bayberry Court, Suite 400, Richmond, Virginia 23226

Employees may maintain managed advisory accounts with LB&C. Such accounts may buy and sell the same securities at the same time as other clients' accounts. Each account included in the block order will participate at an average share price. Although a conflict of interest could exist for allocating trades among clients, LB&C has established procedures to ensure all accounts are treated fairly and no one account is favored over any other. Please refer to Item 12 for further discussion of our Code of Ethics. Under certain circumstances, LB&C may require that managed advisory accounts for employees are traded at the end of the day after other client trades are completed to prevent any conflicts. Nonetheless, because the Code, in some circumstances, would permit employees to invest in the same securities as a client, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is monitored under the Code so as to reasonably prevent conflicts of interest between LB&C and its clients.

The Code of Ethics requires that employees report all personal security transactions on a timely basis, and that employees certify quarterly that he/she has complied with the requirements of the Code and that all reportable transactions have been reported.

LB&C is the investment advisor for the Jamestown Family of Funds. In our capacity as an investment advisor for individual clients, we may direct client assets to these funds. In order to address a potential conflict of interest for managed portfolios, assets held in the Jamestown Family of Funds are excluded from the advisory clients' investment advisory fees.

When LB&C decides to purchase or sell the same securities for different clients' accounts at or about the same time, we may combine the clients' orders to allow us to negotiate better prices or lower commission rates and other transaction charges than we could get for one client's order alone. We will seek to allocate securities so purchased or sold, as well as the expenses incurred in the transaction, in the manner that we consider to be equitable and consistent with our fiduciary obligations to all clients. To the extent practicable, LB&C will attempt to allocate investment opportunities among its various clients on a basis that is fair and equitable to all clients over time. LB&C investments for one client may differ from that of another account. Transactions in a specific security may not be accomplished for all clients' accounts at the same time or at the same price.

LB&C manages accounts subject to client objectives, guidelines and product mandates. Certain mandates are more aggressively and actively traded than others. Additionally, the investment horizon for individual investors varies. As a result, an individual client may not participate in certain security transactions. A particular security may be bought or sold for some clients but not for other clients. Also, a particular security may be bought for some clients when other clients are selling. Partially filled orders will be allocated on a pro-rata basis.

LB&C may effect cross transactions between client accounts. Cross transactions involve the process of executing a transaction in which the securities are transferred from one client's account to another, using a broker/dealer solely to facilitate the transfer without incurring the usual commission costs or market risks. LB&C is taking the position that given the inherent conflict of interest between accounts, we will not generally engage in cross transactions. Any cross transactions are to be approved by compliance. Such trades will be executed for both parties between the buy and sell offers (utilizing available market quotes) and applying only a transactional cost to both parties to cover the costs of the trade to the executing broker.

LB&C has an investment management agreement with a limited liability company (LLC). As a requirement of this arrangement, LB&C is the managing member of the LLC. LB&C has less than 1% ownership in the LLC. The LLC is closed to additional investors. LB&C has not and does not perform any solicitation to the LLC. The LLC may invest in the same securities as other LB&C clients.

LB&C is the investment manager of a private investment partnership and is affiliated with the general partner. Associates of LB&C may invest in this partnership. The partnership accepts investments from qualified clients and non-clients with whom LB&C has a prior relationship. Principals of LB&C serve on investment committees of several endowments and other institutions and may, from time to time, recommend investments in the same funds as in the private investment partnerships. In our capacity as an investment advisor for individual clients, we may direct client assets to this partnership. In order to address a potential conflict of interest for managed portfolios, assets held in the partnership are excluded from the advisory clients' investment advisory fees.

