



**Part 2A, Appendix 1**

**Item 1 – Cover Page**

**Leumi Investment Services Inc.  
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This brochure provides information about the qualifications and business practices of Leumi Investment Services Inc. (“LISI”). If you have any questions about the contents of this brochure, please contact us at (212) 407-4362. 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.

LISI is a registered investment advisor. Registration of an Investment Advisor does not imply a certain level of skill or training. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor.

Additional information about LISI also is available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

**Wrap Fee Program Brochure**

**March 30, 2021**

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## **ITEM 2 - MATERIAL CHANGES**

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We now offer a new nondiscretionary program, Leumi Excess Liquidity Advisor (LELA), which is described in this Brochure.

Within the Leumi Client Advisor program, LISI no longer offers or supports the Israel-based investment strategy.

Pursuant to SEC Rules, LISI sends you this summary of material changes to this and subsequent Part 2A Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

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

## **ITEM 3 - TABLE OF CONTENTS**

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## ITEM 4 - SERVICES, FEES AND COMPENSATION

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### Types of Services and Fee Schedules

Leumi Investment Services Inc. (“LISI”) is a wholly-owned subsidiary of Bank Leumi USA (“BLUSA”), and BLUSA is a subsidiary of Bank Leumi le-Israel Corporation, a New York bank holding company which, in turn, is owned by Bank Leumi le-Israel, B.M., an Israeli bank founded in 1902. BLUSA is a New York State chartered bank. In the U.S., banking products and services are provided through BLUSA, and brokerage products and services, including the investment advisory business, are provided by LISI.

Pershing LLC is the clearing broker for the broker-dealer operations of LISI.

The purpose of this Brochure is to describe and disclose the services, fees, potential conflicts of interest, and other necessary information clients should consider before becoming a client of one or more of LISI’s investment advisory programs covered in this Brochure.

LISI offers the following Discretionary Programs: (1) Leumi Strategic Portfolios (LSP); (2) Separately Managed Accounts (SMA); and (3) Unified Managed Accounts (UMA). LISI also offers two non-discretionary programs, Leumi Client Advisor (LCA) and Leumi Excess Liquidity Advisor (LELA). In the past, LISI has acted as a solicitor for a third-party program sponsored by Brinker Capital Inc. Depending on the Program, Clients can select from a wide variety of portfolio managers, mutual funds and exchange-traded products, and individual securities, based on strategies that range from capital preservation to conservative to aggressive growth.

The Programs described in this Brochure are provided to clients in a “wrap fee” arrangement. A wrap fee arrangement is one in which a single fee is charged based on the market value of assets in the client’s account, rather than on the transactions in the account as in a commission (“Brokerage”) account. The wrap fee covers investment advice or counsel provided by LISI investment professionals and/or the client’s IAR, portfolio management in applicable Programs, the execution of the client’s transactions, account servicing, and performance reporting, in addition to other standard services.

LSP, SMA, and UMA programs are discretionary programs where a client appoints LISI or other party to make investment decisions with respect to the assets in the client’s account. LCA and LELA are non-discretionary programs, where the client’s IAR makes recommendations to the client, who then approves or disapproves them. To assist LISI with LSP, SMA, UMA, and LCA, LISI uses the services of Envestnet Asset Management, Inc. Envestnet provides, among other things, overlay portfolio management services, tax overlay management services, research information on hundreds of different third-party managers, reporting services, and technological and online services to assist LISI in managing portfolios. Please refer to the Envestnet Asset Management, Inc. Form ADV Part 2A as provided to clients for additional information.

LISI and its personnel do not have any discretionary authority to manage securities accounts that comprise the Programs, except LSP, a firm discretion advisory program that uses risk-adjusted and objective-based models comprised of exchanged traded funds (“ETFs”) and mutual funds. The LISI Investment Committee is responsible for setting strategic and tactical asset allocations to guide the Programs. The LISI Investment Committee is comprised of LISI and BLUSA staff who represent different areas of expertise in asset allocation and in specific asset classes. The LISI Investment Committee meets on scheduled monthly dates and on an ad hoc basis, as necessary. The LISI Investment Committee also produces client letters and market commentary on both a scheduled and ad hoc basis.

In the advisory relationship between the client and LISI, a client should typically work with an IAR to determine the client’s overall investment situation, needs, goals, risk tolerance, and time horizon for the assets being invested. To assist in identifying these factors, the client completes an Investment Profile Questionnaire and also completes investment profile information included on the LISI New Account Application (collectively referred to as the “Questionnaire”). An IAR will use the information provided by

the client, among other considerations, to assist the client in selecting the appropriate Program(s) and subsequent investment strategy. If the client wishes to proceed with the Program(s), the client will enter into an Advisory Agreement which contains specific terms applicable to the Program(s) selected, advisory services to be offered, fees payable by the client, and other terms applicable to the client's advisory relationship with LISI. Not all Programs discussed in this Brochure may be appropriate for a client. Each Program is designed to meet differing investment needs of clients. The Programs offered have different levels of services, administration, structure, fees and expenses. The particular investment advisory services that LISI provides in connection with each Program are described in detail below. Please review this Brochure carefully and in its entirety.

