



ALAPOCAS

INVESTMENT PARTNERS

Alapocas Investment Partners, Inc.

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September 5, 2024

PART 2A OF FORM ADV

FIRM BROCHURE

This Form ADV Part 2A brochure (the “Brochure”) provides information about the qualifications and business practices of Alapocas Investment Partners, Inc. (“AIP” or the “Adviser”). If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer of Alapocas Investment Partners at the number listed above or via email at lmok@alapocasip.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration as an investment adviser does not imply a particular level of skill or training in the investment advisory business or any other business.

Additional information about AIP will be available on the SEC’s website at adviserinfo.sec.gov.

Item 2 — Material Changes

We have not made any material changes to our Brochure since our last annual updating amendment dated March 21, 2023.

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Item 4 — Advisory Business

The Business Overview

Alapocas Investment Partners, Inc. is a Massachusetts corporation formed in February 2019. AIP is an independent investment adviser registered with the Securities and Exchange Commission (“SEC”). The estate of David W. Lemons is the owner of AIP. The portfolio manager of AIP is Daniel A. Carman, CFA.

AIP provides investment management services to individuals, high-net-worth individuals, charitable organizations, corporations, a profit-sharing plan, trusts (including pooled investment trusts), and other entities.

The Adviser primarily offers discretionary investment management services on a regular and continual basis that are customized to meet each client’s objectives and are comprehensive in nature. These services include the design and execution of an appropriate investment strategy and the research and selection of equity (including exchange-traded funds), fixed income, mutual fund, and cash reserve instruments. In certain circumstances, the Adviser will offer non-discretionary advisory services. These services include investment recommendations and arranging or effecting the purchase or sale of securities either directly or through a third-party manager, if the client accepts the recommendations.

AIP manages clients’ portfolios after creating and reviewing an investment strategy based on the client’s personal data, investment goals, and risk tolerance. This includes an allocation strategy to equity securities, fixed income securities, and cash reserve securities, as appropriate. See Item 8 — “Methods of Analysis, Investment Strategies, and Risk of Loss,” subsection: Investment Strategies for further details about these asset allocation strategies.

Clients may request restrictions on the purchase and/or sale of securities, industries, sectors, and asset classes. On a case-by-case basis, AIP is willing to work with clients who request such specific restrictions on their account(s) providing that, by doing so, the Adviser is able to substantially provide the comprehensive investment management strategy initially discussed with the client.

Retirement Plan Advice

When AIP provides investment advice to clients regarding their retirement Plan accounts or individual retirement accounts, the Adviser is a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act (“ERISA”) and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts.

The way AIP makes money creates some conflicts with clients' interests. For example, because the Adviser charges an asset-based fee, it has a financial incentive to encourage clients to engage AIP to manage their assets. The fee a client pays AIP is shared between the firm and its representatives. In addition, if AIP is the investment adviser to the client's employer's Plan, this creates a further conflict of interest if the employer does not want former employees to continue to participate in the employer's Plan (for example, if the employer does not want to continue to bear costs associated with maintaining former employees' assets in the Plan), because the firm has an interest in maintaining its ongoing relationship with the client's employer.

AIP operates under a special rule that requires the firm to act in the client's best interest and not put the firm's interest ahead of the client's. Under this special rule's provisions, AIP must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put the Adviser's financial interests ahead of the client's when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that AIP gives advice that is in the client's best interest;
- Charge no more than is reasonable for the firm's services; and
- Give clients basic information about conflicts of interest.

The Firm's Assets Under Management

As of December 31, 2023, AIP advises on \$413,255,602 in assets, including \$193,493,051 in assets under its discretionary management and \$219,762,551 in assets to which AIP serves as adviser.

Item 5 — Fees and Compensation

Clients are required to sign a written investment management agreement, which can be terminated without penalty at any time. Client accounts are generally subject to an investment management fee based on a percentage of assets under management that is currently ranging up to 1% — dependent upon the client's relationship with the Adviser and the strategy employed. The Adviser's fees, billing frequency, and method of calculation will be described in the client investment advisory agreement. Clients may be billed quarterly either in advance or in arrears based on the methodology described in the client agreement.