## **Item 12 – Brokerage Practices**

### The Selection of Trading Counterparties

Clients are free to choose any broker/dealer or custodian for their assets. Such a custodian maintains the underlying records for the assets in their account. LB&C seeks to obtain best execution for accounts in which LB&C has been given the discretion to select brokers. LB&C considers a number of factors in selecting brokers including, but not limited to:

- (a) The value of research products, services and reports (includes the extent of coverage, type of communications, subjective appraisal of quality and accuracy).
- (b) Execution of orders (speed, execution price -- "good" price in terms of daily trading patterns, commission and reporting services).
- (c) Financial condition of the brokerage firm and its ability to provide liquidity.
- (d) Overall business integrity and reputation of the brokerage firm.
- (e) Well-organized and efficient "back office" operations which minimizes reporting errors.

- (f) Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc).

### Soft Dollar Benefits

LB&C uses commissions generated from non-directed equity security trades as soft dollars to purchase research services and products, which assist LB&C in making investment decisions. LB&C benefits from the use of soft dollars, as we would otherwise be required to pay directly for these products or services. These products or services (all of which aid in investment decision-making or trade execution), include, but are not limited to, equity research data providers, bank credit rating services and proprietary research. Research material and services obtained with soft dollars are used in a general way to benefit all clients, even though the brokerage business of only a relatively few accounts generate the commissions. It is possible that commission rates charged by a broker selected by LB&C on any given transaction may be greater than if there were no soft dollar credit earned on the trade. Frequent trading or account turnover in the accounts that generate soft dollar credits could benefit LB&C over the client interests; therefore, overall trading levels are monitored among clients to mitigate any conflicts.

Fixed income trades generally do not generate soft dollar credit. Fixed income securities usually trade on a net basis, which means that the executing broker/dealer may include a markup on the purchase price and a markdown on the sale price. These markups/markdowns are not disclosed by the executing broker/dealer. Fixed income securities trades, unless directed by the client, are placed based on execution factors such as liquidity, price, back office efficiencies, execution timeliness and other evaluation criteria.

### Benefits Received Through Client Accounts at Charles Schwab & Company

LB&C may recommend that clients establish brokerage accounts with Schwab Advisor Services, a division of Charles Schwab & Company, Inc. (Schwab), an independent and unaffiliated registered broker/dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although LB&C may make this recommendation, it is the client's decision whether or not to custody assets with Schwab. LB&C receives access to Schwab's institutional brokerage services, which are not typically available to retail investors. These services include brokerage, custody, technology and research that may facilitate trading, trade settlement, client reporting, and other back-office functions. Schwab's support services generally are available on an unsolicited basis (LB&C does not have to request them) and at no charge to LB&C as long as our clients collectively maintain a minimum of \$10 million of their assets in accounts at Schwab. This minimum may give LB&C an incentive to recommend that clients maintain their account with Schwab, based on our interest in receiving Schwab's services that benefit LB&C's business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of clients' transactions. LB&C believes that Schwab offers competitive trading costs, back office efficiency, financial integrity, stability and superior service, thus enabling LB&C to better service its clients. Equity transactions for accounts where the assets are held at Schwab will usually be handled by Schwab. Trades executed away from Schwab (possibly fixed income securities) will be subject to an additional transaction fee applied by Schwab.

LB&C is advisor to the Jamestown Family of Funds, which utilizes various channels of distribution including the Charles Schwab trading platform. Schwab currently waives, on our behalf, some of the fees an advisor would normally pay for use of this platform.

Schwab makes other products and services available that benefit LB&C but that may not directly benefit our clients or their accounts. They include investment research, software and other technology. Schwab also offers other services intended to help LB&C manage and further develop our business enterprise. These services include educational conferences and events, consulting on technology, compliance, legal, and business needs, publications and conferences on practice management and business succession, access to employee benefits providers, human capital consultants, and insurance providers. However, LB&C would not receive these products and services if client accounts were not held in custody and traded by Schwab. LB&C's receipt of these products and services creates a potential conflict of interest in connection with our recommendation of Schwab.