### **Leumi Strategic Portfolios**

Leumi Strategic Portfolios offers clients discretionary investment management based on proprietary strategic asset allocation models developed by LISI's Investment Committee. The models vary in their exposure to different asset classes (such as equities, fixed income and alternative investments), as well as different styles within asset classes, paired together to achieve diversification that seeks to meet a variety of investment objectives. The models use mutual funds and/or ETFs – which must have at least three years of investment history and assets under management of at least \$100 million – to gain these exposures. In limited circumstances, a fund may have less than three years of investment history in which case a fund with very similar characteristics will be evaluated in its place, and the fund with less than three years investment history will be added to the LSP platform based on the record of the proxy's investment history. LISI's Investment Committee uses both qualitative and quantitative measures in selecting these mutual funds and ETFs.

With the professional advice and guidance of an IAR, the client will select one of the models based on the information provided by the client and the results of the Questionnaire. LISI has engaged Envestnet to provide investment model management services. The IAR will provide the client with an investment proposal or strategy sheet that identifies the specific portfolio model recommended to the client and details the underlying mutual funds and/or ETFs as well as the overall asset and style allocation of the model. LISI's Investment Committee will monitor each strategy to ensure adherence to the original investment selection requirements and for performance, among other things.

Because the LSP program models are discretionary in nature, LISI constructs the model portfolios and will from time to time, and without notice or approval from the client, adjust the asset allocations of the models. LISI also determines the specific mutual funds and/or ETFs that comprise the models and in its sole discretion will from time to time adjust the percentages allocated to those investments and/or will add or remove a mutual fund or ETF as it deems appropriate. Other services offered in the LSPs include periodic rebalancing of the client's portfolio (at least annually or upon a movement of +/-5 percentage points from its targeted weighting) to maintain the desired asset allocation and quarterly performance reporting.

### **Separately Managed Accounts (SMA)**

The SMA Program offers clients discretionary investment management services from third-party Portfolio Managers. Based on information in the client's Questionnaire, an IAR presents the client with one or more appropriate investment strategies from an Envestnet list of approved managers. Envestnet selects these SMAs based on its own proprietary due diligence process.

Envestnet employs a proprietary "Q-Score model" when conducting due diligence on a Portfolio Manager. This model emphasizes consistent active value, effective and consistent risk control, and an efficient risk return profile.

LISI has engaged Envestnet as an investment model management service to maintain the SMA platform. The client enters into an Advisory Agreement with LISI for the provision of advisory, brokerage and administrative services. The client grants discretion to the third-party Portfolio Manager (not LISI), who

actively manages the client's portfolio. LISI has no influence over the Portfolio Manager's investment decisions or security selection. The Portfolio Managers offered have varying investment objectives, styles, and strategies and they also employ varying types of securities to achieve those objectives. In addition, a Portfolio Manager's strategy may change in response to market conditions. If the client decides to participate in the SMA Program, the client will receive a copy of each Portfolio Manager's Brochure that describes in detail the Manager's strategy. A copy of the Portfolio Manager's Brochure is also available upon request. Other services offered in the SMA Program include monthly custodial account statements and quarterly performance reporting.

Certain SMA managers execute trades through broker-dealers not participating in the Envestnet wrap fee platform ("trading away"). By doing so, these managers cause clients to pay an additional fee not included in the wrap program fee. This additional fee will not be shown in trade confirmations or account statements. Please review the Portfolio Manager's Form ADV Brochure and contact your Advisor for more information regarding trading away, including the frequency with which Portfolio Managers trade away from Envestnet.

### **Unified Managed Accounts (UMA)**

The UMA Program offers a client multiple types of investment strategies representing various asset classes combined in a single account. A UMA account consists of one or more sub-accounts or "sleeves" that invest in mutual funds, exchange traded funds ("ETFs"), and/or individual securities recommended by third-party investment advisors that provide model portfolios to Envestnet. LISI has engaged Envestnet as an investment model management service to maintain the UMA platform and manage the client's accounts by implementing the model portfolios in a client's account. The client enters into an Advisory Agreement with LISI for the provision of advisory, brokerage and administrative services.