Fees may be negotiated considering a client's special circumstances, such as asset levels, service requirements, or other factors. For comparable services, other investment advisers may charge higher or lower fees than those charged by AIP.

Clients generally authorize AIP to deduct management fees directly from each account or accounts through custodial paperwork. When authorized, AIP may deduct fees from one account on behalf of other accounts in the relationship.

Termination

A client agreement may be canceled at any time by either party but must be promptly followed up in writing if termination is oral. The termination will be effective at the close of business on the day notice was received. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

In the event a client decides to terminate his or her relationship with AIP, and for those clients that pay advisory fees in advance, the Adviser will refund a portion of the investment management fee that reflects periods in which those services were not yet provided. Clients may direct in what form or manner they would like their refund. In the event a client who pays in arrears terminates their relationship, the Adviser will bill the client account for the partial period in which those services were rendered. Clients always have the right to terminate their agreement without penalty at any time.

Additional Fees and Expenses Payable by the Client

In addition to AIP's management fees, clients will be charged other fees, including brokerage commissions (including markups and markdowns), custodial fees (as described in Item 12 below), and management or other fees that may be charged by the underlying investments selected for the client portfolios (e.g., mutual fund advisory and distribution fees, ETF management fees). Commissions (including markups and markdowns) do not apply to all transactions. Some transactions may be assessed a ticket charge only. Each custodian provides a summary of fees and charges at the time of account opening. Please let us know if you have any questions on these fees and charges. As described above, some investments, including mutual funds and exchange-traded funds, also charge internal management fees. These fees are disclosed in each fund's prospectus. Such charges, fees, and commissions are exclusive of and in addition to the Adviser's fee. AIP does not receive any portion of these commissions, fees, and costs. Refer to Item 12 — "Brokerage Practices," which further describes the factors that AIP considers in recommending broker-dealers for the execution of transactions.

Item 6 — Performance-Based Fees and Side-By-Side Management

Alapocas Investment Partners does not charge performance-based fees (fees based on a portion of capital gains or on capital appreciation of assets invested).

AIP does not manage any proprietary investment funds or limited partnerships (for example, a mutual fund or a hedge fund) and has no financial incentive to recommend any particular investment options to its clients. The Adviser has implemented trade allocation policies and procedures designed to ensure that trades are allocated fairly and equitably over time and to prevent this conflict from influencing the allocation of investment opportunities among clients. Item 12 — “Brokerage Practices” provides further information regarding trade allocation practices.

Item 7 — Types of Clients

AIP primarily provides customized investment management services to individuals, high-networth individuals, charitable organizations, corporations, trusts, including pooled investment trusts, and other entities. AIP generally does not impose a minimum account size for establishing a relationship.

Item 8 — Methods of Analysis, Investment Strategies, and Risk of Loss

Methods of Analysis

AIP seeks to compound clients’ capital by investing in a limited number of businesses that the Adviser knows well, considers to be high-quality through its analytical process, and that it intends to own for a long time. A substantial majority of the assets invested for AIP’s clients are committed to the common shares of these individual companies, so a similarly sizable amount of the Adviser’s analytical effort is devoted to individual company analysis. The Adviser primarily uses fundamental analysis to understand investment opportunities and a suitable description of its method is “organized common sense.”

AIP views each equity holding as a share in the ownership of an operating business. Therefore, the Adviser analyzes companies as a businessperson might look at a potential long-term investment. Fundamentally, AIP believes that what a business produces in earnings drives its stock price over the long haul. To evaluate the intrinsic value of a company, AIP believes it must understand the relevant factors that create and sustain a company’s earnings. AIP looks at many qualitative and quantitative factors in this endeavor, including three key business-specific factors: i) profit margins and how long they may be sustained; ii) the magnitude and durability of a company’s earnings, as far into the future as is reasonable

to estimate; and iii) the quality and capabilities of management in redeploying capital into profitable ventures, such as expanding existing operations, making accretive acquisitions, buying back shares, or paying (or growing) dividends.

