

## **Part 2A of Form ADV - Brochure**

**Davenport Watts & Drake Investment Advisors, LLC**  
**234 W School St.**  
**Ridgeland, MS 39157**  
**(601) 898-8069**  
**(601) 853-8087 Fax**  
**[www.DavenportWattsDrake.com](http://www.DavenportWattsDrake.com)**

This brochure provides information about the qualifications and business practices of DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC. If you have any questions about the contents of this brochure, please contact us at: (601) 898-8069 and/or via email at [ellen@davenportwattsdrake.com](mailto:ellen@davenportwattsdrake.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC's CRD number is **127506**.

**February 2024**

## **Item 2 - Material Changes**

### **Annual Update**

Davenport Watts & Drake Investment Advisors, LLC amends this brochure at least annually and will include material changes occurring since the previous release of the Firm Brochure.

### **Material Changes since the Last Update**

Two (2) changes have occurred since the previous release of the Firm Brochure on February 6, 2023:

- (1) Assets Under Management have been updated to \$122.2 million.
- (2) The number of clients has been updated to 211.

### **Full Brochure Available**

Whenever you would like to receive a copy of our Firm Brochure, please contact us by telephone at (601) 898-8069 or by email at [ellen@davenportwattsdrake.com](mailto:ellen@davenportwattsdrake.com).

## Item 3 - Table of Contents

Item 1: Cover Page.....	i
Item 2: Material Changes .....	ii
Item 3: Table of Contents.....	iii
Item 4: Advisory Business.....	1
Item 5: Fees and Compensation .....	4
Item 6: Performance-Based Fees.....	5
Item 7: Types of Clients .....	5
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9: Disciplinary Information.....	7
Item 10: Other Financial Industry Activities and Affiliations.....	7
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	7
Item 12: Brokerage Practices .....	8
Item 13: Review of Accounts.....	9
Item 14: Client Referrals and Other Compensation.....	9
Item 15: Custody .....	10
Item 16: Investment Discretion .....	10
Item 17: Voting Client Securities.....	11
Item 18: Financial Information .....	11

## **Item 4 - Advisory Business**

### **A Firm Description**

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC, was founded in 2003.

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC provides personalized confidential financial planning and investment management to individuals and small businesses. The scope of services provided includes retirement plans, trusts, estate planning, cash flow management, tax planning, insurance review, investment management, education funding, and business continuation.

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC maintains client accounts with independent custodians and manages the investment of assets for its clients. The process of investment management results in a written evaluation of each client's individual situation. This document outlines the guidelines for investing the client's assets and trading authorization for DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC.

Periodic reviews are communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) will be engaged on behalf of the client or directly by the client as needed. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management will benefit the client.

#### **Principal Owners**

Tom S. Davenport is a 100% member.

### **B Types of Advisory Services**

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC provides investment advisory services, also known as asset management services, and furnishes investment advice through consultations.

On more than an occasional basis, DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

**C Tailored Relationships**

Investment policy statements are created that reflect stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements will not be assigned without client consent.

**D DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC does not** participate in wrap fee programs.

**E** As of December 2023, DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC managed approximately \$122.2 million in assets for approximately 211 clients. Approximately \$122.2 million is managed on a discretionary basis, and \$0 is managed on a non-discretionary basis.

**Asset Management**

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC manages the assets of its clients using the core strategies of asset allocation, asset diversification, and periodic rebalancing, with a long-term perspective while minimizing income taxes.

The assets used are primarily no-load mutual funds and exchange-traded funds.

**Types of Agreements: Investment Advisor Services Agreement (IASA)**

The Investment Advisors Services Agreement provided with DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC covers the scope of work and fee to the client in writing prior to the start of the relationship. An Investment Advisors Services Agreement may include cash flow management; insurance review; investment management; education planning; retirement planning; estate planning; and tax advice, as well as the implementation of recommendations within each area.

The agreement defines the management of assets in relation to the client's needs.

The annual Investment Advisor Services Agreement fee is based on a percentage of the investable assets according to the following schedule:

1.00% annualized on the first \$1,000,000 of account value; and  
0.75% annualized on amounts above \$1,000,000 of account value.

Current client relationships exist where the fees are higher or lower than the fee schedule above.

Within the first 5 days of entering into an Investment Advisor Services Agreement, clients may terminate the IASA with no penalty.

After the initial five (5) calendar days period, the Investment Advisor Services Agreement may be terminated at any time by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the fee computation period. The portfolio value at the completion of the prior full billing period is used as the basis for the fee computation, adjusted for the number of days during the billing period prior to termination.

#### **Retainer Agreement**

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC **does not** work on *Retainer Agreements* in lieu of an IASA.

#### **Tax Preparation Agreement**

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC **does not** do tax return preparation.

#### **Hourly Planning Engagements**

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC **does not** provide hourly planning services. Everything is a flat or asset-based fee.

#### **Termination of Agreement**

Within the first 5 days of entering into an Investment Advisor Services Agreement, clients may terminate the IASA with no penalty. After this period, a Client may terminate any of the aforementioned agreements at any time by notifying DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC in writing and paying for the time spent and progress made on the investment advisory engagement prior to notification of termination. If the client made an advance payment, DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC would refund any unearned portion of the advance payment.

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC will refund any unearned portion of the advance payment.

## **Item 5 - Fees and Compensation**

### **A Description**

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC bases its fees on a percentage of assets under management.

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC, in its sole discretion, may charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated additional assets, related accounts, account composition, negotiations with clients, etc.)

Financial plans are priced according to the degree of complexity associated with the client's situation.

All fees are negotiable.