Based on information in the client's Questionnaire, an IAR presents the client with one or more appropriate investment strategies from the Envestnet list of approved SMAs, mutual funds, and ETFs investment options fitting the client's profile and investment goals. The client must approve in writing the initial investment selections and subsequent changes to the strategies employed for his or her account. LISI does not exercise investment discretion in the selection of the asset allocation or the specific, underlying investment vehicles and investment strategies used in each sleeve of the UMA portfolio. LISI will provide the client with recommendations regarding the appropriate asset allocation and the underlying investment vehicles or investment strategies to meet the client's objectives.

For those portions of the client's UMA portfolio allocated to third-party investment advisors, LISI has hired Envestnet as an investment model management service to maintain the client's account consistent with his or her investment strategy model allocations. Envestnet has discretion to place trades in client accounts using these models. LISI does not have influence over the third-party investment advisors' investment recommendations.

If it so chooses, LISI, in its role as program sponsor, may add mutual funds and ETFs on Envestnet's approved list available in the UMA Program, through varying degrees of initial and ongoing due diligence. LISI has sole discretion to remove a mutual fund or ETF from the list of available investment options. Third-party investment advisors may be selected from Envestnet's list of approved managers.

Other services offered in the UMA Program include periodic rebalancing of the client's portfolio (at least annually or upon a movement of +/-5 percentage points from its targeted weighting) to maintain the desired asset allocation and quarterly performance reporting.

### **Leumi Client Advisor**

Leumi Client Advisor is a non-discretionary advisory program in which a client receives advice from an IAR regarding the client's assets (mutual funds, ETFs, and individual securities) in his or her account. Neither LISI nor the client's IAR has investment discretion and may not buy or sell securities for the account without the client's consent.

LISI no longer offers or supports the Israel-based investment strategy.

Clients may opt to add a tax-preferred service to their account, which seeks to optimize taxes in a client's portfolio in each tax year.

The client enters into an agreement with LISI for the provision of advisory, brokerage and administrative services. Leveraging LISI's Portfolio Strategy team's research, and based on information in the client's Questionnaire, an IAR advises the client on an appropriate investment strategy, which includes security selection and general asset allocation, and may include advice on financial planning and other wealth management topics. The client has sole discretion and makes the final decision whether to accept or reject an investment strategy or any specific recommendation to purchase or sell securities.

The IAR will be alerted if any portfolio is not within acceptable ranges against target allocations. Any rebalancing decisions must be authorized by the client. The IAR also is responsible for periodically reviewing the account to assess whether the investment strategy employed by the client and investments made for the client's account are suitable.

### **Leumi Excess Liquidity Advisor**

Leumi Excess Liquidity Advisor is a non-discretionary advisory program in which a client receives advice from an IAR regarding the client's assets (ETFs and institutional share classes of mutual funds) in his or her account. Neither LISI nor the client's IAR has investment discretion and may not buy or sell securities for the account without the client's consent.

Leumi Excess Liquidity Advisory is designed for high net worth clients that are seeking alternatives to low-interest, traditional deposit products and want to increase yields while preserving liquidity in their accounts. The ETFs and mutual funds in this Program focus on fixed income, preferred stocks, and dividend paying equities.

The client enters into an agreement with LISI for the provision of advisory, brokerage and administrative services. Leveraging LISI's Portfolio Strategy team's research, and based on information in the client's Questionnaire, an IAR advises the client on an appropriate investment strategy. The client has sole discretion and makes the final decision whether to accept or reject an investment strategy or any specific recommendation to purchase or sell securities.

The IAR will be alerted if any portfolio is not within acceptable ranges against target allocations, and the client must authorize any rebalancing decisions. The IAR also is responsible for periodically reviewing the account to assess whether the investment strategy and investments in the client's account are suitable.

### **Cost for Clients**

The Programs may cost the client more or less than purchasing such services separately, depending on the cost of the services if provided separately, and the trading activity in the client's account, and the amount, if any, of additional commissions paid by a client when its Portfolio Manager uses a broker-dealer other than the program's sponsor to trade for the client's account.

### **Compensation**

Clients agree to pay an annualized, asset-based fee based on the value of assets in the account ("Total Client Fee"). The client fees for each account include (1) fees paid to LISI for on-going advice, asset management, and due diligence ("Advisory Fee"), (2) fees paid to platform providers for trading, custody, platform and overlay services, and (3) fees paid to third-party managers ("Manager Fees"). The amount of this compensation may be more than what the LISI IAR would receive if the client participated in other Programs or paid separately for investment advice, brokerage, and other services. The LISI IAR, therefore, may have a financial incentive to recommend one Program over another, or over other programs or services.

The maximum total fee\* a client can be charged on any LISI advisory account is 2.50%. Fees are negotiable. The table below indicates the fees by Program.