AIP continues with an in-depth, historical review of a company's reported financial statements (e.g., its income statement, balance sheet, statement of cash flows, and proxy materials) as well as other regulatory filings. In particular, the Adviser is keen to develop an understanding of the target company's strategic position within its industry. AIP will only act on its research and analysis when it has a high level of confidence in a company's long-term business prospects.

Idea Generation

AIP begins generating ideas by seeking out industries that foster long-term, sustainable earnings growth. Using Michael Porter's Five Forces analysis as a framework, AIP examines internal and external threats as well as horizontal and vertical competition to assess the relative attractiveness of a particular industry and the participants within it. The Adviser then evaluates these competitive dynamics at the company level to see if there is a particular business that outshines (or may soon outshine) its rivals. Ideas for new investments often come from past analytical work the Adviser completed and may be driven by relationships AIP cultivated within the industries being studied.

Stock Selection

The questions that most concern the Adviser as an investor are: Will the company make money well into the future, and, if purchased today, do the shares offer a meaningful future return for a long-term investor? The AIP security selection process seeks to minimize two key risks that surround these two questions: eroding earnings due to industry-, sector-, or company-specific headwinds (Business Risk), and/or paying too high a price going into an investment (Price Risk).

AIP's fundamental analysis as described above prioritizes economic and business indicators as investment selection criteria. These criteria are generally ratios and trends that may indicate the overall strength and financial viability of the entity being analyzed. One important financial measure of quality, among others, is return on invested capital (ROIC). AIP uses internal and external resources, including industry contacts and a globally deep professional network to understand a company's strategic position and return profile. AIP also focuses on the sources and durability of future cash flows, with extra weight given to companies that demonstrate growth in unit sales and profitability. To reduce the possibility of misreads, the Adviser revisits its assumptions regarding earnings history, management quality, and competitors.

To arrive at an investment decision about an investment opportunity, the Adviser supplements this fundamental research with analysis and materials derived from other sources, including financial media companies, third-party research materials, interviews with company management and practitioners within the same industry, internet content, and ongoing review of company operations and business activities.

Investment Strategies

Prior to investing a client's account, AIP undertakes a thorough discussion with the client to understand their particular financial situation and to explore with them the potential benefits of diversification among asset classes (e.g., stocks, bonds, and cash reserves). Based on an evaluation of client-specific factors, such as time horizon, liquidity needs, and risk tolerance, a client's portfolio may be best positioned with both stock and bond assets (which may comprise individual securities and/or mutual funds, exchange-traded funds, and cash reserve securities). In some circumstances, a client may be best served with a single asset-class portfolio — supported with an appropriate level of cash reserves.

When an All-Stock portfolio is appropriate, AIP utilizes a strategy called the **Global Equity Strategy**. This strategy's distinguishing characteristic is its limitation to holding only what AIP deems to be high-quality companies. The Adviser uses many qualitative markers and quantitative measures to define high quality, such as the aforementioned ROIC, as well as balance sheet strength (a low ratio of debt to distributable cash flow, for example), and pricing power — the ability for the business to raise prices for their goods or services when needed. From this analytical foundation, AIP then seeks to act in three manners to drive exceptional results. The Adviser:

- i) ***Focuses*** on its best ideas, generally 15 to 20 companies that AIP believes to be high quality using its own internal research and analysis.
- ii) ***Exercises patience*** that leads to few trades per year. Sales have typically represented less than 10% of an account's value, annually. In the frenetic world of capital markets, AIP believes inaction is often the most difficult choice to make. Competitive dynamics often turn quickly against poorly run companies and financial ruin is a nearby risk. Instead, what AIP determines as high-quality companies tend to have competitive strengths that allow them to be financially durable. Because of this, AIP is able to apply patience in its management process.
- iii) ***Favors long-term growth*** over the suppression of short-term price volatility. Managing a portfolio that exceeds established passive benchmarks is rare and should not be diluted by misguided attempts at risk mitigation. To be clear, AIP is not oblivious to risk and volatility. Risk control is important, but it is an order of magnitude less important than generating sustainable compound growth rates over time. The Adviser's study of the stock market, generally, and the growth of what it considers to be high-quality companies, in

