

**Part 2A of Form ADV: *Firm Brochure***

**Uwharrie Investment Advisors, Inc.**

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January 23, 2017

This Brochure provides information about Uwharrie Investment Advisors, Inc.'s qualifications and business practices. If you have any questions about this Brochure's contents, please contact Uwharrie Investment Advisors, Inc. at 704-983-5959 or [wlove@uwharrieia.com](mailto:wlove@uwharrieia.com). This Brochure's information has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Uwharrie Investment Advisors, Inc. is available on the Securities and Exchange Commission's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site using our Firm's CRD number: 117592.

## **Item 2    Material Changes**

As a fiduciary, Uwharrie Investment Advisors, Inc. (“UIA” or the “Firm”) has the ongoing obligation to inform its clients of any material information that could affect the advisory relationship. Since the last interim amendment filed December 8, 2016, UIA has had the following changes:

1. No material changes to report at this time.

Consistent with the new rules, UIA will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the Firm’s fiscal year end. Furthermore, interim disclosures concerning material changes will be provided to you as necessary.

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#### **Item 4    Advisory Business**

UIA is a Securities and Exchange Commission (“SEC”) registered investment adviser with its principal place of business located in Albemarle, North Carolina. UIA began conducting business in 1993 under the name of The Strategic Alliance Corporation (“TSAC”). In 2000, the Firm incorporated in the State of North Carolina as Strategic Investment Advisors, Inc. The Firm changed its name to Uwharrie Investment Advisors, Inc. on July 1, 2015.

Listed below are the Firm's principal shareholders (*i.e.*, those individuals and/or entities controlling 25% or more of the Firm), executive officers, or Investment Committee members:

- Christy Davis Stoner, CEO/CCO/Investment Committee/Director (Uwharrie Investment Advisors, Inc.)
- Roger Lee Dick, CEO/President/ Investment Committee (Uwharrie Capital Corp.)
- Misty Whitley Thornburg, VP/Operations and Data Manager/Investment Committee
- Wade Hampton Love, Compliance Officer/Investment Committee
- Uwharrie Capital Corp.

The Firm offers the following advisory services to its clients:

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT USING MODEL PORTFOLIOS**

#### **UIA MANAGED ACCOUNTS**

The Firm provides each client with ongoing, individualized investment advice. During the initial meeting/discussion, a registered representative will work with the client to establish his or her investment goals and objectives, time horizon, risk tolerance, and liquidity needs. The Firm uses an Investor Questionnaire and a Risk Profile Assessment to help determine a suitable model for the customer. Thereafter, the Firm, based on the information provided by the client, recommends to the client a model portfolio. As appropriate, the Firm’s Investment Committee reviews and discusses a client's prior investment history, as well as his or her family composition, resources, and background. The Firm develops a client's personal investment policy statement (“IPS”) that describes in writing the investor's long-term goals, investment restrictions, the portfolio’s investment guidelines, and the responsibilities of the investor and the advisor.

New accounts with a value equal to or greater than \$250,000 but less than or equal to \$500,000 are presented to the Firm’s Chief Compliance Officer (“CCO”) or a designated principal for review and approval. Where the CCO or the designated principal has questions or concerns regarding a new account, he or she will confer with senior management to determine whether the account should be presented to the Investment Committee for review and approval. If senior management determines that it would be in the interest of all relevant parties that the account be presented to the Investment Committee, then Investment Committee review and approval is required for the account to be opened. In addition, if the CCO or the designated principal denies the opening of a new account, and the registered representative of the new account disagrees with the CCO’s or the designated principal’s decision, he or she may bring the new account directly to the Investment Committee for review and approval. New accounts exceeding \$500,000 in value are presented to the Investment Committee for review and approval.

Once the CCO, the designated principal, or the Investment Committee determines the portfolio's suitability, the Firm recommends the portfolio to the customer and the customer accepts this recommendation by signing the IPS and advisory agreement. The portfolio is managed based on its objectives. Clients have the opportunity to place reasonable restrictions on the types of investments to be held in their account or the asset classes to be included. Customers maintaining an account with a value equal to or greater than \$400,000, but less than or equal to \$500,000, have the option to enroll in either the AAA Account Wrap Fee Program or the UIA Managed Account Program. Notwithstanding the preceding, customers who maintain an account with a value equal to or greater than \$250,000 may opt to enroll in a Russell Model Portfolio. Accounts enrolled in a Russell Model Portfolio are deemed part of the UIA Managed Account – Active/Passive Program.

The Firm manages these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated goals and objectives (*i.e.*, maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

The Firm's investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company, and will generally include advice regarding the following securities:

- Exchange traded funds ("ETFs")
- Corporate debt securities
- Municipal debt securities
- U.S. Treasuries and Agencies
- Mutual fund shares

Due to certain types of investments involving additional degrees of risk, the Firm will recommend such investments only when consistent with the client's stated investment objectives, risk tolerance, liquidity, and suitability.

The Firm provides portfolio management services to clients using model asset allocation portfolios, risk parity portfolios, or a combination of the two. Each model portfolio is designed to meet a particular investment goal. The models are sometimes adjusted to accommodate a customer's restrictions or specific goals. The "Risk Parity" portfolios consist of two buckets - the Conservative Bond Portfolio, which is invested in low risk mutual funds, and the Optimal Risky Portfolio ("ORP"), developed using Modern Portfolio Theory ("MPT"). The Risk Parity models are **NOT** available to investors enrolled in the UIA Managed Account – Passive Program. The "Classic" portfolios are invested in a diversified range of asset classes structured according to MPT's underlying concepts.

The UIA Managed Account – Active/Passive Portfolios consist of both actively managed and passively managed mutual funds and ETFs. The portfolios may consist of up to 15 asset classes, each of which is comprised of mutual funds, ETFs, or some combination thereof. The mutual funds and/or ETFs selected by the Investment Committee can be either actively managed or designed only to track a specific market index. The goal of the Investment Committee is to choose actively managed mutual funds that provide down-side protection while achieving an acceptable level of return. These funds are reviewed quarterly. The Russell model portfolios are available to UIA Managed Account – Active/Passive account holders.

The UIA Managed Account - Passive Portfolios are passively managed portfolios. The portfolios may

consist of up to 15 asset classes, each of which is comprised of mutual funds or ETFs. The mutual funds and/or ETFs selected by the Investment Committee are designed to track a specific market index. The Firm offers five portfolios: 1) Conservative Classic; 2) Moderate Conservative Classic; 3) Moderate Classic; 4) Moderate Aggressive Classic; and 5) Aggressive Classic. Each model portfolio is designed to meet a particular investment goal. The Russell model portfolios are not currently available to UIA Managed Account – Passive account holders.