	3 <sup>rd</sup> Party Manager	Advisor	Platform Fee (\$0-\$250mm)	Platform Fee (Over \$250mm)	Max Client Fee
<b>SMA/UMAs*</b>					
First \$500k	.20-.60	N/A	.16	.13	2.50
\$500k-\$1mm	.20-.60	N/A	.14	.11	2.30
\$1mm-\$3mm	.20-.60	N/A	.12	.10	2.00
\$3mm-\$5mm	.20-.60	N/A	.11	.09	1.75
Above \$5mm	.20-.60	N/A	.09	.08	1.50
<b>Leumi Strategic Portfolios**</b>					
First \$500k	N/A	0.97 - 1.47	.14	.12	1.75
\$500k-\$1mm	N/A	0.74 - 1.49	.12	.10	1.75
\$1mm-\$3mm	N/A	0.50 - 1.25	.11	.09	1.50
\$3mm-\$5mm	N/A	0.41 - 0.76	.10	.08	1.00
Above \$5mm	N/A	0.32 - 0.77	.09	.07	1.00
<b>Leumi Client Advisor***</b>					
First \$500k	N/A	1.04 - 1.54	.07	.05	1.75
\$500k-\$1mm	N/A	0.80 - 1.55	.06	.04	1.75
\$1mm-\$3mm	N/A	0.55 - 1.30	.06	.04	1.50
\$3mm-\$5mm	N/A	0.46 - 0.81	.05	.03	1.00
Above \$5mm	N/A	0.37 - 0.82	.04	.02	1.00
<b>Leumi Excess Liquidity Advisor****</b>					
First \$5mm	N/A	0.10 – 0.20			1.00
\$5mm-\$10mm	N/A	0.10 – 0.20			1.00
Above \$10mm	N/A	0.10 – 0.20			1.00

\* Minimum annual per account fee: \$120

\*\* Minimum annual per account fee: \$75

\*\*\* Minimum annual per account fee: \$75

\*\*\*\* Minimum annual per account fee: \$75

	Socially Responsible Investments Overlay Program	Tax Transition Services Program	Tax Management Program	Time-Segmented Distribution
Overlay Service Fees	.08	.15	.08	Waived

A written confirmation of the client's selected Program and associated fees will be delivered to the client. The written confirmation will include estimated Total Client Fees for each account. Estimates based on

the current recommended allocation of assets within each account may vary with changes in Portfolio Manager selection. Portfolio Managers charge different fees. The total fee may be impacted by a change in the selection of a Portfolio Manager. Because LISI does not set Portfolio Managers' fees, each Portfolio Manager has its own fee schedule. Hence, when selecting or changing a Portfolio Manager, the client may pay more or less in total fees than the original Portfolio Manager. Depending on the platform provider administering the managed program, and the timing of a Portfolio Manager change; the client may be entitled to a rebate or refund of a prepaid fee.

Clearing and custody costs may vary depending on the types of securities invested. Internal expenses associated with individual mutual funds or ETFs are not included in this composite. Please refer to the applicable prospectus or disclosure document for information regarding these fees. For additional details on the Total Client Fees, please contact your IAR.

The table and total fees stated above are inclusive of non-discretionary strategy proposals relating to particular sectors, regions or industries.

Fees payable to LISI for these services are, with the client's prior written acknowledgement, automatically deducted from the client's account when due. The client will receive account statements from the account's custodian, showing the fee amounts debited. LISI will sell money market shares to pay the fee and, if money market shares or cash value are not available, other investments will be sold.

Should a deposit of \$10,000 or more be made to an account after a quarterly fee assessment has been made, the account may be billed pro-rata for that deposit. Similarly, if a withdrawal of \$10,000 or more is made, the account may be credited pro-rata for the fee that was previously billed.

In the event of contract termination, which can occur upon 30 days advance written notice from either the client or LISI, prepaid fees will be prorated and the unearned portion returned to the client.

### **Other Fees and Expenses**

The fee does not include the following: (a) charges for services provided by LISI, its affiliates or third parties which are outside the scope of the service agreement (e.g., retirement plan administration fees, trustee fees, wire transfer fees, etc.); (b) any taxes for fees imposed by exchanges or regulatory bodies; (c) brokerage commissions and other transaction-related fees and charges other than those included in a Wrap Fee; and (d) internal operating expenses on mutual funds, exchange traded funds or alternative investments. Each of these additional charges may be separately charged to the Account or reflected in the price paid or received for a given security.

## **ITEM 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

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Depending on the requirements of particular third-party managers, the account minimum for the Leumi Strategic Portfolios, Leumi Client Advisor, and SMAs is generally \$100,000, and the minimum is generally \$250,000 for the UMA Program. The account minimum for the Leumi Excess Liquidity Advisor Program is \$5 million.