particular, leads it to agree with Warren Buffett, who said: “Time is the friend of the wonderful business, the enemy of the mediocre.” AIP acknowledges that price movements can be disturbing in the short term, but the Adviser strongly believes that over a long horizon, asset prices bend toward their intrinsic value.

A modest amount of cash reserve securities (typically held in money market mutual funds) are included in the Global Equity Strategy to anticipate clients’ potential liquidity needs and to act as a depository when positions are liquidated and the proceeds are awaiting redeployment.

When an All-Bond portfolio is appropriate, AIP utilizes a strategy called the **Conservative Strategy**. AIP’s approach to bond investing emphasizes the stability of principal and the generation of income. AIP does not manage bond portfolios for capital appreciation. The distinguishing characteristics of the Conservative Strategy include laddering bonds between one and 15 years to maturity (to reduce “bets” along the yield curve) and a very minimal amount of non-investment-grade securities (to limit credit risk). Because clients may have differing tax considerations, each Conservative Strategy account is tailored to the client’s specific circumstances, which may also include liquidity constraints. Cash reserve securities, which may include short-term U.S. Treasury Bills along with money market mutual funds, are included in the Conservative Strategy to manage liquidity requirements and other risks implicit in fixed income investing.

When a portfolio that utilizes both equity and fixed income securities is appropriate, AIP utilizes a strategy simply called the **Balanced Strategy**. The Balanced Strategy’s allocation to stocks follows the Global Equity Strategy with the only difference being that the number of individual companies may increase slightly. The Balanced Strategy’s allocation to bonds follows the Conservative Strategy.

Cash reserve securities, which may include short-term U.S. Treasury Bills along with money market mutual funds, are included in the Balanced Strategy.

AIP may employ the services of third-party fixed income brokers to build the bond allocation of Balanced Strategy and Conservative Strategy portfolios. In addition to transactional services, these firms may also assist AIP with ongoing monitoring of the credit quality and call features of individual securities, among other support services. AIP has an obligation to seek “best execution” as part of its fiduciary duties, and thus, AIP evaluates the total benefit of using these brokers for fixed income purchases in relation to the cost of bond purchases without such ongoing support. AIP has no contractual requirement to use these brokers and may use one or several brokers to optimize the construction of bond allocations.

Using these three investment management strategies, AIP seeks to create portfolios that are comprehensive and customized in nature, and appropriate based on each client’s needs. AIP is also pleased to create customized portfolios designed to accomplish a more tailored goal,

as directed by the client, where the client's overall assets may be diversified in ways beyond AIP's discretion.

Risks

An investment in any security involves a certain degree of risk. Securities may fluctuate in value or lose all value. Clients should be prepared to bear the potential risk of loss. The risks involved with AIP's investment strategies include, but are not limited to:

Market Conditions: The prices of, and the income generated by, the securities owned by clients may decline due to market conditions and other factors, including those directly involving the issuers of the securities held by clients.

Volatility Risk: Security values may fluctuate up or down based on market conditions, political events, changes in the economy, company changes, and other factors.

Security Selection: The identification of securities representing what AIP believes are high-quality businesses and similarly distinguished management teams is a difficult task, and there are no assurances that such opportunities will be successfully recognized over the long term. While such investments offer opportunities for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses.

Inaccurate or Incorrect Public Information: AIP may rely on information that turns out to be wrong. The Adviser selects investments based, in part, on information provided by issuers to regulators or made directly available to AIP by the issuers or other sources. The Adviser is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and may result in losses.