Under certain circumstances, the Firm will develop a bond portfolio. The bond portfolio is based on an optimal bond investment strategy that takes into consideration the customer's needs and constraints. These are developed on a limited basis. These bond portfolios can be non-discretionary.

**Conservative Bond Portfolio** - Designed for the ultra conservative investor, one with an extremely low risk tolerance. This portfolio's bond funds are allocated by a risk parity method using only fixed income funds that meet a minimum acceptable return. The CBP is not offered as a standalone product. It is now only offered as a component of the risk parity model portfolios.

**Stable Risk Parity Portfolio** - Designed for the very conservative investor, one with an extremely low risk tolerance and/or short time horizon. Most of this portfolio's allocation is to the CBP bucket. It is targeted toward the investor seeking investment stability and liquidity from the investable assets. The main objective of the individual is to preserve capital, reduce volatility, and provide income.

**Conservative Risk Parity Portfolio** - Designed for the cautious investor, one with a low risk tolerance and/or short time horizon. It is targeted toward the investor seeking investment stability and liquidity from the investable assets. A portion of this portfolio is invested in bond funds chosen and allocated using the risk parity method. The rest of the portfolio is invested in a range of asset classes that make up the ORP. The main objective of a person in the conservative range is to preserve capital while providing income.

**Conservative Classic Portfolio** - Designed for the cautious investor, one with a low risk tolerance and/or short time horizon. It is targeted toward the investor seeking investment stability and liquidity from the investable assets. This portfolio is different from the other conservative portfolio because the allocation of the asset classes is determined using MPT. The main objective of a person in the conservative range is to preserve capital while providing income.

**Moderate Conservative Risk Parity Portfolio** - Designed for the investor who seeks both modest capital appreciation and income from the portfolio. The investor will have either a moderate time horizon and/or a higher risk tolerance than the conservative investor. A portion of this portfolio is invested in bond funds chosen and allocated using the risk parity method. The rest of the portfolio is invested in a range of asset classes that make up the ORP. The main objective of a person in the moderate conservative range is to have limited risk with the potential for growth.

**Moderate Conservative Classic Portfolio** - Designed for the investor who seeks both modest capital appreciation and income from the portfolio. The investor will have either a moderate time horizon and/or a higher risk tolerance than the conservative investor. This portfolio is different from the other moderate conservative portfolio because the total portfolio is structured using MPT. The main objective of a person in the moderate conservative range is to have limited risk with the potential for growth.

**Moderate Classic Portfolio** - Designed for the investor who seeks relatively stable growth from the investable assets offset by a low level of income. An investor in the moderate risk range will have a higher tolerance for risk and/or a longer time horizon than any of the investors in the more conservative

portfolios. The main objective of a person in this range is to achieve steady portfolio growth. The portfolio is structured using MPT.

**Moderate Aggressive Classic Portfolio** - Designed for the investor with a relatively high tolerance for risk and a longer time horizon. This investor has little need for current income and seeks above-average growth from the investable assets. The main objective of this risk range is capital appreciation. The portfolio is structured using MPT.

**Aggressive Classic Portfolio** - Designed for the investor who has both a high tolerance for risk and a long investment time horizon. The main objective of the aggressive risk range is to provide high growth for the investor's assets without providing current income. The portfolio is structured using MPT.

To ensure that its initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, the Firm will conduct itself as follows:

- Attempt to meet semi-annually with each UIA Managed Account client and request any updated information regarding changes in the client's financial situation and investment objectives. If a meeting cannot be arranged, the information will be sent to the client by certified mail or overnight delivery, unless the customer requests otherwise.
- Review the client's portfolio in the semi-annual meeting, including the portfolio's performance, the investments, the target asset allocations, and the portfolio's current risk. The Firm will also discuss whether the client is comfortable with the portfolio's risk, and whether the client wishes to make any changes to withdrawals or contributions. After the meeting with the client, the account is reviewed closely by the Portfolio Manager, and he/she may rebalance the account in order to bring the account more in line with the target allocations.
- Be reasonably available to consult with the client.
- Maintain client suitability information in each client's file.
- Send a quarterly statement to each client and encourage the client to compare the statement with the quarterly statements sent by the custodian(s).
- Review the account quarterly and rebalance it if an asset class is in variance by five percent (5%) or more from the model portfolio's target exposure to a particular asset class.

## **RUSSELL INVESTMENTS GROUP, LLC MODEL PORTFOLIOS**

As part of its advisory management services, the Firm may employ investment models of one or more third-party advisers to manage all or a portion of a client's account. Based on the client's individual circumstances and needs (as exhibited in the client's IPS), the Firm may employ the strategies developed by third-party manager, Russell Investments Group, LLC ("Russell"). Russell develops investment portfolio strategies based on data from financial market indices, ETFs, and mutual funds, to create model strategies for investing client assets. These model strategies may include mutual funds and ETFs managed by Russell. UIA receives sales support from Russell, including, without limitation, access to practice management informational material, advertising and marketing material, proposal generators, risk tolerance questionnaires, and investment policy statement templates. Russell support is not contingent upon the volume of business the Firm directs to Russell. UIA will only place client assets in

securities that are deemed to be in the best interest of the client. These may include securities other than, or in addition to, those managed by Russell. Russell model portfolios are only available as part of the UIA Managed – Active/Passive Account Program at this time.

### ASSET ALLOCATION AVENUE ACCOUNTS

The Asset Allocation Avenue Accounts (“AAA Accounts”) are set up as wrap accounts and are generally smaller than the UIA Managed Accounts. UIA is the sponsor and manager of these wrap accounts. During the initial meeting/discussion, a registered representative will work with the client to determine his or her individual objectives, time horizons, risk tolerance, and liquidity needs. The Firm uses an Investor Questionnaire and a Risk Profile Assessment to help determine a suitable model portfolio for the customer. Thereafter, the Firm, based on the information provided by the client, recommends to the client a model portfolio. Once a suitable model has been selected, the Firm has the customer sign an IPS and an advisory agreement. The IPS describes in writing the client’s long-term goals, the portfolio’s investment guidelines, and the responsibilities of the client and the advisor. All AAA Accounts are reviewed and approved by the CCO. Suitability is reviewed by a principal for approval. As appropriate, the registered representative may also review and discuss a client’s prior investment history, as well as his or her family composition, resources, and background. Customers maintaining an account with a value equal to or greater than \$400,000, but less than or equal to \$500,000, have the option to enroll in either the AAA Account Wrap Fee Program or the UIA Managed Account Program. Notwithstanding the preceding, customers who maintain an account with a value equal to or greater than \$250,000 may opt to enroll in a Russell Model Portfolio. Accounts enrolled in a Russell Model Portfolio are deemed part of the UIA Managed Account – Active/Passive Program. If a customer elects to enroll in the AAA Account Wrap Fee Program, each account he or she maintains will be treated as a separate AAA Account.