### **B Fee Billing**

Investment management fees are billed monthly, **in arrears**, meaning that we invoice clients after the billing period has ended. Fees are deducted directly from accounts, and clients give consent in advance to the billing process through their IASA. Clients are encouraged to compare fees itemized on their custodial investment statements to their fee agreement.

Fees for financial plans are due upon delivery of the financial plan.

### **C Other Fees**

Custodians may charge transaction fees on trades of securities. No part of these fees is received by DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC.

### **D Prepaid Fees/Refunds**

As client fees are paid in arrears, there are no prepaid fees and/or refunds due.

### **E Davenport Watts & Drake Investment Advisors, LLC and its related persons do not accept compensation for the sale of securities or other investment products.**

### **Past Due Accounts and Termination of Agreement**

As fees are drawn directly from clients' investment accounts, there are no past due accounts.

However, DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC reserves the right to terminate any financial planning engagement where a client has willfully concealed or refused to provide pertinent information about

financial situations when necessary and appropriate, in DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC's judgment, to providing proper financial advice.

## **Item 6 - Performance-Based Fees**

### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC **does not** use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## **Item 7 - Types of Clients**

### **Description**

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC provides investment advice to individuals, businesses, qualified retirement plans, trusts, or charitable organizations.

Client relationships vary in scope and length of service.

### **Account Minimums**

The minimum account size is \$50,000.00 of assets under management.

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC has the discretion to waive the account minimum.

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

### **A Methods of Analysis**

Security analysis methods include fundamental analysis with decisions based on a company or fund's health, its competitive advantages and disadvantages, and its market. Therefore, we align ourselves with investment analysts who share this philosophy. They include Advisor Intelligence and Advisors Asset Management.

### **B Investment Strategies**

The primary investment strategies used on client accounts are strategic asset allocation with periodic rebalancing. In addition, portfolios are diversified to control the risk associated with markets. A long-term perspective is taken when considering investments, and income taxes are minimized when applicable.



The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client signs an Investment Policy Statement that documents their objectives and their desired investment strategy.

### **C Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Our investment approach constantly keeps the risk of loss in mind.

Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the

terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

#### **Item 9 - Disciplinary Information**

- A** We are required to disclose all material facts regarding any legal or
- B** disciplinary event that would be material to your evaluation of our firm
- C** or the integrity of our management. No principal or person associated with our firm has any information to disclose which is applicable to this Item.

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

##### **Financial Industry Activities**

- A** DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC is registered as an investment advisory firm. No members of the firm are registered, or have an application pending to register, as a broker-dealer.
- B** No members of the firm are registered, or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

##### **Affiliations**

- C** DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC does not have arrangements that are material to its advisory or its clients.
- D** with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or any entity that creates or packages limited partnerships.

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

##### **A Code of Ethics**

The employees of DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC have committed to a Code of Ethics that is available for review by clients and prospective clients. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

- B** DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC and related persons do not recommend to clients, or buy or sell for client accounts, securities in which the firm or related person has a material financial interest.

**Participation or Interest in Client Transactions**

- C** DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC *Policies & Procedures*.

**D Personal Trading**

The Chief Compliance Officer of DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC is Tom S. Davenport. He reviews all employee trades each quarter. His trades are reviewed by Henry M. Drake, Jr. The personal trading reviews ensure that the personal trading of employees do not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

**Item 12 - Brokerage Practices**

**A Selecting Brokerage Firms**

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on their need for such services.

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC does not receive fees or commissions from any of these investment arrangements.

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC does not participate in soft dollar or directed brokerage commission arrangements.

Through its relationships with custodians, DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS LLC receives certain services and products, such

as fundamental research reports, technical and portfolio analyses, pricing services, economic forecasting, and general market information, historical data base information and computer software that assist investment advisors' representatives in the investment management process. These soft dollar benefits are known as "safe harbor" benefits as described under section 28(e) of the Securities Exchange Act of 1934 and are available to all clients equally.

**B Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

**Item 13 - Review of Accounts**

**A Periodic Reviews**

Account reviews are performed as needed by the Investment Advisory Team. Account reviews are performed more frequently when market conditions dictate.

**B Review Triggers**

Conditions that may trigger additional account review include changes in the tax laws, new investment information, and changes in a client's own situation.

**C Regular Reports**

Account reviewers are members of the firm's Investment Advisory Team. They are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Investment clients receive periodic communications on at least an annual basis. The updates may include a net worth statement, portfolio statement, and a summary of objectives and progress towards meeting those objectives.

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

**A Incoming Referrals**

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

**B Referrals Out**

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

**Other Compensation**

We receive commissions from prior placements of insurance and, with two licensed insurance persons on staff, could represent our clients should future insurance be needed. If we choose to seek outside assistance with insurance placement, we will disclose any type of remuneration to the client. No other compensation is received.

**Item 15 – Custody****Account Statements**

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC may be deemed to have custody when directly deducting fees from client accounts but does not otherwise have custody of client assets.

Clients receive account statements from the custodian of their accounts. We encourage clients to carefully review their fee calculations and compare their fee agreement with the advisor fees itemized on the statement from the custodian.

**Item 16 - Investment Discretion****Discretionary Authority for Trading**

DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC accepts discretionary authority to manage securities accounts on behalf of clients. DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client approves the custodian to be used and any commission rates paid to the custodian. DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in your accounts on your behalf to promptly implement the investment policy that you have approved in writing.

## **Item 17 - Voting Client Securities**

### **Proxy Votes**

- A** DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC does not vote proxies on securities. Clients are expected to vote their own proxies.
- B** When assistance on voting proxies is requested, DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC will provide recommendations to the client. If a conflict of interest exists, it will be disclosed to the client.

## **Item 18 - Financial Information**

### **Financial Condition**

- A** DAVENPORT WATTS & DRAKE INVESTMENT ADVISORS, LLC does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.