Margin: The Adviser does not recommend that clients use margin as part of their investment strategy. However, clients may open margin accounts and choose to create margin balances by withdrawing cash. Clients should be aware of the costs of margin interest and risks involved, which include permitting the broker-dealer to force the sale of securities if account equity requirements are not met.

Fixed Income Risk: Bonds can provide a means of preserving capital and earning a predictable return. Bond investments may provide steady streams of income from interest payments prior to maturity. However, as with any investment, bonds have risks. These risks include:

- **Inflation Risk** — Inflation is a general upward movement of prices. Inflation reduces purchasing power, which is a risk for investors receiving a fixed rate of interest. The principal concern for individuals investing in cash equivalents is that inflation will erode returns.

- **Credit Risk** — The issuer of a bond may find itself unable to or unwilling to meet the interest and/or principal payments on its obligations. The risk of this happening, or the deterioration of expectations for prompt and full payment, can drive down the price of bonds and is what Credit Risk refers to.
- **Interest Rate Risk** — Interest rate changes can affect a bond's value. If bonds are held to maturity, the investor will receive the face value, plus interest. If sold before maturity, the bond may be worth more or less than face value. Rising interest rates will make newly issued bonds more appealing to investors because the newer bonds will have a higher rate of interest than older ones. To sell an older bond with a lower rate, the investor might have to sell it at a discount.
- **Liquidity Risk** — This refers to the risk that investors will not find a market for the bond, potentially preventing them from buying or selling when they want or preventing them from receiving a favorable execution price.
- **Call Risk** — Certain bonds are callable, giving the bond issuer the ability to retire a bond before its maturity date. This is something an issuer might do if interest rates decline, much like a homeowner might refinance a mortgage to benefit from lower interest rates.

Foreign Securities Risk: International or foreign investment returns may move in a different direction, or at a different pace, than U.S. investment returns. As a result, including exposure to both domestic and foreign securities in a portfolio may reduce the risk that an investor will lose money if there is a drop in U.S. investment returns, and a portfolio's overall investment returns over time may have less volatility. Keep in mind, though, that this is not always true and that with globalization, markets are increasingly intertwined across borders. While investing in any security requires careful consideration, international investing raises some special issues and risks. These include:

- **Access to different information** — In some jurisdictions, the information provided by foreign companies is different from the information provided by U.S. companies.
- **Costs of international investments** — International investing can be more expensive than investing in U.S. companies.
- **Changes in currency exchange rates and currency controls** — A foreign investment also has foreign currency exchange risk. When the exchange rate between the foreign currency and the U.S. dollar changes, it can increase or reduce an investment return in a foreign security.
- **Political, economic, and social events** — Depending on the country or region, it can be more difficult for investors to obtain information about and comprehensively analyze all the political, economic, and social factors that influence a particular foreign market.

- **Different levels of liquidity** — Some foreign markets may have lower trading volumes for securities, or fewer listed companies than U.S. markets.
- **Legal remedies** — The jurisdiction in which investors purchase a security can affect whether they have, and where they can pursue legal remedies against a foreign company or any other foreign-based entities involved in a transaction.
- **Different market operations** — Foreign markets may operate differently from the major U.S. trading markets. For example, there may be different time periods for clearance and settlement of securities transactions.

There can be no assurance that clients will achieve their investment objectives or that the investment strategies employed by Alapocas Investment Partners will be successful. Investing in securities involves a risk of loss the investors should be prepared to bear.

Item 9 — Disciplinary Information

AIP and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

Item 10 — Other Financial Industry Activities and Affiliations

AIP is an independent registered investment adviser. The Adviser is not affiliated with a:

- broker-dealer,
- municipal securities dealer,
- government securities dealer or broker,
- investment company,
- pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund),
- investment adviser,
- financial planner,
- futures commission merchant,
- commodity pool operator,
- commodity trading advisor,
- banking or thrift institution,

- accountant or accounting firm,
- lawyer or law firm,
- insurance company or agency,
- pension consultant,
- real estate broker or dealer, or
- sponsor or syndicator of limited partnerships.

