

Item 1: Cover Page

McRae Capital Management, Inc. Part 2A of Form ADV The Brochure

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This Brochure provides information about the qualifications and business practices of McRae Capital Management, Inc. (“MCM” or “Registrant”). If you have any questions about the contents of this brochure, please contact us at 973-387-1080. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about MCM is also available on the SEC’s website at: www.adviserinfo.sec.gov.

MCM is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.

Item 2 Material Changes

This Brochure is an update of the Part 2A of Form ADV Brochure submitted by MCM in March 2023. MCM’s business activities have not changed materially since the time of the previous annual update of the Brochure in 2023. We encourage all recipients to read this Brochure carefully in its entirety.

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Item 4 Advisory Business

MCM was founded in 1981 and has been registered with the SEC as an investment adviser since 1981. The principal owners of the Registrant are Roderick McRae III and Peter James McRae.

MCM provides discretionary investment management to separate account clients based on the individual needs of each client. MCM requires that each client complete a written investment advisory agreement to set forth the terms under which MCM shall manage the client account(s). In addition, MCM discusses with clients, specific investment objectives and/or restrictions, mutually agreed upon asset allocation between equities, fixed income, and money funds, and the types of investments that shall be held by the client. Clients may impose restrictions on their account based on specific securities, security type, or industry type, among others.

MCM also provides certain financial planning services to its clients. Roderick McRae III and Peter McRae have both received the Certified Financial Planning (“CFP”) designation. CFPs must pass a comprehensive exam covering financial planning, taxes, insurance, estate planning, retirement planning, and investment planning. CFPs must also complete continuing education

programs to maintain their certification status. MCM does not charge additional fees for its financial planning services; such services are included as part of its investment advisory services. MCM does not participate in wrap fee programs.

As of December 31, 2023, MCM managed \$701,547,037 on a discretionary basis on behalf of 818 clients.

Item 5 Fees and Compensation

Compensation is calculated and payable on a quarterly basis. Fees are generally billed at the beginning of each quarter and are often debited directly to the client's custody account in line with standing instructions from the client. Some clients receive an invoice for fees, rather than the fee being directly debited from their account. At the request of a client, MCM may directly debit or invoice a client for fees. Contracts do not have an expiration date but may be cancelled by either party at any time. In any partial calendar quarter, the advisory fee will be pro-rated based upon the number of days that the account was open during the quarter. If an account is closed mid quarter, MCM will refund the client any pre-paid fees based on the number of days that the account was open during the quarter.

In the rare instances that a minor portion of a client's assets are invested in mutual funds, the client pays the fee designated by the fund as well as Registrant's advisory fee. Clients will incur brokerage and transaction costs, including commissions charged by the broker-dealer where the account is held. Please see the *Brokerages Practices* section starting on Page 6 for a discussion of our brokerage practices.

Registrant has a flexible fee schedule reflecting the differences in the size and composition of various accounts. Registrant's current fee schedule is 1% per annum on the first \$3,000,000; .75% on amounts between \$3,000,000 and \$5,000,000; and .5% over \$5,000,000. This schedule has changed from time to time and may change in the future in light of general economic and industry conditions. MCM has, under some circumstances, negotiated different fee terms with certain clients which include a waiver of fees or reduction in fees. Clients are advised that lower fees for comparable services may be available from other sources.

The Registrant generally utilizes prices provided by our third-party portfolio management software company, Advent. Custodians may use a different pricing service, and there is a chance there can be a slight discrepancy. MCM will use the price that it believes to be most representative of the amount at which the security could be acquired or sold in a current transaction between willing parties in which the parties each acted knowledgeably and without compulsion.

The advisory fee for client accounts shall be charged on the asset value maintained in Advent as of the applicable billing date. In certain cases, the actual assets under management may differ from the amount shown in Advent due to, among other things, interest earned on money market funds, amounts deposited, and amounts withdrawn.

