

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

**Uwharrie Investment Advisors, Inc.**

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This wrap fee program brochure provides information about the qualifications and business practices of Uwharrie Investment Advisors. If you have any questions about the contents of this brochure, please contact us at 704-983-5959 or [mobrien@uwharrieIA.com](mailto:mobrien@uwharrieIA.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.

Uwharrie Investment Advisors, Inc. is registered as an investment advisor by the SEC. This registration does not imply a certain level of skill or training.

Additional information about Uwharrie Investment Advisors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 117592.

## **Item 2    Material Changes**

As a fiduciary, Uwharrie Investment Advisors, Inc. has the ongoing obligation to inform clients of any material information that could affect the advisory relationship. Since the last annual amendment filed on March 30, 2015, Uwharrie Investment Advisors, Inc. has had the following changes.

1. Strategic Investment Advisors, Inc. changed its name to Uwharrie Investment Advisors, Inc. effective July 1, 2015. The marketing name is Uwharrie Investment Advisors.
2. Quarterly performance for Asset Allocation Avenue Accounts will no longer be outsourced to Pershing LLC as of July 1, 2015. All performance reporting will be done by Uwharrie Investment Advisors, Inc. going forward.
3. All management fees for Asset Allocation Avenue Accounts were calculated and charged by Pershing LLC. through June 30, 2015 including the fee for the third quarter, 2015 that will be charged in early July, 2015. Uwharrie Investment Advisors will be responsible for calculating and charging the fees after the third quarter fee is charged.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## **Item 4 Services, Fees and Compensation**

Uwharrie Investment Advisors, Inc. (UIA) is a SEC-registered investment adviser with its principal place of business located in North Carolina. Uwharrie Investment Advisors, Inc. began conducting business in 1993 under the name of The Strategic Alliance Corporation. In 2000, the Firm was incorporated in the State of North Carolina as Strategic Investment Advisors, Inc. The Firm changed the 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, officers or members of the Investment Committee (i.e., those individuals and/or entities controlling 25% or more of this company, executive officers, or members of the Investment Committee):

- Christy Davis Stoner, CEO/Investment Committee/Director
- Martha Nan OBrien, SVP Operations/CCO/Investment Committee
- Roger Lee Dick, CEO/President Uwharrie Capital Corp/ Investment Committee
- Jeffrey Michael Talley, President/Investment Committee
- Misty Whitley Thornburg, AVP/Data Manager/Investment Committee
- Lorelei Virginia Misenheimer, EVP Retirement Plan Services
- Uwharrie Capital Corp

### **Services Provided**

The AAA Accounts are set up as a wrap account with one inclusive fee. Uwharrie Investment Advisors is the sponsor and manager of the wrap accounts. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We use an Investor Questionnaire to help determine a suitable model for the customer. Once the customer decides on the desired model, we have the customer sign an investment policy statement and a advisory agreement. The suitability is reviewed by a principal for approval. As appropriate, we may also review and discuss a client's prior investment history, as well as family composition, resources and background.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the models 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 form 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:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
<b>All models except CBP</b>	<b>1.80%</b>
<b>Conservative Bond Portfolio (CBP)</b>	<b>1.50%</b>

Our fees are billed quarterly, in advance, 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. 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.

Asset Allocation Avenue 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 AAA Account wrap fee covers the following services: trading in the account, custodian fees, broker dealer fees, and servicing of the account.

In addition to the wrap fee, the client may pay fees and expenses 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 our services. In that case, the client would not receive the services provided by our firm 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 our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

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.

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

## **Item 5 Account Requirements and Types of Clients**

Uwharrie Investment Advisors 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 this service. This account size may be negotiable under certain circumstances.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of five 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, we will pro rate the reimbursement according to the number of days remaining in the billing period.

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

Uwharrie Investment Advisors does not use outside, unaffiliated portfolio manager(s) for the Asset Allocation Avenue accounts. Our portfolio manager is an employee of UIA and all of his/her recommendations go before the Investment Committee.

### **Advisory Business**

Our firm provides portfolio management services to clients using the following model asset allocation portfolios. 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, we initially determine whether the model portfolio is suitable to the client's circumstances. Once we confirm suitability, the portfolio is managed based on the portfolio's goal, rather than on each client's individual needs. Clients retain individual ownership of all securities.

Our 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. The bond funds chosen for this portfolio are allocated by a risk parity method using only fixed income funds that meet a minimum acceptable return.

**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.

**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.

**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.

To ensure that our 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, we will:

1. 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, we will send the client the review by certified mail.
2. Review the client's portfolio in the annual meeting including the portfolio performance, the investments, the target asset allocations, and the current risk of the portfolio. We also discuss whether the client is comfortable with the risk of the portfolio and whether the client wishes to make any changes to withdrawals or contributions.
3. Be reasonably available to consult with the client.
4. Maintain client suitability information in each client's file.
5. Rebalance the account quarterly if an asset class is in variance by 5% or more from the target allocation.

Our 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)
- Mutual fund shares

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, tolerance for risk, liquidity and suitability.

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

We do not charge performance based fees or utilize side-by-side management

## **METHODS OF ANALYSIS**

### ***Mutual Fund and/or ETF Analysis***

We analyze the historical performance of the mutual fund or ETF using various statistics to determine if the fund manager has historically added value above a peer group benchmark over a period greater than three years and across various market conditions. We also look 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(s) in the client's portfolio. We also monitor the funds or ETFs quarterly in an attempt to determine if the manager is continuing to follow his/her stated investment policy.