LISI provides investment advice to individuals, high net worth individuals, pension and profit-sharing plans, charitable institutions, foundations, endowments, trust programs, estates and other U.S. and international institutions. The Leumi Excess Liquidity Advisor program is designed for corporate clients, large family offices, and high net worth/ultra high net worth individuals.

## **ITEM 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION**

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### **Portfolio Manager Selection**

#### **PORTFOLIO CONSTRUCTION, SCREENING AND SELECTION OF MANAGERS AND FUNDS**

##### **a. General Investment Requirements for All Investment Managers**

In connection with its due diligence for LSP, UMA, LCA, and LELA, LISI evaluates funds and managers using objective and subjective criteria, including the following:

- Diversification by Holdings: All managers shall maintain a sufficient number and breadth of holdings to provide an adequate representation of the primary characteristics of each fund's declared strategy or style. An investment in a concentrated fund/investment vehicle is allowable if the overall portfolio is diversified.
- Performance: Performance net of fees compared to index and peers.
- Track Record of Manager: Each actively managed fund should have a minimum track record of three years during which the same portfolio management team managed the fund. The three-year requirement may be waived if the manager has a proven track record of managing assets in the same category under consideration, or if the fund is an "index" strategy.
- Style drift: Each manager's objective for a specific fund should remain consistent with its stated investment strategy for the fund.

##### **1. Mutual Fund and ETF Due Diligence and Selection Process**

Each external investment manager must meet specific investment objectives and/or performance standards. The Investment Committee conducts periodic assessments of managers and funds. The Committee has a long-term perspective. Accordingly, short-term investment performance shortfalls are not necessarily of critical interest unless they suggest failures in strategy execution. At a minimum, the assessment includes a review of the following, if applicable:

- History of the firm
- Part 1& 2 of Form ADV for investment advisors
- Management, ownership structure and business practices
- Breadth of products offered
- Minimum level of continuous trading history and assets under management
- Investment philosophy
- Any material pending or concluded disciplinary events

Additional factors are reviewed at the Investment Committee's discretion. In addition, the Committee will conduct quarterly reviews of investment returns against standard benchmarks applicable to the manager given its strategy.

##### **2. Manager Monitoring Policy**

The Investment Committee reviews the investment performance of the investments in the Program relative to specified guidelines no less frequently than quarterly. The Committee also reviews significant issues such as change in ownership, personnel, or style. LISI typically conducts meetings with managers when deemed necessary to review:

- Adherence to the original investment/account selection requirements, including long-term performance measures.
- Any material changes to the investment manager's organization, process, or portfolio manager or team.
- Any material litigation or regulatory action against the investment firm that may impact future performance or the reputation of the provider.
- Significant loss or growth of the manager's assets under management.
- Significant declines in relative performance of a manager

### **3. Watch List and Terminations**

For SMA, UMA, LCA, and LELA, if a material issue is identified for a particular Manager against any of the criteria, then LISI may decide, in its sole judgment, to (i) take no action if it concludes that it has reasonable basis for such a conclusion, (ii) monitor the fund closely on a regular basis (quarterly, or semi-annually or annually) for at least one year as a means of evaluating future progress in addressing the issue of concern or (iii) terminate the investment manager or fund.

An investment manager or fund which is held within any of the Programs except LSP may be placed on a "Watch list" for closer monitoring when one or more of the following occur but is not limited to these items:

- An investment manager or fund performs below the median for its peer group over a 3- or 5-year cumulative measurement period.
- There is a style drift away from the stated investment approach for more than two years.
- There is a significant change in the professionals managing the investment.
- There is a significant decrease in the investment manager's assets under management.
- There is a significant increase in the investment fees and expenses.
- Any extraordinary event occurs that may interfere with an investment manager's ability to prudently manage investment assets.

The investment manager or fund may be placed on the "Watch List" for a period of 12 months, but that time may be extended or reduced in LISI's discretion.

### **Related Persons**

LISI IARs, pursuant to guidance received from LISI's Investment Committee, give investment recommendations to clients in the Leumi Client Advisor and Leumi Excess Liquidity Advisor Programs. No third-party Portfolio Managers are available in those Programs and therefore LISI does not have a conflict of interest in favoring its own personnel.

### **Supervised Persons**

Not applicable.

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## **Advisory Business**

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### **Investment Restrictions**

Clients may impose reasonable investment restrictions on the management of their account by identifying certain securities that may not be purchased for their accounts. The Portfolio Manager will review restrictions to determine whether they are reasonable and generally allocate the assets that would have been invested in the restricted security pro rata across other investments held in the account or to one or more substitute securities, which may include ETFs. If one or more restrictions are determined to be unreasonable, the account will not be opened.