The Firm manages these advisory accounts on a discretionary basis. Account supervision is guided by each model’s stated objectives (*i.e.*, maximum capital appreciation, growth, income, or growth and income), as well as the customer’s tax considerations.

Clients may **NOT** impose restrictions on these accounts.

The Firm offers a wrap fee brochure to its wrap account clients. A wrap program participant should consider all of the information within the wrap fee brochure before participating in the program.

The Firm’s investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company, and will generally include advice regarding mutual funds and ETFs.

Due to certain types of investments involving additional degrees of risk, the Firm will recommend such investments only when consistent with the client’s stated investment objectives, risk tolerance, liquidity, and suitability.

The Firm provides portfolio management services to clients using the model asset allocation portfolios designated below. Each model portfolio is designed to meet a particular investment goal. Through personal discussions with the client in which the client’s goals and objectives are established, the Firm initially determines whether the model portfolio is suitable given the client’s circumstances. Once the Firm confirms suitability, the portfolio is managed based on its objectives, rather than on each client’s individual needs. Clients retain individual ownership of all securities.

The AAA Account – Active/Passive Portfolios consist of both actively managed and passively managed mutual funds and ETFs. The portfolios may consist of up to 15 asset classes, each of which is comprised



of mutual funds, ETFs, or some combination thereof. The mutual funds and ETFs selected by the Investment Committee can be either actively managed or designed only to track a specific market index. The Investment Committee chooses actively managed mutual funds if the managers provide downside protection while achieving an acceptable level of return. These funds are reviewed quarterly. The Russell model portfolios are **NOT** currently available to AAA Account – Active/Passive account holders.

The AAA Account - Passive Portfolios are passively managed portfolios. The portfolios may consist of 15 asset classes, each of which is comprised of mutual funds or ETFs. The mutual funds and ETFs selected by the Investment Committee were designed to track a specific market index. The Firm offers five portfolios: 1) Conservative Classic; 2) Moderate Conservative Classic; 3) Moderate Classic; 4) Moderate Aggressive Classic; and 5) Aggressive Classic. Each model portfolio is designed to meet a particular investment goal. The Russell model portfolios are **NOT** currently available to AAA Account – Passive account holders.

The Firm provides portfolio management services to clients using the following model asset allocation portfolios. All of the AAA Portfolios are structured using MPT, except for the CBP.

**Conservative Bond Portfolio** - Designed for the ultra conservative investor, one with an extremely low risk tolerance. This portfolio's bond funds are allocated by a risk parity method using only fixed income funds that meet a minimum acceptable return. The CBP is no longer available to new investors.

**Conservative Portfolio** - Designed for the cautious investor, one with a low risk tolerance and/or short time horizon. It is targeted toward the investor seeking investment stability and liquidity from the investable assets. The main objective of a person in the conservative range is to preserve capital while providing income.

**Moderate Conservative Portfolio** - Designed for the investor who seeks both modest capital appreciation and income from the portfolio. The investor will have either a moderate time horizon and/or a higher risk tolerance than the conservative investor. The main objective of a person in the moderate conservative range is to have limited risk with the potential for growth.

**Moderate Portfolio** - Designed for the investor who seeks relatively stable growth from the investable assets offset by a low level of income. An investor in the moderate risk range will have a higher tolerance for risk and/or a longer time horizon than any of the investors in the more conservative portfolios. The main objective of a person in this range is to achieve steady portfolio growth.

**Moderate Aggressive Portfolio** - Designed for the investor with a relatively high tolerance for risk and a longer time horizon. This investor has little need for current income and seeks above-average growth from the investable assets. The main objective of this risk range is capital appreciation.

**Aggressive Portfolio** - Designed for the investor who has both a high tolerance for risk and a long investment time horizon. The main objective of the aggressive risk range is to provide high growth for the investor's assets without providing current income. The main objective of this risk range is capital appreciation.

To ensure that its initial determination of an appropriate portfolio remains suitable, and that the account continues to be managed in a manner consistent with the client's financial circumstances, the Firm will conduct itself as follows:

- Attempt to meet annually with each AAA-managed client and request any updated information

regarding changes in the client's financial situation and investment objectives. If a meeting cannot be arranged, the review will be sent to the client by certified mail.

- In the annual meeting, the Firm reviews the client's portfolio, including the portfolio's performance, the investments, the target asset allocations, and the portfolio's current risk. The Firm also discusses whether the client is comfortable with the portfolio's risk and whether the client wishes to make any changes to withdrawals or contributions.
- Be reasonably available to consult with the client.
- Maintain client suitability information in each client's file.
- Rebalance the account quarterly if an asset class is in variance by five percent (5%) or more from the target allocation.

### **RETIREMENT PLAN CONSULTING SERVICES**

The Firm also provides consulting services through its retirement plan area to various types of retirement plans, including, but not limited to, profit sharing plans and 401(k) (or 403(b)) plans. The Firm offers these services mainly to corporations and other business entities.

In October 2013, UIA entered into a selling agreement with Unified Trust Company, N.A. ("Unified Trust") to provide retirement plan services to plan sponsors. This partnership enables UIA to provide turnkey retirement plan services to its clients. Unified Trust is a member of the Federal Trust System and is certified by the Centre for Fiduciary Best Practices. Unified Trust serves as the custodian of plan assets and exercises investment discretion. The Unified Trust arrangement will be introduced to participant-directed and trustee-directed retirement plans going forward. The plan sponsors make the final decision to move their plans to Unified Trust.

#### **Employee Communications:**

For retirement, profit sharing, and 401(k) plan clients with individual plan participants exercising control over assets in their own account (self-directed plans), the Firm may also provide quarterly enrollment support for plan participants. The nature of the topics to be covered will be determined by the Firm and the client under the guidelines established in ERISA Section 404(c). The enrollment support will **NOT** provide plan participants with individualized, tailored investment advice or asset allocation recommendations.