If we determine that a manager is not consistently adding value above a peer group benchmark or if the manager is not following his/her stated investment policy, we conduct a managers' search to determine a replacement for the mutual fund or ETF. We gather information on the product in order to determine how the mutual fund or ETF compares to product peers and to a benchmark.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, 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 we do 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.

### ***Asset Allocation***

Rather than focusing primarily on individual securities selection, we attempt 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 Modern Portfolio Theory.

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:*** We analyze the historical performance of fixed asset mutual funds to determine the U-P ratio and the Omega statistic of the funds. The funds are then chosen that have the top U-P ratio subject to the Omega statistic being higher than the index. Then by 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 an overstatement of the return.

### **INVESTMENT STRATEGIES**

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

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

- we believe the securities to be currently undervalued, and/or
- we want 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, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

***Risk of Loss.*** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

### **VOTING CLIENT SECURITIES**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) 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.

We do not offer any consulting assistance regarding proxy issues to clients.

We 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 us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

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

We do not use outside portfolio managers; therefore, no client information is provided to portfolio managers that are not employed by our firm.

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

There are no restrictions on client contact with our firm or our investment advisor representatives.

### **Item 9 Additional Information**

#### **Disciplinary Information**

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

UIA does not have any legal or disciplinary events to disclose

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

**Uwharrie Capital Corp:** We are 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 a subsidiary of Uwharrie Capital Corp, our firm is under common ownership and control with several financial institutions, including the following with which we have a material business relationship (referred to collectively as the "Related Companies").

**Uwharrie Bank:** This 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 Uwharrie Investment Advisors are separately licensed as registered representatives of The Strategic Alliance Corporation (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, however, are not under any obligation to engage these individuals when considering the purchase/sale of securities.

### **Other Related Companies Information**

Where appropriate, Uwharrie Investment Advisors and our employees may recommend the various investment and investment-related services of the Related Companies to our advisory clients. The Related Companies and their employees may also recommend the advisory services of our firm to their clients. The services provided by the Related Companies are separate and distinct from our advisory services, and are provided for separate and additional compensation. There may also be arrangements between Uwharrie Investment Advisors and these Related Companies where Uwharrie Investment Advisors and/or the Related Companies and their employees receive payment in exchange for client referrals. No Uwharrie Investment Advisors client is obligated to use the services of any of the Related Companies.

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

Some management personnel and other employees of Uwharrie Investment Advisors are separately licensed as registered representatives of Private Client Services, LLC (PCS), a registered broker dealer and a member of FINRA or as insurance agents for various insurance companies through Private Client Services. 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 Uwharrie Investment Advisors' advisory clients for which these individuals will receive separate and additional compensation yet customary compensation for these transactions. Because of the relationship with PCS, 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 discretion of the client.

### **OTHER INFORMATION**

Related persons of our firm may spend as much as **30%** of their time on these related activities. While Uwharrie Investment Advisors and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, 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.B. Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

Clients should be aware that the receipt of additional compensation by Uwharrie Investment Advisors and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Uwharrie Investment Advisors endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our 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;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our 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**

Our 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.

Uwharrie Investment Advisors and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our 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, our 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. Our code also provides for oversight, enforcement and recordkeeping provisions.

Uwharrie Investment Advisors' Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we 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 our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [mobrien@uwharrieIA.com](mailto:mobrien@uwharrieIA.com), or by calling us at 704-983-5959.

Uwharrie Investment Advisors and individuals associated with our firm are prohibited from engaging in principal transactions.

Uwharrie Investment Advisors and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our 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 expressed policy of our firm that no person employed by us 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), related persons of our 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 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 our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our 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.
3. It is the expressed policy of our firm that no person employed by us 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.

Our firm requires prior approval for any IPO or private placement investments.

### **Review of Accounts**

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

These accounts are reviewed by:

Jeff Talley - President, Investment Advisor

Lori Misenheimer - EVP, Investment Advisor

Brooke Senter – Investment Advisor

David Gaskin - EVP, Investment Advisor

Michael Harwood – Investment Advisor

Robert B. Brannan – EVP, Investment Advisor

Kyle V. Eudy – Investment Advisor

In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, UIA provides quarterly reports summarizing account performance, balances and holdings.

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

Our firm may pay referral fees to affiliated persons ("Solicitors") for introducing clients to us for the UIA Managed accounts. The Solicitor is only allowed to make impersonal investment advice that involves directing the client to the firm. Currently no solicitor fees are being paid except nominal fees. No solicitor referral fees are paid for AAA accounts.

Uwharrie Capital Corp, the parent company of UIA, utilizes a system of referrals where representatives are paid a referral fee for making referrals for a bank product. Non-registered Uwharrie Capital Corp employees also are paid for making referrals for UIA, TSAC or BOS Agency. These fees are nominal fees in most cases. However, if a referral is made by an UIA employee to our affiliate bank that results in a business or consumer loan with an outstanding balance of \$25,000 or greater, the UIA employee will be paid a 20 basis points on the outstanding balance of the loan after each quarter-end.

It is Uwharrie Investment Advisors' policy not to accept or allow our 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 we provide to our clients.

### **Financial Information**

Uwharrie Investment Advisors has no financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Uwharrie Investment Advisors has not been the subject of a bankruptcy petition at any time during the past ten years.