Item 6 Performance Based Fees and Side-by-Side Management

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

Item 7 Types of Clients

MCM primarily provides customized investment management services to individuals as well as pension and profit-sharing plans, trusts, estates, charitable organizations, and corporations or other business entities.

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

Registrant uses a wide variety of sources for information, foremost being the corporate reports and press releases themselves. In addition, newspapers, financial periodicals, economic services, Federal Reserve and other government publications, and research material prepared by investment bankers and brokerage firms are studied. Comments, releases and presentations of company managements, security analysts, economists and other observers of the financial markets are also carefully reviewed and considered.

Traditional methods of fundamental analysis are employed, including all pertinent factors relating to a corporation's management and financial strength, its competitive position and cost structure, and its research and new product and service development capacity. Registrant seeks to avoid excessive risk by emphasizing high-quality securities which Registrant endeavors to purchase at attractive prices. Technical and charting techniques are employed but play a minor role in investment decisions.

All of Registrant's investment strategies are tailored to meet the individual nature of the individual accounts. Income requirements, tax considerations, and the client's overall investment objectives are important variables in determining the appropriate strategy for each account. MCM's basic philosophy is to seek reasonable returns through an emphasis on long-term investments in high quality securities. Investing in securities involves the risk of loss that clients should be prepared to bear.

Taxable and tax-free bonds, as well as equities, are used to achieve the client's objectives. As a general rule, we do not seek trading results within a thirty (30) day time span. Under special circumstances, and in conjunction with the client's desires, we will recommend or use short sales, margin or option transactions where appropriate.

The description below is an overview of the risks entailed in McRae's investment strategies and is not intended to be complete. All investing involves the risk of loss and the investment strategy offered by McRae could lose money over short or long periods. Performance could be hurt by a number of different market risks including but not limited to:

Market Risk - The success of Client portfolio activities will be affected by general economic and

market conditions, such as interest rates, availability of credit, inflation rates, commodity prices, economic uncertainty, changes in laws, trade barrier, currency fluctuations and controls, national and international political circumstances (including wars, terrorist acts or security operations), and pandemics in the United States and globally. These factors may affect the level of volatility of securities prices and the liquidity of investments in Client portfolios. Such volatility or illiquidity could impair profitability or result in losses.

Equity Securities - Equity investments are volatile and will increase or decrease in value based upon issuer, economic, market and other factors.

Fixed Income Securities - Investments in fixed income securities are subject to credit, liquidity, prepayment, and interest rate risks, any of which may adversely impact the price of the security and result in a loss. The municipal market can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities.

Mutual & Exchange Traded Funds - While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small-cap or speculative companies, uses leverage - borrows money to a significant degree, or concentrates in a particular type of security rather than balancing the fund with different security types. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Further, while some mutual funds are "no-load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees, which can also reduce returns. ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or another benchmark, which may negatively affect the ETF's performance. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index but are expected to yield similar performance.

Short-Sales Risk - Short sales can, in certain circumstances, increase the impact of adverse price movements on the portfolios. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, resulting in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

Inflation & Interest Rate Risk - Security prices and portfolio returns will likely vary in response to inflation and interest rates changes. Inflation causes future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed-income investments to decline.

Force Majeure or other Risks - Portfolio investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant

breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party to perform its obligations until it is able to remedy the force majeure event. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which MCM may invest specifically.

The investment risks described above represent some but not all of the risks associated with various types of investments and investment strategies. Clients should carefully evaluate all applicable risks with any investment or investment strategy and realize that investing in securities involves risk of loss that Clients should be prepared to bear.

Item 9 Disciplinary Information

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

Item 10 Other Financial Industry Activities and Affiliations

MCM and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest. However, Mr. William Keefe, Managing Director and member of the Investment Committee, is a member of the board of directors of Old Point Financial Corporation ("OPFC"), a public company that trades on NASDAQ. MCM does not believe that Mr. Keefe's participation on the board of directors of OPFC creates a material conflict of interest with clients. While MCM will restrict transactions in OPFC's publicly traded securities and does not foresee considering OPFC for its clients' accounts, a conflict could potentially arise if MCM's client accounts held OPFC securities.