#### **Retirement Plans not affiliated with Unified Trust:**

Please note that the Firm no longer offers plans not affiliated with Unified Trust to investors.

#### **IPS Preparation**

The Firm will meet with the trustees to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for the overall plan's management. The Firm then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles, as well as the procedures and timing interval for monitoring of investment performance.

**Selection of Investment Vehicles:**

The Firm recommends to the plan trustees a range of asset allocation models. It then recommends various mutual funds, indexed and managed, to populate the models and to offer to the participants as individual investments. The plan trustees adopt the Firm's recommended models and investments.

**Monitoring of Investment Performance:**

The Firm monitors the models and investments quarterly, based on the procedures and timing intervals delineated in the IPS. Although the Firm is not involved in any way in the purchase or sale of these investments in non-discretionary accounts, the Firm supervises the plan's models and investment options and will make recommendations to the client as market factors and the client's needs dictate.

**Retirement Plans Affiliated with Unified Trust****IPS Preparation:**

Unified Trust will provide the IPS that provides detailed guidance with respect to the plan assets over which Unified Trust exercises investment discretion.

**Selection of Investment Vehicles:**

Unified Trust offers the plan trustees a range of asset allocation models. They evaluate managers based on a balanced, long-term approach considering a variety of criteria, including the funds' downside risk.

**Monitoring of Investment Performance:**

Unified Trust monitors the plan's investments quarterly against the criteria established in the IPS and takes action as needed.

**Role of UIA in Unified Trust Plans:**

As an independent advisor, UIA will meet with the plan sponsor to provide the following services:

- Consult with the plan sponsor concerning the plan design, plan objectives, ERISA fiduciary issues, and investment options.
- Conduct meetings with eligible employees to provide information about the plan and to assist with the completion of forms.
- Assist in obtaining plan information needed by Unified Trust to perform its services.
- Meet with plan sponsors on a recurring and regular basis.
- Other services as outlined in the UIA Client Services Agreement.

**FINANCIAL PLANNING SERVICES**

The Firm provides limited financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values, and withdrawal plans. Through the financial planning process, all questions,

information, and analyses are considered as they impact and are impacted by the client's financial and life situation. If a comprehensive evaluation is done, it is completed as part of the asset management process, and the client recommendations are included as part of the IPS developed for the client. Through the financial planning process, the obligations and responsibilities of the Firm and the client will address:

- Goals, needs and objectives,
- Gather and provide appropriate data,
- The result of the current course of action without changes,
- The formulation of any recommended actions,
- Implementation responsibilities by the Firm, and
- Monitoring responsibilities by the Firm.

### **CONSULTING SERVICES**

Clients can also receive investment advice on a more focused basis. This may include advice on isolated areas of concern such as estate planning, retirement planning, or any other specific topic. The Firm also provides specific consultation and administrative services regarding the client's investment and financial concerns. Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

### **AMOUNT OF MANAGED ASSETS**

As of 12/31/2016, we were actively managing \$119,585,471.38 of clients' assets on a discretionary basis.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES MODEL PORTFOLIO MANAGEMENT FEES**

#### **UIA Managed Accounts and Russell Model Portfolios**

The annualized fee for Investment Supervisory Services will be charged as a percentage of assets under management, according to the following schedule:

#### **UIA Managed Account– Active/Passive, Risk Parity Model Portfolios, & Russell Model Portfolios**

Account(s) Value:	Annual Percentage:
\$250,000 - \$500,000	1.50%
\$500,001 - \$1,000,000	1.25%

\$1,000,001 - \$2,000,000	1.00%
\$2,000,001 - \$9,000,000	.75%
Over \$9,000,000	.50%
<b>Note:</b> \$250,000 minimum is available only to clients desiring to enroll in a Russell Model Portfolio. \$400,000 minimum required for clients desiring to enroll in a UIA Managed Account – Active/Passive Program.	

**UIA Managed Account – Passive Model Portfolios**

Account(s) Value:	Annual Percentage:
\$400,000 - \$500,000	1.25%
\$500,001 - \$1,000,000	1.00%
\$1,000,001 - \$2,000,000	.75%
Over \$2,000,000	.50%
<b>Note:</b> The Russell Model Portfolios are not currently available to clients enrolled in or desiring to enroll in the UIA Managed Account – Passive Program.	

**These schedules are used as a guideline only.**

Fees are billed monthly, in arrears, based upon the market value of the client's account at the end of the previous billing period. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement, Schedule C. In addition to the advisory fees listed above, Pershing Advisor Solutions, LLC (“PAS”), the Firm’s custodian, will charge all UIA Managed Account and Russell Model Portfolio investors a separate transaction fee for equity trades and transactions involving mutual funds not listed in the Pershing FundVest Program. PAS charges a flat \$10.00 transaction fee for each equity trade, and \$25.00 for each non-FundVest fund transaction. To reduce transaction costs, the Firm purchases FundVest funds, unless the Investment Committee determines that the purchase of a particular fund not listed in the program would benefit the portfolios. These fees do **NOT** include any fees or expenses charged by the mutual funds and/or ETFs, which are separate and distinct. For more information regarding mutual fund and/or ETF fees and expenses, please refer to the "General Information" section (Item 5) of this Form ADV for additional information.

Investors in the UIA Managed Account – Active/Passive Program and the UIA Managed Account –

Passive Program are generally required to make a minimum contribution of **\$400,000**. Investors in the Russell Model Portfolios are generally required to make a minimum contribution of **\$250,000**. Clients already invested in a UIA Managed Account will remain subject to the fee arrangement maintained with the Firm prior to the implementation of this new fee structure.

Customers maintaining an account with a value equal to or greater than \$400,000, but less than or equal to \$500,000, have the option to enroll in either the AAA Account Wrap Fee Program or the UIA Managed Account Program. Notwithstanding the preceding, customers who maintain an account with a value equal to or greater than \$250,000 may opt to enroll in a Russell Model Portfolio. Accounts enrolled in a Russell Model Portfolio are deemed part of the UIA Managed Account – Active/Passive Program. Should a customer elect to enroll in the UIA Managed Account – Active/Passive Program or a Russell Model Portfolio, he or she will be charged an advisory fee of 1.50%. Alternatively, should a customer elect to enroll in the UIA Managed Account– Passive Program, he or she will be charged an advisory fee of 1.25%. This account size may be negotiable under certain circumstances. UIA, in its discretion, may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

***Limited Negotiability of Advisory Fees:*** Although UIA has established the aforementioned fee schedule, the Firm retains the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances, and needs will be considered in determining the fee schedule. These include the complexity of the client’s situation, assets to be placed under management, anticipated future additional assets, related accounts, fees agreed to in prior agreements, and other factors. The specific annual fee schedule will be identified in the contract between the adviser and each client.