Restrictions may adversely affect the investment performance and diversification of the securities in a client's account.

### **Performance-Based Fees and Side-By-Side Management**

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LISI does not charge any performance-based fees, which are fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

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

Prospective clients meet with a LISI IAR at the time of initial application. Based on information that is reviewed with and provided by the client, the client approves an appropriate investment option.

All products sold by LISI including its advisory programs, and non-deposit investment products sold by BLUSA, are:

- \* Not insured by the FDIC or any other federal or government entity
- \* Not guaranteed by BLUSA, Bank Leumi le-Israel, B.M., or any other bank
- \* Subject to investment risks, including possible loss of the principal amount invested

### **Material Risks**

As with any investment, loss of principal is a risk of investing. Investments in securities are subject to numerous risks, including those listed below.

#### General Risks

*Market Risk* — The market values of securities owned by an account may decline, at times sharply and unpredictably. Market values of securities are affected by a number of different factors. For equity securities, market risk may be more significant in smaller capitalization companies. Market values of fixed income securities may be affected by inflation, changes in interest rates, the credit quality of issuers, and general economic and market conditions. Lower-quality fixed income securities may suffer larger price declines.

*Asset Allocation Risk* — The performance of a client's account is dependent upon LISI's or a Portfolio Manager's ability to allocate the client's assets to meet their specific financial objectives. Each client has an allocation designed specifically for their unique financial situation. As a result, particularly over shorter time frames, a client's portfolio may underperform a market benchmark.

*Portfolio Manager Selection Risk* — The performance of a client's account is also dependent upon LISI's ability to identify Portfolio Managers whose investment performance will enable the client to meet their financial planning objectives. Portfolio Managers selected by LISI may or may not meet the client's objectives and may underperform appropriate benchmarks.

*Derivatives and Commodity-Linked Derivatives Risk* - These may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Commodity-linked derivative instruments may involve additional costs and risks such as changes in commodity index volatility or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Investing in derivatives could lose more than the amount invested.

*Real Estate Securities and Sector Risk* — Certain of the accounts may invest in partnerships investing in real estate. The partnerships will be affected by changes in the values of and incomes from the properties they own and/or the credit quality of the mortgage loans they hold. These risks of investing in real estate include:

- declines in the value of real estate
- risks related to general and local economic conditions
- possible lack of availability of mortgage funds
- extended vacancies of properties
- increased competition or overbuilding
- increases in property taxes and operating expenses
- changes in existing laws
- losses due to costs resulting from the clean-up of environmental problems
- liability to third parties for damages resulting from environmental problems
- casualty or condemnation losses
- limitations on rents
- changes in neighborhood values and the appeal of properties to tenants
- changes in interest rates

An economic downturn could have a material adverse effect on the real estate markets and on real estate companies in which the partnership invests, which in turn could result in the partnership not achieving its investment objectives.

The yields available from investments in real estate depend on the amount of income and capital appreciation generated by the related properties. Income and real estate values may also be adversely affected by such factors as applicable laws (e.g., Americans with Disabilities Act and tax laws), interest rate levels, and the availability of financing. If the properties do not generate sufficient income to meet operating expenses, including, where applicable, debt service, ground lease payments, tenant improvements, third-party leasing commissions and other capital expenditures, the income to the partnership will be adversely affected. In addition, real property may be subject to the quality of credit extended and defaults by borrowers and tenants. The performance of the economy in each of the regions in which the real estate owned by the partnership is located affects occupancy, market rental rates and expenses and, consequently, has an impact on the income from such properties and their underlying values. The financial results of major local employers also may have an impact on the cash flow and value of certain properties. In addition, real estate investments are relatively illiquid and, therefore, the ability of partnerships to vary their accounts promptly in response to changes in economic or other conditions is limited.

### Equity Risks

*Common Stock Risk* — Stocks may decline significantly in price over short or extended periods of time. Price changes may occur in the market as a whole, or they may occur in only a particular country, company, industry, or sector of the market. In addition, the types of stocks in which a particular fund invests, such as value stocks, growth stocks, large-capitalization stocks, mid-capitalization stocks, small-capitalization stocks and/or micro-capitalization stocks, may underperform the market as a whole. In addition, growth stocks can be more volatile than other types of stocks. Value stocks can continue to be undervalued by the market for long periods of time. Additionally, dividends paid on common stocks can vary significantly over the short-term and long-term. Dividends on common stocks are not fixed, but are declared at the discretion of an issuer's board of directors. There is no guarantee that the issuers of

common stocks in which an account invests will declare dividends in the future or that if declared they will remain at current levels or increase over time.

