

**Wrap Fee Program Brochure**  
**Asset Allocation Avenue Account**

**Uwharrie Investment Advisors, Inc.**

132 N. First Street  
P.O. Box 1517  
Albemarle, NC 28002

Telephone: 704-983-5959  
Email: [wlove@uwharrieia.com](mailto:wlove@uwharrieia.com)  
Web Address: [www.uwharrie.com](http://www.uwharrie.com)

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This wrap fee program 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 the 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 annual amendment filed March 31, 2017, UIA has had the following changes:

1. The Chief Compliance Officer, Martha O’Brien, retired on March 31, 2016. The new Chief Compliance Officer is Christy D. Stoner. Any questions or concerns should be directed to Mrs. Stoner at [cstoner@uwharrie.com](mailto:cstoner@uwharrie.com) or to Wade Love at [wlove@uwharrieIA.com](mailto:wlove@uwharrieIA.com).
2. Jeffrey M. Talley, UIA’s President, resigned as of July 22, 2016. Christy D. Stoner, UIA’s Chief Executive Officer, has assumed Mr. Talley’s responsibilities. Any questions or concerns should be directed to Mrs. Stoner at [cstoner@uwharrie.com](mailto:cstoner@uwharrie.com).
3. Effective December 8, 2016, the Firm will be offering its clients model portfolios developed by Russell Investments Group, LLC. These model portfolios are available only to UIA Managed Account – Active/Passive account holders at this time. Any questions concerning this product line should be directed to Wade Love at [wlove@uwharrieia.com](mailto:wlove@uwharrieia.com).
4. The Investment Committee now consists of the following persons: Roger Dick, Christy Stoner, Misty Thornburg, and Wade Love.

Consistent with SEC requirements, 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 Services, Fees and Compensation**

UIA is a Securities and Exchange Commission (“SEC”) registered investment adviser with its principal place of business located in 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., effective July 1, 2015. The Wrap Fee Program, Asset Allocation Avenue Accounts (“AAA Accounts”), has been in existence since February 2006.

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

- Christy Davis Stoner, CEO/CCO/Investment Committee/Director (Uwharrie Investment Advisors)
- 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. (parent company and sole shareholder)

The Firm offers the following advisory services to its clients:

### **Services Provided**

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 and receives a portion of the wrap fee for its services. 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. Based on the information provided by the client, the Firm 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 the 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. For information concerning the specific types of model portfolios offered, please see Item 6 of this Brochure.

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. A wrap program participant should consider all of the information within this Brochure before participating in the wrap fee program.

## **Fees and Compensation**

The annualized fee for the Asset Allocation Avenue accounts 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 debited quarterly, in advance, based upon the market value of the client's account at the end of the previous billing period. The wrap fee includes custodial fees and transaction costs in addition to the advisory fee. 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. The wrap fee does **NOT** include fees and expenses separately charged by mutual funds and/or 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. A client could invest in a mutual

fund directly without UIA's services. In that case, the client would not receive Firm-provided services, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and UIA's fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

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. AAA Account advisory fees are **NOT** negotiable.

The client should be aware that this program may cost the client more or less than purchasing the services separately. Depending upon the amount of the wrap fee and the amount of trading activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of the services if they were provided separately.

The investment advisor representatives that may recommend the wrap fee program to a client receive compensation as a result of the client's participation in the program. Therefore, the investment advisor representative may have a financial incentive to recommend the wrap fee program over other programs or services.

UIA does not utilize outside portfolio managers; therefore, no fees are paid to an independent portfolio manager.

\*The Conservative Bond Portfolio is **NOT** an investment option for new AAA investors.

## **Item 5 Account Requirements and 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

A minimum of **\$50,000** of assets under management is required for enrollment in the AAA Account – Active/Passive Program. A minimum of **\$100,000** is required for enrollment in the AAA Account – Passive Program. The account size may be negotiable under certain circumstances.

The 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, UIA will pro rate the reimbursement according to the number of days remaining in the billing period.

## **Item 6 Portfolio Manager Selection and Evaluation**

UIA does not use outside, unaffiliated portfolio manager(s) for the AAA Accounts. The Firm's portfolio manager is an employee of UIA and all of his/her recommendations go before the Investment Committee.

### **Advisory Services Offered**

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, UIA initially determines whether the model portfolio is suitable to the client's circumstances. Once UIA confirms suitability, the portfolio is managed based on the portfolio's objectives, rather than on each client's individual needs. Clients may **NOT** impose restrictions on these accounts. Clients retain individual ownership of all securities.

The Firm provides portfolio management services to clients using the following model asset allocation portfolios.

- **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.

UIA'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 exchange-traded funds ("ETFs") and mutual funds. Because some types of investments involve certain additional degrees of risk, they will only be implemented when consistent with the client's stated investment objectives, risk tolerance, liquidity, and suitability.