The Firm may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee. UIA may have some clients who have accounts held at more than one custodian. With the client's approval on Schedule C of the Client Services Agreement, UIA may debit the management fee due from all of the accounts that comprise the portfolio from a single account held at one of the custodians or debit an account for outside assets not held at a custodian.

Discounts not generally available to advisory clients may be offered to clients who have a sizeable relationship with the Firm’s affiliate bank.

### **Asset Allocation Avenue Accounts**

The annualized fee for Model Portfolio Management Services will be charged as a percentage of assets under management, according to the following schedule:

#### **AAA Account – Active/Passive Model Portfolios**

Account(s) Value:	Annual Percentage:
\$50,000 - \$100,000	1.80%
\$100,001 - \$250,000	1.50%

\$250,001 - \$500,000	1.40%
<b>Note:</b> The Russell Model Portfolios are not currently available to clients enrolled in or desiring to enroll in the AAA Account – Active/Passive Program.	

#### **AAA Account –Passive Model Portfolios**

Account(s) Value:	Annual Percentage:
\$100,000 - \$250,000	1.25%
\$250,001 - \$500,000	1.15%
<b>Note:</b> The Russell Model Portfolios are not currently available to clients enrolled in or desiring to enroll in the AAA Account – Passive Program.	

#### **Conservative Bond Portfolio**

Account(s) Value:	Annual Percentage:
Any amount at \$50,000 or more	1.0%

The fees are billed quarterly, in advance, based upon the market value of the client's account at the end of the previous billing period. In addition to the advisory fee, the wrap fee includes custodial fees and transaction costs. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement, Schedule C. The fee is calculated by UIA using a portfolio management and reporting software system.

Investors in the AAA Account – Active/Passive Program must make a minimum contribution of **\$50,000**. Investors in the AAA Account – Passive Program must make a minimum contribution of **\$100,000**. This account size may be negotiable under certain circumstances.

Asset Allocation Avenue Account advisory fees are **NOT** negotiable.

## RETIREMENT PLAN CONSULTING FEES

The Firm's fees for Pension Consulting Services are based on a percentage of assets under advisement, according to the following schedule:

<u>Account(s) Value:</u>	<u>Annual Percentage:</u>
Any	.30% to 1.75%

This schedule is used as a guideline only; all fees are subject to negotiation at UIA's sole discretion. Specific fee amounts will be indicated in the Client Services Agreement between UIA and the plan or plan sponsor. For retirement plans offered through Unified Trust, the UIA fee is disclosed by Unified Trust and charged as part of the total plan fee. Plan sponsors are invoiced in arrears at the end of each calendar quarter by the record keeper.

## FINANCIAL PLANNING FEES

UIA's fee for such limited financial planning services may be complimentary based on the client's relationship and negotiable for those who request it as a standalone service. All fees are agreed upon prior to entering into a contract with any client.

## CONSULTING SERVICES FEES

UIA's Consulting Services fee will be determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

## GENERAL INFORMATION

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time by either party and for any reason upon receipt of five (5) days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, the Firm will prorate the reimbursement according to the number of days remaining in the billing period.

***Mutual Fund Fees:*** All fees paid to UIA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee or early redemption fee. A client could invest in a mutual fund directly without the Firm's services. In that case, the client would not receive the services provided by the Firm, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate given his or her financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the Firm's fees to fully understand the total amount of fees to be paid by him or her, and to thereby evaluate the advisory services being provided.

***Wrap Fee Programs:*** The AAA Account is a wrap fee program. In a wrap fee arrangement, clients pay a single fee for advisory services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided



separately, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other relevant factors. The Firm will review with clients any separate program fees that may be charged to clients.

***Additional Fees and Expenses:*** In addition to the Firm's advisory fees, clients are also responsible for the fees and expenses charged by custodians and broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to UIA's minimum account requirements and advisory fees in effect at the time the clients entered into an advisory relationship with the Firm. Therefore, the Firm's minimum account requirements will differ among clients.

***ERISA Accounts:*** UIA is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, the Firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, UIA may only charge fees for investment advice about products for which the Firm and/or its related persons do not receive any commissions or 12b-1 fees. Conversely, investment advice about products for which the Firm and/or its related persons receive commissions or 12b-1 fees may be received only when such fees are used to offset UIA's advisory fees. UIA ensures oversight of third party services providers with regard to current disclosure requirements.

***Advisory Fees in General:*** Clients should note that similar advisory services may or may not be available from other registered (or unregistered) investment advisers for similar or lower fees. No increase in UIA's fee(s) shall be effective without a 30-day written notification to the client.

***Limited Prepayment of Fees:*** Under no circumstances does the Firm require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

UIA does not charge performance-based fees.

## **Item 7 Types of Clients**

UIA provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Retirement and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

- State or municipal government entities
- Other

As previously disclosed in Item 5, the Firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### **METHODS OF ANALYSIS**

UIA uses the following methods of analysis in formulating its investment advice and/or managing client assets:

**Asset Allocation:** Rather than focusing primarily on individual securities selection, the Firm attempts to determine an appropriate mix of asset classes, including, but not limited to, various U.S. and international equities, U.S. and international fixed income products, commodities, alternatives, and cash equivalents structured using MPT.

A risk of asset allocation is that the mix of asset classes may change over time due to market movement, and if not corrected, will no longer be appropriate given the client's objectives.

**Risk Parity:** UIA analyzes the historical performance of fixed asset mutual funds to determine the funds' U-P ratio and the Omega statistic. The funds that have the top U-P ratio, subject to the Omega statistic being higher than the index, are then chosen. Thereafter, by using covariance matrix of returns, the funds' allocation is determined.

The major risk of the risk parity method is the reliance on the specific fund's historical return, which can result in the return's overstatement.

**Mutual Fund and/or ETF Analysis:** UIA analyzes a mutual fund's or ETF's historical performance using various statistics to determine if the fund manager has historically added value above a suitable benchmark over a period greater than three years and across various market conditions. The Firm also looks at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other fund(s) within the client's portfolio. The Firm also monitors the funds or ETFs in an attempt to determine if the manager is continuing to follow his/her stated investment strategy.