Item 11 — Code Of Ethics, Participation or Interest in Client Transactions, and Personal Trading

Consistent with the requirements of Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), AIP has adopted a Code of Ethics (the “Code”), which sets forth standards of conduct that are expected of all of the Adviser’s “Access Persons” (as such term is defined in the Investment Advisers Act) and addresses conflicts that arise from personal trading. The standard of business conduct set forth in the Code takes into account AIP’s status as a fiduciary and requires the Adviser’s Access Persons act in the client’s best interest. A copy of the Code will be provided to any investor or prospective investor upon request to the firm’s Chief Compliance Officer at lmok@alapocasip.com.

AIP also requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices. In addition, the Adviser prohibits employees from receiving gifts if it is believed that the gift may affect the advice that is being provided to clients.

This Code is designed to ensure that Access Persons are placing client interests before their own. Access Persons who trade in covered securities, such as individual stocks or exchange-traded funds, are required to disclose their holdings annually and their transactions on a quarterly basis for review. The Chief Compliance Officer will then review such holdings and transactions to make sure that any trades do not conflict with those of the Adviser’s clients. A member of the Adviser will review the Chief Compliance Officer’s trading.

The core principle of the Code is that no Access Persons shall prefer his or her own interest to that of an advisory client. It is designed to assure that the personal securities transactions, activities, and interests of the Access Persons will not interfere with making decisions in the best interest of advisory clients and implementing such decisions while, at the same time, allowing Access Persons to invest for their own accounts. It is possible that Access Persons may be investing in the same securities as one or more clients. The Code allows such transactions so long as the client’s interests always come first.

Item 12 — Brokerage Practices

AIP recommends that clients utilize Charles Schwab & Co., Inc. (“CS” or “Schwab”) or Fidelity Brokerage Services, LLC (“FBS” or “Fidelity”) for brokerage and/or custodial services. The Adviser recommends them as choices for clients based upon previous experience with these firms and on the value of the services and/or research provided by these firms, along with other qualitative factors. AIP considers a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for the custody),
- Capability to execute, clear, and settle trades (buy and sell securities for accounts),
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.),
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds),
- Availability of investment research and tools that assist the Adviser in making investment decisions,
- Quality of services,
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices,
- Reputation, financial strength, and stability,
- Prior service to AIP and its other clients, and
- Availability of other products and services that benefit AIP, as discussed below.

Research and Other Soft Dollar Benefits

The Adviser views the custodial services and research products provided by the recommended broker-dealers to have value and, in total, is reasonable in relation to the amount of commissions that are paid on client transactions.

CS and FBS provide research (including proprietary and third party) and other services described below (see “Products and Services Available to AIP from Custodians” and “Services That May Not Directly Benefit Clients”). These products and services — other than execution — are considered “soft dollar benefits.” These services benefit AIP because client brokerage commissions and other fees charged by the custodians pay for this research and other services, and therefore AIP does not have to pay for them separately. The Adviser deems these soft dollar benefits to be beneficial to all of its clients and does not seek to allocate the benefits, proportionately, to those accounts that incurred the specific costs.

Other fees charged by the custodians include the markup or markdown of fixed income securities when they are traded; per-trade ticket and other transaction charges; the management fees assessed on mutual funds, including money market funds; and the interest charged on margin debit balances.

Collectively, this “soft dollar benefits” arrangement is viewed as a conflict of interest because AIP has an incentive to select these two broker-dealers over other brokers who may not provide the same benefits. Other brokers may provide lower commissions, higher interest on money market funds and cash sweep options, lower interest rates on margin loans, and have lower transaction and account-related fees. Therefore, utilizing Schwab or Fidelity would be considered “paying up” for the “soft dollar benefits” if other brokers provided better features. Further, by utilizing FBS or CS as custodians, the Adviser may be unable to achieve the most favorable execution.