*Mid-Cap/Small-Cap Stock Risk* — Small-cap companies may lack the management expertise, financial resources, product diversification, and competitive strengths of larger companies. In addition, the frequency and volume of their trading may be less than is typical of larger companies, making them subject to wider price fluctuations. In some cases, there could be difficulties in selling the stocks of small-cap companies at the desired time and price. Mid-cap companies may have limited product lines, markets or financial resources, and they may be dependent on a limited management group. Stocks of small-cap and mid-cap companies may be subject to more abrupt or erratic market movements than those of large, more established companies or the market averages in general.

#### Fixed Income Risks

*Credit Risk* — Credit risk is the risk that an issuer of a debt security will be unable to make interest and principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments. Credit risk may be heightened for accounts that may invest in "high yield" securities.

*Income Risk* — The income earned from an account may decline because of falling market interest rates. Also, if an account invests in inverse floating rate securities, whose income payments vary inversely with changes in short-term market rates, the account's income may decrease if short-term interest rates rise.

*Interest Rate Risk* — Interest rate risk is the risk that the value of an account will decline because of rising interest rates. Interest rate risk is generally lower for shorter-term investments and higher for longer-term investments. Duration is a common measure of interest rate risk. Duration measures a bond's expected life on a present value basis, taking into account the bond's yield, interest payments and final maturity. The longer the duration of a bond, the greater the bond's price sensitivity to changes in interest rates.

During periods of declining interest rates, the issuer of certain types of securities may exercise its option to prepay principal earlier than scheduled, forcing an account to reinvest in lower yielding securities. This is known as call or prepayment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.

During periods of rising interest rates, the average life of certain types of securities may be extended because of lower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk. Market interest rates for investment grade fixed-income securities are currently significantly below the historical average rates for such securities. This decline may have increased the risk that these rates will rise in the future; however, historical interest rate levels are not necessarily predictive of future interest rate levels.

*Municipal Securities Tax Risk* — Income from municipal bonds that may be held by an account could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of a bond issuer. In addition, a portion of an account's otherwise exempt dividends may be taxable to those shareholders subject to the federal alternative minimum tax.

## International Risks

*International Investing Risk* — Investing in securities or issuers in markets other than the United States involves risks not typically associated with U.S. investing, such as currency risk, risks of trading in foreign securities markets, and geopolitical and economic risks.

*Currency Risk* — Because the foreign securities in which the accounts invest, with the exception of depositary receipts, generally trade in currencies other than the U.S. dollar, changes in currency exchange rates will affect the account's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of securities. A strong U.S. dollar relative to these other currencies will adversely affect the value of an account.

*Foreign Securities Market Risk* — Securities of many non-U.S. companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. Securities of companies traded in many countries outside the U.S., particularly emerging markets countries, may be subject to further risks due to the inexperience of local investment professionals and financial institutions, the possibility of permanent or temporary termination of trading, and greater spreads between bid and asked prices for securities. In addition, non-U.S. stock exchanges and investment professionals are subject to less governmental regulation, and commissions may be higher than in the United States. Also, there may be delays in the settlement of non-U.S. stock exchange transactions.

*Political and Economic Risks* — International investing is subject to the risk of political, social, or economic instability in the country of the issuer of a security, the difficulty of predicting international trade patterns, the possibility of the imposition of exchange controls, expropriation, limits on removal of currency or other assets, and nationalization of assets.

Additionally, an account's income from foreign issuers may be subject to non-U.S. withholding taxes. Non-U.S. companies generally are not subject to uniform accounting, auditing, and financial reporting standards or to other regulatory requirements that apply to U.S. companies; therefore, less information may be available to investors concerning non-U.S. issuers. In addition, some countries restrict to varying degrees foreign investment in their securities markets. These restrictions may limit or preclude investment in certain countries or may increase the cost of investing.

To the extent an account invests in depositary receipts, the account will be subject to the same risks as when investing directly in foreign securities.

## **Voting Client Securities**

In the Leumi Strategic Portfolio Program (LSP), the Home Office manager does not exercise authority to vote proxies and corporate actions on behalf of advisory clients. In the Unified Managed Account Program (UMA), the SMA managers within the UMA vote on proxies and corporate actions on behalf of their clients pursuant to the Envestnet Form ADV Part 2A. In the Separate Managed Account Program (SMA), the SMA manager votes on proxies and corporate actions on behalf of their clients pursuant to the Envestnet Form ADV Part 2A. In the Leumi Client Advisor and Leumi Excess Liquidity Advisor Programs, LISI does not have any authority to and does not vote proxies or corporate actions on behalf of advisory clients. In these Programs, the client retains the responsibility for receiving and voting proxies for any and all securities maintained in the client's portfolios. LISI may provide advice to the client regarding the client's voting of proxies and corporate actions.