As in all securities investments, a risk of mutual fund and/or ETF analysis is that past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as UIA does not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Quantitative Analysis:** UIA uses various statistical estimates in an attempt to select funds that outperform a predefined benchmark more frequently than funds with similar objectives and characteristics. It is important to note that the term "outperform" applies to both increasing and

decreasing markets. All comparisons are performed over a time horizon of 3 years or more, provided the data is available. All decisions to include or exclude funds in our model portfolios are made by the Firm's Investment Committee. A risk in using quantitative analysis is that the statistics used may rely on assumptions that prove to be incorrect and/or misunderstood.

**Qualitative Analysis:** UIA subjectively evaluates non-quantifiable factors such as a manager's tenure to gain a better understanding of a fund's behavior. Other factors include management structure, purchase restrictions, and market perception. A risk in using qualitative analysis is that the internal bias of the Firm's Investment Committee may negatively affect what may be a suitable investment for a client's portfolio.

**Technical Analysis:** UIA analyzes past market movements in an attempt to forecast long-term market outcomes. The Firm's forecasts are comprised of both internal and external calculations. Technical analysis is based on statistical data, and is therefore subject to estimation error, which could lead to unanticipated outcomes in the future that could negatively affect a client's portfolio.

**Cyclical Analysis:** UIA may occasionally take into account the current market's place in a larger market cycle when making decisions regarding trading or model structure/development. A risk in using cyclical analysis is that the Firm could make a decision based on historical cycles and may place the current market in the wrong area of the current cycle.

**Fundamental Analysis:** From time to time, UIA may take into account a security's current value, as well as a particular company's financial condition. This fundamental analysis will allow the Firm to determine potential asset performance when statistical data may not be available. This type of analysis will also allow the Firm to spot potential risk not noticed through quantitative data. Fundamental analysis does not attempt to anticipate market movements. The risk of fundamental analysis is that the Firm's timing may be inaccurate, subject to internal bias, or prove to be based on unreliable information.

**Risks for all forms of analysis:** UIA's securities analysis methods rely on the assumption that the companies whose securities UIA purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities are providing accurate and unbiased data. While the Firm is alert to indications that data may be incorrect, there is always a risk that the Firm's analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

UIA uses the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the client's needs, and are consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases:** UIA purchases securities with the intent of holding them in the client's account for a year or longer. Typically, the Firm employs this strategy when:

- it believes the securities to be currently undervalued, and/or
- it wants exposure to a particular asset class over time, regardless of current projections for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, the Firm may not take advantages of short-term gains that could be profitable to a client. Moreover, if the Firm's predictions are incorrect, a security may decline sharply in value before it makes the decision to sell.

**Short-term purchases:** When utilizing this strategy, UIA purchases securities with the idea of selling them within a relatively short time (typically a year or less). The Firm does this in an attempt to make a portfolio more tax efficient.

A short-term purchase strategy poses risks should the security, which was intended to be a short-term purchase, remain in the portfolio for a longer time than originally planned, resulting in the portfolio's underperformance.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Optimal Investment Strategy:** For the Firm's bond portfolios, it reviews the current value points of the nominal yields on the U.S. Treasury and U.S. Agency curves to determine the most valuable products using the Total Return methodology and a 3-year investment horizon.

**Risk of Loss:** Securities investments are not guaranteed. You may lose money on your investments. UIA asks that you work with the Firm to help it understand your risk tolerance.

## **Item 9    Disciplinary Information**

UIA is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management.

UIA does not have any legal or disciplinary events to disclose.

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

### **HOLDING COMPANY AND RELATED COMPANY AFFILIATION**

#### **Uwharrie Capital Corp**

UIA is a registered investment adviser and a wholly owned subsidiary of Uwharrie Capital Corp., a bank financial holding company that offers a broad spectrum of banking products and financial services to consumers, locally-owned businesses, and commercial clients. As an Uwharrie Capital Corp. subsidiary, the Firm is under common ownership and control with several financial institutions, including the following with which we have a material business relationship (collectively, the "Related Companies"). Uwharrie Bank is an affiliate bank under the parent holding company, Uwharrie Capital Corp.

#### **The Strategic Alliance Corporation, a FINRA member broker-dealer and subsidiary of Uwharrie Bank.**

Some management personnel and other employees of UIA are separately licensed as registered representatives of TSAC. In their separate capacity, these individuals can effect securities transactions for which they may receive separate, yet customary, compensation. TSAC may also have access to client information. Clients are not under any obligation to engage these individuals when considering the purchase/sale of securities.

## **Other Related Companies Information**

Where appropriate, UIA and its employees may recommend the various investment and investment-related services of the Related Companies to its advisory clients. For business or consumer loans with Uwharrie Bank of \$25,000 outstanding or greater, the Firm's employees will be paid 20 basis points on the outstanding balance quarterly. All other referral fees are nominal. The Related Companies and their employees may also recommend the advisory services of the Firm to their clients. The referral fees paid by UIA are nominal. The services provided by the Related Companies are separate and distinct from the Firm's advisory services and are provided for separate and additional compensation. No UIA client is obligated to use the services of any of the Related Companies.

### **Private Client Services, LLC**

Some management personnel and other employees of UIA are separately licensed as registered representatives of Private Client Services, LLC ("PCS"), a registered broker dealer and a member of FINRA and SIPC, or as insurance agents for various insurance companies through PCS. PCS and UIA are independent entities. These individuals, in their separate capacities as registered representatives and/or as insurance agents, can effect securities transactions and/or purchase insurance and insurance-related investment products for UIA's advisory clients for which these individuals will receive separate and additional, yet customary, compensation. Due to the nature of the relationship, PCS may have access to client information such as risk tolerance, investment objectives, time horizon, and other customer information. Clients are not under any obligation to engage these individuals when considering the purchase/sale of securities or insurance. The implementation of any or all recommendations is solely at the client's discretion.

## **OTHER INFORMATION**

The Firm's related persons may spend as much as **30%** of their time on these related activities. While UIA and these individuals endeavor at all times to put their clients' interest first, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations.

A list of these affiliated entities is specifically disclosed on Schedule D of Form ADV, Part 1 at Item 7.A. Part 1 of the Firm's Form ADV can be accessed by following the directions provided on this Firm Brochure's cover page.