## **PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

UIA does not charge performance-based fees, nor does it engage in side-by-side management.

## **METHODS OF ANALYSIS**

**Asset Allocation:** Rather than focusing primarily on individual securities selection, the Firm, using MPT, 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. A risk of asset allocation is that the mix of asset classes may change over time due to market movement, if not corrected, the asset allocation 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 U-P ratio and the Omega statistic of the funds. The funds that have the top U-P ratio subject to the Omega statistic being higher than the index are then chosen. Thereafter, using covariance matrix of returns, the allocation of the funds is determined. The major risk of the risk parity method is the reliance on historical return of the specific funds, 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 another fund in the client's portfolio. The Firm also monitors the funds or ETFs quarterly in an attempt to determine if the manager is continuing to follow his/her stated investment policy.

If UIA determines that a manager is not consistently adding value above a suitable benchmark or if the manager is not following his/her stated investment policy, UIA conducts a manager search to determine a replacement for the mutual fund or ETF. UIA gathers information on the product in order to determine how the mutual fund or ETF compares to product peers and to a benchmark. The decision to hire, fire, or replace managers is made by the Firm's Investment Committee.

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 consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

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

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

A risk in a long-term purchase strategy is that by holding the security for this length of time, UIA may not take advantage 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 UIA 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.

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

### **VOTING CLIENT SECURITIES**

As a matter of Firm policy, UIA does not vote proxies on behalf of clients. 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 behalf of the client 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 the client or a third party. Upon such direction, UIA will make commercially reasonable efforts to forward such notices in a timely manner.

### **Item 7 Client Information Provided to Portfolio Managers**

UIA does not use outside portfolio managers; therefore, no client information is provided to portfolio managers that are not employed by the Firm.

### **Item 8 Client Contact with Portfolio Managers**

There are no restrictions on client contact with the Firm or its investment advisor representatives, including the portfolio managers.

### **Item 9 Additional Information**

#### **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 the Firm's advisory business or the integrity of its management. UIA does not have any legal or disciplinary events to disclose.

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

**Uwharrie Capital Corp:** UIA is an 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 TSAC (a broker-dealer), BOS Agency, Inc. (an insurance company), and Uwharrie Bank (a community bank) (collectively, the "Related Companies").

**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. These individuals, in their separate capacity, can effect securities transactions for which they may receive separate, yet customary, compensation. TSAC may also have access to customer information because of

transactions. 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 and 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. In their separate capacities as registered representatives and/or as insurance agents, these individuals 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 the Firm and its members endeavor at all times to put the clients' interests 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 the Firm 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 the clients' interests first as part of its fiduciary duty as a registered investment adviser; UIA takes the following steps to address this conflict:

- UIA 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 advisory fees;
- UIA discloses to clients that they are not obligated to purchase recommended investment products from the Firm's employees or affiliated companies;
- UIA 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 to the client's needs and circumstances;
- UIA requires that its employees seek prior approval of any outside employment activity so that UIA may ensure that any conflicts of interests in such activities are properly addressed;

- UIA periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed by the Firm; and
- UIA 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.

### **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 it requires of its employees, including compliance with applicable federal securities laws.

UIA and its personnel owe a duty of loyalty, fairness, and good faith to their clients, and have an obligation to adhere not only to the Code of Ethics' specific provisions, 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 also requires the prior approval of any acquisition of securities in a limited offering (*e.g.*, private placement) or an initial public offering. The Code also provides for oversight, enforcement, and recordkeeping provisions.

UIA's Code of Ethics further includes the Firm's policy prohibiting the use of material non-public information. While UIA do not believe that UIA have 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 its 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 individuals associated with the Firm are prohibited from engaging in principal transactions.

UIA and individuals associated with the Firm 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 UIA employees will not interfere with

- making decisions in the best interest of advisory clients; and
- implementing such decisions while allowing employees to invest 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's 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 9), related persons of the Firm 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 9 for a detailed explanation of these relationships and important conflict of interest disclosures.

As these situations represent actual or potential conflicts of interest to the Firm's clients, UIA has established the following policies and procedures for implementing the Firm's Code of Ethics to ensure UIA complies with its regulatory obligations and provides its 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 their employment, unless the information is also available to the investing public.
- 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. 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.

### **Review of Accounts**

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.

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.

### **Client Referrals and Other Compensation**

The Firm may pay referral fees to affiliated persons ("Solicitors") for introducing investment management clients. If referral fees are to be made, they 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. 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 the Firm representatives are paid a nominal fee for referring advisory clients to the affiliate bank. However, for business or consumer loans with Uwharrie Bank of \$25,000 outstanding or greater, the referring Firm employee 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.

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.

### **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.