## **ITEM 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

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As part of the enrollment process into a program, clients are asked to complete a Questionnaire that elicits information about their financial circumstances, investment objectives, risk tolerance and other relevant information relating to their Account. LISI uses the information in the Questionnaire to formulate advice to clients, but does not provide this information to Portfolio Managers in the Programs either initially or as clients provide LISI with updated information.

## **ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGERS**

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We encourage clients to contact their LISI IAR with questions about the client's accounts.

Portfolio Managers in the Programs will be reasonably available for a joint consultation with the client and his or her LISI IAR about the client's account, upon request.

## **ITEM 9 - ADDITIONAL INFORMATION**

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### **Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Leumi Investment Services Inc. ("LISI") or the integrity of LISI's management. The disciplinary items below do not pertain to the advisory business of LISI and are only shown in the interest of full and complete disclosure.

In the past, our affiliates have entered into certain settlements with regulators and other third parties and have been the subject of adverse legal and disciplinary events. You can learn more about those actions by reviewing our Form ADV, Part 1A at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

On November 3, 2016, Financial Industry Regulatory Authority ("FINRA") accepted LISI's Letter of Acceptance, Waiver and Consent ("AWC") under which LISI agreed, without admitting or denying the allegations, to pay a \$15,000 fine for failing to report the correct time of trade execution in TRACE-eligible securities within the required time frame, and for books and records violations regarding same, during Q2 and Q3 2015.

### **Other Financial Industry Activities and Affiliations**

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LISI is registered as a broker-dealer and certain of its management persons are registered representatives of LISI.

LISI is a wholly owned broker/dealer subsidiary of Bank Leumi USA that has been engaged in the brokerage business since May 2001 and licensed as an insurance agency since April 2002. Approximately 90-95% of LISI's business is brokerage and insurance transactional service provided to clients.

Bank Leumi USA is a New York State chartered bank. Customers of Bank Leumi USA who are interested in securities products or services or in insurance products or services are referred to LISI. There is no fee and no special compensation paid or received for any such a referral.

LISI does not receive compensation, directly or indirectly, from Portfolio Managers it selects for or recommends to clients.

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

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LISI has Written Supervisory Procedures that contain many provisions regarding employee securities restrictions and conflicts of interest. In brief, employees may not use material non-public information for personal gain, and employee brokerage transactions are reviewed by the Compliance Department.

LISI IARs are dual employees of Bank Leumi USA and, as such, are bound by the Bank's Code of Ethics. LISI has incorporated the Bank's Code of Ethics into its Written Supervisory Procedures. The Code of Ethics includes provisions relating to the confidentiality of client information, exercising honesty and candor in all activities, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, personal securities trading procedures, and complying with applicable laws, rules and regulations, among other things. All supervised persons at LISI must acknowledge the terms of the Code of Ethics annually, or as amended.

LISI's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the LISI Compliance Department.

LISI may effect principal or agency cross securities transactions for client advisory accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment advisor in relation to a transaction in which the investment advisor, or any person controlled by or under common control with the investment advisor, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

When LISI purchases mutual fund shares for clients, it selects share classes that do not pay it 12b-1 fees or other distribution fees ("Trailer Fees"). If a client transfers shares into its account that pay Trailer Fees, LISI credits the account with the amount of Trailer Fees it receives.

### **Review of Accounts**

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LISI, through its IARs, gathers information from a client about that client's financial situation, risk tolerance, investment objectives, and any reasonable restrictions that the client wishes to impose upon the management of the account. Each IAR periodically reviews reports and otherwise consults with the client and contacts the client at least annually to review the client's financial situation and investment objectives. You should notify your IAR of any changes in your financial situation, risk tolerance, investment objectives or account restrictions.

### **Client Reports**

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Clients will receive an account statement at least quarterly from their custodian. Performance reports will be available upon request.

## **Client Referrals and Other Compensation**

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No person who is not a client provides an economic benefit to LISI for providing advisory services to its clients in the Programs described in this Brochure. LISI does not compensate any person for client referrals to these Programs.

A client may pledge his or her Program account for a lending arrangement with Bank Leumi USA ("BLUSA"). There are no differences in the fees or services that a client receives as a Leumi Advisor client because of his or her borrowing relationship with BLUSA; however, the client's IAR receives compensation in connection with the loan as well as in connection with the client's advisory account. In addition, Bank Leumi USA, the lender and LISI's affiliate, is not an advisor. The terms and conditions associated with a Bank Leumi USA loan may be different from those that a client might be able to obtain from a third-party.

## **Compensation for Client Referrals**

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LISI does not pay any person for client referrals to the Programs.

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**Financial Information**

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LISI has no financial condition that impairs its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.