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

Officers and employees of MCM may be investors in securities, which are purchased for client's portfolios. Clients are informed of this when they first become clients. However, officers and employees are not permitted to trade in any manner that would be in conflict with a client's interests.

Conflicts of interest are mitigated, since most investments have a large number of outstanding shares and wide marketability; also, most securities are held for relatively long periods of time and the positions that any officer or employee might make are too small to affect the market to any significant degree. Each officer and employee is required to sign a statement to the effect that client's interests always take precedence over any personal transactions. Employee trading is reviewed by the CCO, or a designee, on a regular basis. Another officer reviews the CCO's

trading activity.

To avoid any potential conflicts of interest involving personal trades, the Registrant has adopted a Code of Ethics (the “Code”), which includes a formal code of ethics and insider trading policies and procedures. Registrant’s Code requires, among other things, that Employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of Registrant above one’s own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the federal securities laws.

Registrant’s Code also requires employees to: 1) pre-clear certain personal securities transactions, including IPO’s and securities obtained through a private placement, before completing the transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide the Registrant with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest. McRae may disapprove any proposed transaction, particularly if the transaction poses a conflict of interest.

A copy of Registrant’s Code shall be provided to any client or prospective client upon request.

Item 12 Brokerage Practices

MCM has been granted the authority by a substantial majority of its clients to determine, without specific consent, the securities to be bought or sold, the amounts of those securities, and the brokers or dealers utilized to affect those trades. Any limitations that might be placed on the Registrant are client specific. In selecting broker-dealers to be used in portfolio transactions, MCM’s guiding principle is to seek to obtain the best overall execution on client transactions. MCM utilizes Fidelity Investments (“Fidelity”) for substantially all of its client’s brokerage transactions. Fidelity provides the Registrant with favorable commission rates. In addition to

brokerage services, Fidelity provides MCM's clients with custodial, record-keeping, pricing and other market data, and research services.

Fidelity also offers other services intended to help McRae manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, and publications, access to educational conferences, and roundtables and webinars. McRae is independently operated and owned and is not affiliated with Fidelity.

MCM, on a periodic and systematic basis, reviews its brokerage relationship with Fidelity to ensure that it is fulfilling its fiduciary duty to seek best execution on client transactions. Lower commission rates are available if MCM was to utilize an "execution only" broker. Broker research services received from Fidelity are useful in selecting investments for all of Registrant's client portfolios.

A client may direct MCM to utilize a particular broker-dealer to execute some or all transactions for the client's account. In such circumstances, the client is responsible for negotiating the terms and arrangements for the account with that broker-dealer. MCM will not seek better execution services or prices from other broker-dealers or be able to aggregate the client's transactions, for execution through other brokers-dealers, with orders for other accounts advised or managed by MCM. As a result, MCM may not obtain best execution on behalf of the client, who may pay materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case. In the event that a client is referred to MCM by a broker-dealer, MCM has a potential conflict between the client's interest in obtaining best execution and MCM receiving future referrals from the broker-dealer.

MCM does not currently maintain any formal soft dollar arrangements. However, Fidelity provides MCM with proprietary and third-party research and other products and services (i.e., receipt of duplicate trade confirmations and account statements, trading desk access, the ability to aggregate clients' securities transactions, the ability to directly debit advisory fees from clients' accounts, receipt of compliance publications, and access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors). MCM has determined that it would obtain Fidelity's research and other products and services regardless of the amount of commissions it generates throughout the year. Therefore, MCM is not "paying-up" for Fidelity's proprietary and third-party research and other products.

MCM may use client cross transactions to reallocate securities among clients. A cross transaction occurs when MCM causes one client to sell a security to another client in an arms-length transaction. There are several reasons why a cross transaction may occur. One reason is that the selling client requires cash, and the buying client has cash and needs a particular security. Clients that participate in cross transactions may incur a fee charged by the broker-dealer.