AIP is independently owned and operated and is not affiliated with either Fidelity or Schwab. These custodians will hold client assets in a brokerage account and buy and sell securities when instructed to. While the Adviser recommends that clients use either CS or FBS, clients will decide whether to do so and will open an account by entering into an account agreement directly with the custodian. AIP does not open the account for the client, although AIP may assist in doing so.

Products and Services Available to AIP From Custodians

FBS and CS are independent and unaffiliated SEC registered broker-dealers. Some of those services included in a “soft dollar benefits” arrangement help the Adviser manage or administer its clients’ accounts, while others help it to manage and grow its business. These support services generally are available on an unsolicited basis (AIP does not have to request them) and at no charge as long as AIP’s clients collectively maintain a total minimum asset level.

Services That May Not Directly Benefit Clients

The custodians also make available other products and services that benefit the Adviser but may not directly benefit the client’s account. These products and services assist AIP in managing and administering its clients’ accounts. They include investment research, both their own and that of third parties. AIP may use this research to service all or a substantial number of its clients’ accounts, including accounts not maintained at the particular custodian providing the research. In addition to investment research, they also make available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements),
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts,

- Provide pricing and other market data,
- Facilitate payment of AIP's investment management fees from clients' accounts,
- Assist with back-office functions, recordkeeping, and client reporting services that generally benefit only the Adviser,
- Educational conferences and events,
- Consulting on technology, compliance, legal, and business needs,
- Publications and conferences on practice management and business succession, and
- Access to discounted services from third-party vendors, including services related to employee benefits, insurance, and compliance/legal services.

Brokerage for Client Referrals

AIP does not receive client referrals from any broker-dealer, so there is no incentive to recommend a particular broker-dealer for that benefit.

Cross Transactions

It is the Adviser's general policy not to affect any principal or agency cross transactions for client accounts. The Adviser 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, buys from or sells any security to any advisory client. Agency cross transactions are generally defined as transactions where an adviser acts as a broker for both the advisory client and for another person on the other side of the transaction, who may be another advisory client.

Brokerage and Best Execution

The Adviser will generally trade exclusively through a client's recommended custodian for all trades. The Adviser has evaluated these custodians/brokers and believes that they will provide clients with an appropriate blend of execution services and customer service while charging reasonable fees for their services. However, when a client has an active prime brokerage agreement in place allowing the Adviser to use outside brokers — and AIP believes it can achieve a more favorable execution — AIP may utilize an outside broker. This is generally done when AIP believes a fixed income investment can be purchased or sold on a more favorable basis, although the Adviser may also, on occasion, utilize an outside broker for equity trades. Importantly, AIP does not negotiate commissions or obtain volume discounts beyond those already offered by the custodian/broker. The use of outside brokers will entail additional costs, usually in the form of a markup or markdown assessed with a securities transaction.

AIP reviews the services provided by custodians, custodian fees, and quality of execution on a periodic basis and at least annually. Prior to utilizing an outside broker, AIP will consider a range of factors, including:

- Broker's history of execution quality,
- Broker's experience within a particular niche (particularly in the case of odd-lot bonds),
- Competitiveness of commission rates and fees,
- Quality of services,
- Reputation, financial strength, and stability, and
- Prior service to the Adviser and its other clients.

Directed Brokerage

AIP is not affiliated with either Schwab or Fidelity and does not direct any client toward one broker-dealer over another based on any soft dollar benefit arrangement. Occasionally, AIP may provide services to clients maintaining accounts with other custodians. When clients direct the Adviser to utilize a different broker-dealer, AIP may not be able to achieve the most favorable execution for transactions. Clients may pay higher brokerage commissions and the firm will not be able to aggregate orders to reduce transaction costs.

If a client directs the Adviser to use another custodian/broker, the client will then generally have the responsibility for negotiating commission rates and other transaction costs with that custodian/broker. Often these rates are based on the client either using their electronic document delivery platform or maintaining a minimum account balance with the custodian. Questions about which custodian may make the most sense given all the facts and circumstances of the client's situation should be directed to the Adviser.