Schwab provides LB&C soft dollar credits based on the overall profitability of our business with Schwab which includes such factors as historical volume of client trade activity and total client assets held at Schwab. These credits are used towards payments to third party vendors on the behalf of LB&C for similar research products as used with commission soft dollars. These products or services (all of which aid in investment decision-making or trade execution) include, but are not limited to, equity research data providers, bank credit rating services and propriety research that help in determining the overall recommendations made for client accounts. Some of these products and services benefit clients whose accounts are held by other custodians, which could create a potential conflict of interest between the clients at Schwab who are indirectly paying for the products and services and the clients at other custodians who may benefit from the products and services. LB&C benefits in that we would otherwise be required to pay directly for the research, products or services.

#### Client-Directed Brokerage

Clients may give LB&C instructions as to where to trade their account. In these circumstances, the client and the selected broker are responsible for establishing the agreed upon commission rates. If the client directs the account's transactions to a particular broker/dealer, this may result in greater transaction expenses for the account than for other accounts LB&C manages. LB&C's directed accounts may pay higher commissions and/or receive less favorable trade execution than our non-directed accounts. The non-directed accounts may benefit from negotiated commissions, volume discounts, and batched transactions.

#### Aggregated Trades

LB&C typically aggregates client trades in an effort to treat all clients fairly. Clients participating in a bunched order receive the same average price and incur trading costs that are the same as would be paid if they were trading individually. LB&C will retain records, based on the applicable books and records retention requirements, of the trade order (specifying each participating account and its allocation), which will be completed prior to the entry of the aggregated order. If an order is partially filled, clients will have their orders filled on a pro-rata basis. LB&C will seek to complete any unfilled client orders on the next trading day.

Equity trades are sent electronically to the trading desk through the order management system where they are executed on a first-come, first-serve basis and where possible, trades are aggregated prior to execution. LB&C usually executes non-directed trades before directed trades. The sequence of the directed orders will be altered daily so as to not favor any one account over another. Aggregation does not, however, necessarily result in better execution and in some cases may result in a less favorable execution.

LB&C manages accounts subject to client objectives, guidelines and product mandates. Certain mandates are more aggressively and actively traded than others. Additionally, the investment horizon for individual investors varies. As a result, an individual client may not participate in certain security transactions. A particular security may be bought or sold for some clients but not for other clients. A particular security may be bought for some clients when other clients are selling.

### **Item 13 – Review of Accounts**

Clients' accounts are reviewed on a regular and frequent basis by the client's portfolio manager. Investment objectives are formally reviewed and updated at least once every two years but may be reviewed more frequently. Portfolio managers are available to meet with the clients twice annually but may meet more or less frequently based on the client's preferences. Reviews of client accounts may be triggered if a client changes his or her investment objectives, or if the market, political, or economic environment changes materially. Clients are asked to review and sign their stated investment objectives. Clients are asked to notify their management team at LB&C should their financial conditions or risk acceptances change.

Clients receive account statements directly from their chosen custodian on at least a quarterly basis. Also quarterly, LB&C sends clients investment performance results, investment holdings, quarterly purchases and sales, investment fee invoice and where applicable, a statement of realized gains and losses year-to-date. The LB&C market commentary accompanies the report package. This report package may be made available, with the client's written consent, electronically on our client section of the LB&C secure website. Clients are urged to compare the statements from LB&C to that of their custodian.

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

LB&C receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through LB&C's participation in Schwab Advisor Network<sup>®</sup> ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker/dealer independent of and unaffiliated with LB&C. Schwab does not supervise LB&C and has no responsibility for LB&C's management of clients' portfolios or our other advice or services. LB&C pays Schwab fees to receive client referrals through the Service. LB&C's participation in the Service may raise potential conflicts of interest described below.

LB&C pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by LB&C is a percentage of the fees the client owes to LB&C or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. LB&C pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to LB&C quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by LB&C and not by the client. As a result of this referral arrangement, LB&C charges an investment management fee that is higher than the standard fee on these referral accounts (see Item 5 Fees and Compensation).

LB&C generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The

Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees LB&C generally would pay in a single year. Thus, LB&C will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of LB&C's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, LB&C will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit LB&C's fees directly from the accounts.