Occasionally, when there is a large volume of orders of the same security, but for different clients, MCM may aggregate these orders and make one execution as a block trade. The individual client is then allocated the stock on an average cost basis. MCM evaluates on a case by case basis whether the aggregation of trades is in the best interest of clients.

In extremely rare instances, a trade may not be completed by the end of the day and partial allocations may be necessary. MCM will use one of two methods to allocate in this rare occurrence. MCM will perform partial allocations across all accounts, or MCM may allocate randomly to specific accounts based on its judgment and depending on how much of the trade has occurred. If a large part of the trade has been executed, MCM would look to do partial allocations across all accounts. If a very small amount of the trade was completed such that allocating across all accounts would be impractical, MCM would randomly fill accounts as it felt proper.

Item 13 Review of Accounts

Each account is continually monitored by the investment officer assigned to it. This officer, a member of the Investment Committee, makes the investment decisions for the account. The Registrant has instructed each investment officer to review the account based on the client's objectives and overall policy mutually decided upon with the client at the start of the account. The Investment Committee, consisting of Roderick McRae III, Peter J. McRae, and William F. Keefe, meets at least weekly and as necessary. Changes in individual accounts are routinely made according to the investment policy established by the Investment Committee. Changes are sometimes made in the maturity schedule of bond holdings, buying or selling individual stocks, or changing the overall asset mix. The Investment Committee makes all investment decisions.

Clients receive a written valuation at the end of each calendar quarter. Some clients also receive these reports monthly. In addition, clients are notified by the broker of each transaction within 3-4 days of the transaction date and are provided with a summary of gains and losses for the year. Meetings are held during the year with most clients. Meetings typically include a review of transactions, portfolio performance, and current policy. Telephone conversations and correspondence keep the client apprised between meetings.

Item 14 Client Referrals and Other Compensation

The Advisor does not receive an economic benefit from any non-client for providing investment advisory services to its clients, nor does the Adviser, or any related person, directly or indirectly compensate any person for client referrals.

Item 15 Custody

All clients' accounts are held in custody by unaffiliated broker-dealers or banks, but MCM can access many clients' accounts through its ability to debit advisory fees. For this reason MCM is considered to have custody of client assets. Account custodians send statements directly to the

account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by MCM.

Item 16 Investment Discretion

MCM has investment discretion over clients' accounts, including the amount and price of securities bought and sold, the preferred broker-dealer, and the commission rate. The discretionary authority granted to MCM is evidenced in the investment advisory agreement that is executed by MCM and the client at the inception of the advisory relationship. Clients can place reasonable restrictions on MCM's investment discretion. For example, clients can request specific limitations on MCM's discretion over the broker-dealer used and impose investment restrictions on the account as discussed in the *Advisory Business* section of this brochure.

Item 17 Voting Client Securities

Notwithstanding MCM's discretionary authority to make investment decisions on behalf of the client, McRae will not exercise proxy-voting authority over clients' securities. The obligation to vote client proxies shall at all times rest with the client. The client shall in no way be precluded from contacting the Registrant for advice or information about a particular proxy vote. However, MCM shall not be deemed to have proxy-voting authority solely as a result of providing such advice to the client.

Should McRae inadvertently receive proxy information for a security held in a client's account, McRae will immediately forward such information on to the client, but will not take any further action with respect to the voting of such proxy. Upon termination of its agreement with a client, MCM shall make a good faith and reasonable attempt to forward proxy information inadvertently received on behalf of the client to the forwarding address provided by the client to the Registrant.

With respect to class action lawsuits, MCM may assist clients, upon request, in completing proof of claim forms and mailing those forms to the claims administrator. MCM may also forward to client any information received or maintained regarding class action legal matters involving any security held in the account. For example, upon occasion MCM may provide a client with holding period information pursuant to a specific security involved in a class action matter.

Item 18 Financial Information

MCM does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. As such, the Registrant is not required to include a balance sheet for its most recent fiscal year.

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