Clients should be aware that the receipt of additional compensation by UIA and its management persons or employees creates a conflict of interest that may impair the objectivity of the Firm and these individuals when making advisory recommendations. UIA endeavors at all times to put its clients' interests first, as part of its fiduciary duty as a registered investment adviser. UIA takes the following steps to address this conflict:

- The Firm discloses to clients the existence of all material conflicts of interest, including the potential for the Firm and its employees to earn compensation from advisory clients in addition to its Firm's advisory fees;
- The Firm discloses to clients that they are not obligated to purchase recommended investment products from the Firm's employees or Related Companies;
- The Firm collects, maintains, and documents accurate, complete, and relevant client background

information, including the client's financial goals, objectives, and risk tolerance;

- The Firm's management conducts reviews of each client account to verify that all recommendations made to a client are suitable given the client's needs and circumstances;
- The Firm requires that its employees seek prior approval of any outside employment activity so that it may ensure that any conflicts of interests in such activities are properly addressed;
- The Firm periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed by the Firm; and
- The Firm educates its employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

The Firm has adopted a Code of Ethics, which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

UIA and its personnel owe a duty of loyalty, fairness, and good faith towards their clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but also to the general principles that guide the Code.

The Firm's Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports, as well as initial and annual securities holdings reports that must be submitted by the Firm's access persons. Among other things, the Firm's Code of Ethics requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. The Firm's Code also provides for oversight, enforcement, and recordkeeping.

UIA's Code of Ethics further includes the Firm's policy prohibiting the use of material non-public information. While UIA does not believe that it has any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of the Firm's Code of Ethics is available to advisory clients and prospective clients. You may request a copy by email sent to [wlove@uwharrieia.com](mailto:wlove@uwharrieia.com) or by calling us at 704-983-5959.

UIA and associated persons are prohibited from engaging in principal transactions.

UIA and associated persons are prohibited from engaging in agency cross transactions.

The Firm's Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of the Firm's employees will not interfere with

- making decisions in the advisory clients' best interests; and
- implementing such decisions while simultaneously allowing employees to invest for their own accounts.

The Firm and/or individuals associated with the Firm may buy or sell for their personal accounts securities identical to or different from those recommended to UIA clients. In addition, any related person(s) may have an interest or position in a certain security(ies), which may also be recommended to a

client. However, they may not execute their own trades.

It is the Firm's expressed policy that no person employed by UIA may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

As disclosed in the preceding section of this Brochure (Item 10), the Firm's related persons are separately registered as securities representatives of a broker-dealer and/or licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

As these situations represent actual or potential conflicts of interest to UIA clients, the Firm has established the following policies and procedures for implementing its Code of Ethics to ensure the Firm complies with its regulatory obligations, and provide UIA clients and potential clients with full and fair disclosure of such conflicts of interest:

- No principal or employee of the Firm may put his or her own interest above the interest of an advisory client.
- No principal or employee of the Firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment, unless the information is also available to the investing public.
- It is the expressed policy of the Firm that no person employed by UIA may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.

The Firm requires prior approval for any IPO or private placement investments.

## **Item 12 Brokerage Practices**

**Trade Aggregation:** UIA will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a prorated basis between all accounts included in any such block.

Block trading may allow the Firm to execute equity trades in a timelier, more equitable manner, and at an average share price. UIA will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. UIA's block trading policy and procedures are as follows:

- Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with UIA or the Firm's order allocation policy.
- The portfolio manager must determine both that the purchase or sale of the particular security involved is appropriate for the client and is consistent with the client's investment objectives and any investment guidelines or restrictions applicable to the client's account.
- The portfolio manager must reasonably believe that the order aggregation will benefit each client, and will enable UIA to seek best execution for each client participating in the aggregated order. This

requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.

- Prior to entry of an aggregated order, a written order ticket must be completed that identifies each client account participating in the order and the proposed allocation of the order to those clients upon completion.
- If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the aggregate trade's execution.
- UIA's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- Funds and securities for aggregated orders are clearly identified on UIA's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- No client or account will be favored over another.

**Directed Brokerage:** UIA may recommend that clients establish brokerage accounts with PAS, an affiliate of Pershing LLC ("Pershing"), a FINRA registered broker-dealer and SIPC member. PAS maintains custody of clients' assets and effects trades for their accounts. PAS and Pershing are the Bank of New York Mellon Company, Inc.'s subsidiaries. Although the Firm recommends that clients establish accounts at PAS and Pershing, it is the client's decision with whom he or she custodies assets. UIA is independently owned and operated; it is **NOT** affiliated with PAS or Pershing. Since UIA only uses one custodial platform, a customer's request to use another custodian could result in the customer not being able to open an account with UIA.

The client may direct UIA to use a particular broker-dealer (subject to UIA's right to decline and/or terminate the engagement) to execute some or all transactions for the client's account. In such an event, the client will negotiate terms and arrangements for the account with that broker-dealer, and UIA will not seek better execution services or prices from the other broker-dealer(s), nor be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by UIA. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive



less favorable net prices, on transactions for the account than would otherwise be the case.

For retirement plans, UIA may recommend that plan trustees sign a custody agreement with MG Trust Company, LLC, Charles Schwab Trust Company, or Unified Trust. The plan trustees make the decision of where to custody the assets, and sign a separate agreement with the custodian. Unified Trust serves as custodian for the plans for which it is the trustee.

PAS/Pershing provides UIA with access to the institutional trading and custody services, which are typically not available to Pershing retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Pershing. These services are not contingent upon the Firm committing to Pershing any specific amount of business (assets in custody or trading commissions). PAS/Pershing's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

PAS/Pershing receives a percentage of the fee charged to the customer based on the assets under management. Services provided by PAS/Pershing include the execution of securities transactions, custody, research, and access to mutual funds. Clients are able to buy some no-load funds and funds at net asset value because they are participating in the managed program.

For UIA client accounts maintained in its custody, Pershing generally does not charge separately for custody services. It is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Pershing or that settle into Pershing accounts.

PAS/Pershing also makes available to the Firm other products and services that benefit UIA, but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of the Firm's client accounts, including accounts not maintained at PAS/Pershing.

PAS/Pershing's products and services that assist UIA in managing and administering the Firm's clients' accounts include software and other technology that

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide research, pricing, and other market data;
- facilitate payment of UIA fees from clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

PAS/Pershing also offers other services intended to help the Firm manage and further develop its business enterprise. These services may include:

- compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and

- access to employee benefits providers, human capital consultants and insurance providers.

PAS/Pershing may make available, arrange and/or pay third-party vendors for the types of services rendered to UIA. PAS/Pershing may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. PAS/Pershing may also provide other benefits such as educational events or occasional business entertainment of UIA personnel. In evaluating whether to recommend or require that clients custody their assets at PAS/Pershing, the Firm may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors UIA considers and not solely on the nature, cost, or quality of custody, and brokerage services provided by PAS/Pershing, which may create a potential conflict of interest.