While AIP is comfortable with the two custodians it recommends, clients should note that some differences may exist based on the client assets maintained at each firm. Clients may forego benefits that the Adviser may be able to obtain for other clients through, for example, negotiating volume discounts or block trades if assets are held at a smaller custodial relationship. This may come into play if the client is part of a smaller group at one custodian while AIP services a larger number of clients at a different custodian.

Trade Aggregation

AIP will engage in "block trading" where possible and when advantageous to clients. This means that AIP may purchase a large block of shares and then allocate those shares among the clients. Regarding aggregated "block trades," the Adviser operates so that no advisory account will be favored over any other account participating in the aggregated order. All

clients participating in the aggregated order shall receive an average share price with all other transaction costs shared based on their participation in the trade within the same group of clients at the same custodian. The Adviser will rotate the order of trades placed with each custodian so that one group of clients does not trade first (or last) on a consistent basis.

Item 13 — Review of Accounts

All investment positions are monitored on a regular basis by the Adviser. Accounts and portfolios, as a whole, are reviewed both prior to meetings and at least quarterly to ensure that they still meet suitability requirements. Clients receive quarterly written reports from the Adviser or upon client request.

Item 14 — Client Referrals and Other Compensation

AIP does not compensate firms or individuals for referrals, nor does AIP receive compensation for referring clients to other firms. If these relationships were established, agreements with the referring parties would be in writing, and the arrangement would be disclosed to the clients.

Item 15 — Custody

AIP does not act as a qualified custodian or accept physical custody of client funds or securities. However, in certain instances, we may be deemed to have custody if a client provides us discretion in a standing letter of authorization (“SLOA”) to disburse funds to one or more third parties. AIP will only accept an SLOA that specifically designates a third-party name and account number and/or payee address.

Client assets will be held by an unaffiliated qualified custodian. Clients should receive account statements at least quarterly from their qualified custodian. Clients are urged to review their custody statement carefully and compare it to the statements or reports provided by the Adviser. Statements and reports provided by the Adviser may vary from custody statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. However, if you believe there is an error or discrepancy between your custody statement and the report or statement provided by AIP, please contact us immediately.

Item 16 — Investment Discretion

In accordance with the terms and conditions of the applicable investment management agreement (IMA), AIP receives discretionary authority to manage investments on behalf of the client. Such discretion is exercised in a manner consistent with the stated investment objectives for the particular client's account(s) and includes determining which securities are bought or sold, the amounts thereof, and the broker-dealer used to execute the transactions.

Item 17 — Voting Client Securities

AIP votes client proxies only when such authority has been expressly delegated to the Adviser through the investment management agreement or other written authority. Absent specific voting guidelines from the client, the Adviser will vote proxies in the best interest of the clients and follow these guidelines:

- Vote all proxies from a specific issuer the same way for each client, absent qualifying restrictions from a client. Clients are permitted to place reasonable restrictions on our voting authority in the same manner that they may place such restrictions on the actual selection of account securities,
- Generally, vote in favor of routine corporate housekeeping proposals such as the election of directors and selection of auditors absent conflicts of interest raised by an auditor's nonaudit services,
- Generally, vote against proposals that cause board members to become entrenched or cause unequal voting rights, and
- In reviewing proposals, we will further consider the opinion of management and the effect on management, and the effect on shareholder value and the issuer's business practices.

AIP has adopted proxy voting procedures that are designed to ensure the firm has the authority to vote proxies with respect to securities held by a client, and such proxies are voted in the client's best interest to the extent reasonably practicable. The procedures also require that AIP identify and address conflicts of interest. If a material conflict of interest is identified, we will determine whether voting in accordance with the guidelines set forth in the procedures is in the best interest of the client or whether taking some other action may be more appropriate.

Clients may obtain a copy of our proxy voting policies and procedures and information on how we voted proxies by contacting Daniel Carman at 978-529-2395 or dcarman@alapocasip.com.

Item 18 — Financial Information

AIP does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, the Adviser does not need to include a balance sheet with this Brochure.

AIP is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.