Other than the previously described products and services that LB&C receives from Schwab (as stated in Section 12 and above), LB&C does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

## **Item 15 – Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but LB&C can access many clients' accounts through its ability to debit advisory fees. For this reason LB&C is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients are urged to carefully review these statements, and should compare these statements to any account information provided by LB&C.

On occasion, an associate at LB&C has been named the trustee for an account under management. In these cases, the account will be subject to a surprise cash audit by an independent public accountant annually. Other than as required in the duties as a Managing Member or as a Trustee, LB&C will not take physical custody of client's assets at any time. Annually, an independent audit is performed on the managed LLC, for which LB&C is the managing member (see earlier reference in item 11); the results of which are distributed to the members of the partnership.

LB&C, as an affiliate of the general partner of a private fund, will be deemed to have custody of the fund and as such will ensure that a GAAP audit is performed by a PCAOB firm annually.

## **Item 16 – Investment Discretion**

Clients are free to choose any broker/dealer and custodian for their assets. The clients should agree to execute any and all documents required by the custodian to establish both the account and limited trading authorization for LB&C. This trading authorization does not allow LB&C to withdraw any money, securities or other property in the name of the client other than the advisory compensation that is explicitly authorized by the client. The client should request the custodian to enable us to receive electronic reporting of account information on a daily basis. LB&C has investment discretion over all clients' accounts.

Clients can place in writing, reasonable restrictions on LB&C's investment discretion. For example, some clients have asked LB&C not to buy securities issued by companies in certain industries or not to sell certain securities where the client has a particularly low cost basis.

As a client accommodation, LB&C may occasionally agree to include assets in a client's report that are unmanaged by LB&C. These unsupervised assets are not under our management, are not

included in the fee arrangements, are not included in any performance results, and are valued on a best information available basis.

## **Item 17 – Voting Client Securities**

LB&C has adopted and implemented policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interest of clients, in accordance with our fiduciary duties and SEC rule 206(4)-6 under the Investment Advisers Act of 1940. Our authority to vote our clients' proxies is established by our advisory contracts.

LB&C represents client interests in matters of corporate governance through the proxy voting process. LB&C votes issues solely with the goal of maximizing the value of clients' investments. LB&C votes proxies in accordance with the recommendations provided by Egan-Jones Research Recommendations Service unless LB&C determines an alternative vote shall better serve client interests or pursuant to specific client instructions. We believe that the policy voting criteria applied by Egan Jones is compatible with our policies and procedures and will best represent clients' interest.

LB&C may, under certain circumstances, have a conflict of interest in voting proxies on behalf of clients. In order to mitigate any influence that LB&C would have on voting these proxies, LB&C strictly adheres to the independent recommendations of Egan Jones, unless directed by specific client instructions.

LB&C has established written procedures to help the firm evaluate corporate governance issues. Clients may receive a copy of the procedures and may receive information on how LB&C voted proxies with respect to their securities upon written notice to the following: Proxy Department, Lowe, Brockenbrough & Company, Inc., 1802 Bayberry Court, Suite 400, Richmond, VA 23226.

LB&C shall vote proxies received in a timely fashion for all security holdings, including positions maintained in the unsupervised portion of the portfolio, unless LB&C has received explicit direction otherwise. Client requests to vote with management on specific securities will be accepted on a limited basis. These requests are documented and adhered to.

LB&C has engaged Chicago Clearing Corporation ("CCC") to provide class action litigation monitoring and securities claim filing services on behalf of our clients. CCC monitors each claim, collects the applicable documentation, interprets the terms of each settlement, files the appropriate claim form, interacts with the administrators and distributes the award to the client. CCC charges a contingency fee of 20%, which is subtracted from the award at the time of payment. Clients are provided the opportunity to "opt-out" of this service entirely or they may list specific companies against which claims should not be filed on their behalf. LB&C does not have the authority to execute a proof of claim form for clients.

## **Item 18 – Financial Information**

LB&C has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.