Russell provides UIA and its clients with access to mutual funds and/or ETFs not generally available in the retail space. Russell also provides UIA with ongoing sales support, including, without limitation, access to practice management informational material, advertising and marketing material, proposal generators, risk tolerance questionnaires, and investment policy statement templates, products and services that do not directly benefit the Firm's clients, but may be used in the service of all or a notable sum of the Firm's clients and prospects. These mutual funds and/or ETFs and the ongoing support generally are available only to independent investment advisers who have entered into an arrangement or understanding with Russell. The availability of these mutual funds and/or ETFs and the ongoing support from Russell are not contingent upon the volume of business UIA directs to Russell. UIA does not compensate Russell for access to its funds and/or services; rather, Russell is compensated for its efforts through fees and expenses charged by the Russell mutual funds and/or ETFs that are separate and distinct from the investment advisory fees charged by UIA. For more information regarding mutual fund and ETF fees and expenses, please see Item 5 of this Form ADV. Notwithstanding the preceding, UIA will only place client assets in securities that are deemed to be in the best interest of the client. These may include securities other than, or in addition to, those managed by Russell.

## **Item 13 Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES Model Portfolio Management Services**

#### **UIA Managed Accounts and Russell Model Portfolios**

**REVIEWS:** While the underlying securities within individual UIA Managed Accounts and Russell Model Portfolios are continually monitored, these account statements are reviewed at least quarterly by an Investment Adviser representative assigned to the account. Accounts are reviewed in more detail semi-annually when the representative meets with the customer. At this time, the client's stated investment objectives and guidelines are discussed, as well as any client-provided investment restrictions. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, the market, political environment, or the economic environment.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer and/or custodian, UIA provides quarterly reports summarizing account performance, balances, and holdings. UIA strongly urges clients to compare Firm-provided quarterly reports with those reports provided by their broker-dealer and/or custodian.

## **Asset Allocation Avenue Accounts**

**REVIEWS:** While the underlying securities within AAA Accounts are continually monitored, these accounts are reviewed at least quarterly by an investment adviser representative assigned to the account. A more in depth review is done annually at the customer meeting in the context of each model portfolio's investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, the market, the political environment, or the economic environment.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer and/or custodian, UIA provides quarterly reports summarizing account performance, balances, and holdings. UIA strongly urges clients to compare Firm-provided quarterly reports with those reports provided by their broker-dealer and/or custodian.

## **UWHARRIE INVESTMENT ADVISORS' RETIREMENT PLAN CONSULTING SERVICES**

**REVIEWS:** UIA will review the client's IPS whenever the client advises the Firm of a change in circumstances regarding the plan's needs. UIA will also review the plan's investment options according to the agreed upon time intervals established in the IPS. Such reviews will generally occur annually by an investment adviser representative assigned to the account.

For retirement plans under Unified Trust, UIA will review the plan with the plan sponsor annually. These accounts are reviewed by an investment adviser representative assigned to the account.

**REPORTS:** UIA or Unified Trust will provide reports to clients based on the terms set forth in the client's IPS and agreement.

## **CONSULTING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the specific engagement's nature and terms, typically no formal reviews will be conducted for Consulting Services clients, unless otherwise contracted for. Such reviews will be conducted by the client's account representative.

**REPORTS:** Consulting Services clients will not typically receive reports due to the service's nature.

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

### **CLIENT REFERRALS**

The Firm may pay referral fees to affiliated persons ("Solicitors") for introducing investment management clients. If referral fees are to be made, said fees will only be made to Solicitors referring investment management clients. The Solicitor is only allowed to make impersonal investment advice that involves directing the client to the Firm. As a matter of practice, the advisory fees paid to UIA by clients referred by Solicitors are not increased as a result of any referral. UIA requires a written agreement between the Solicitor and the Firm in order to pay a referral fee.

Uwharrie Capital Corp, UIA's parent company, utilizes a system of referrals where UIA representatives are paid a fee for referring advisory clients to the affiliate bank. This fee is nominal in most cases. However, if a referral is made by an UIA representative to the Firm's affiliate bank that results in a business or consumer loan with an outstanding balance of \$25,000 or greater, the UIA representative will

be paid a 20 basis points on the loan's outstanding balance after each quarter-end.

Other than as described above, it is UIA's policy not to accept or allow its related persons to accept any form of compensation, including cash, sales, awards, or other prizes from a non-client in conjunction with the advisory services UIA provides to its clients.

### **Item 15 Custody**

UIA previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that the Firm directly debits advisory fees from the UIA Managed Accounts, Russell Model Portfolios, and the AAA Accounts.

As part of this billing process, the custodian is advised of the fee amount to be deducted from that client's account. At least quarterly, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the fee amount to be deducted, it is important for clients to carefully review their custodial statements to verify the calculation's accuracy, among other things. Clients should contact UIA directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, UIA also sends account statements directly to its managed account clients on a quarterly basis. The Firm urges its clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings, and values are correct and current.

### **Item 16 Investment Discretion**

Clients may hire UIA to provide discretionary asset management services, in which case the Firm will place trades in a client's account without contacting the client beforehand to obtain permission.

UIA's discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give UIA discretionary authority when they sign the Firm's discretionary agreement, and may limit this authority by giving the Firm written instructions. Clients may also change/amend such limitations by once again providing the Firm with written instructions.

As disclosed in this Brochure's Item 4, the Firm does not provide non-discretionary asset management services, with the limited exception of bond portfolios. The Firm does recommend portfolio models to the trustees of the participant directed retirement plans not affiliated with Unified Trust; however, the Firm does not trade the participant accounts. In plans offered through Unified Trust, Unified Trust has trading discretion in the accounts.

## **Item 17 Voting Client Securities**

As a matter of policy, UIA does not vote proxies on its clients' behalf. Although the Firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for

- directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted; and
- making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other type events pertaining to the client's investment assets.

Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. UIA does not offer any consulting assistance regarding proxy issues to clients.

UIA will neither advise nor act on a client's behalf in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct the Firm to transmit copies of class action notices to them or a third party. Upon such direction, UIA will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18 Financial Information**

UIA has no financial circumstances to report. Under no circumstances does UIA require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, UIA is not required to include a financial statement. UIA has not been the subject of a bankruptcy petition at any time during the past ten years.