

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

**Uwharrie Investment Advisors, Inc.**

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This 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.

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.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	10
Item 6	Performance-Based Fees and Side-By-Side Management	12
Item 7	Types of Clients	13
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	13
Item 9	Disciplinary Information	15
Item 10	Other Financial Industry Activities and Affiliations	15
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	17
Item 12	Brokerage Practices	19
Item 13	Review of Accounts	22
Item 14	Client Referrals and Other Compensation	23
Item 15	Custody	24
Item 16	Investment Discretion	24
Item 17	Voting Client Securities	25
Item 18	Financial Information	25

## **Item 4     Advisory Business**

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 to Uwharrie Investment Advisors, Inc. effective July 1, 2015.

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

Uwharrie Investment Advisors offers the following advisory services to our clients:

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

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we recommend a model portfolio based on these discussions. During our data-gathering process, we determine the client's individual investment objectives, time horizon, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition, resources and background. We develop a client's personal investment policy statement (IPS) that describes in writing the investor's long-term goals, investment restrictions, the investment guidelines for the portfolio, and the responsibilities of the investor and the advisor. All new accounts are presented to the Investment Committee for review. Once the Investment Committee determines the suitability of a portfolio, we recommend a portfolio to the customer, and the customer accepts this recommendation by signing the investment policy statement. The portfolio is managed based on the portfolio's goal. Clients, nevertheless, have the opportunity to place reasonable restrictions on the types of investments to be held in their account or the asset classes to be included in the model.

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

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)
- Corporate debt securities
- Municipal debt securities
- US Treasuries and Agencies
- Mutual fund shares

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

We can provide limited financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. If a comprehensive evaluation is done, it is completed as part of the asset management process, and the client recommendations are included as part of the IPS developed for the client.

Our firm provides portfolio management services to clients using the following model asset allocation portfolios and risk parity portfolios or a combination of the two. Each model portfolio is designed to meet a particular investment goal. The models are sometimes adjusted to accommodate a customer restrictions or specific goals. The "Risk Parity" portfolios consist of two buckets - the Conservative Bond Portfolio which is invested in low risk mutual funds and the Optimal Risky Portfolio (ORP) developed using Modern Portfolio Theory. The "Classic" portfolios are invested in a diversified range of asset classes structured according to the underlying concepts of Modern Portfolio Theory.

In certain circumstances we will develop a bond portfolio. The Bond portfolio is based on an optimal bond investment strategy that takes into consideration the needs and constraints of the customer. These are developed on a limited basis.

**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.

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

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

**Conservative Classic Portfolio** - Designed for the cautious investor, one with a low risk tolerance and/or short time horizon. It is targeted toward the investor seeking investment stability and liquidity from the investable assets. This portfolio is different from the other conservative portfolio because the

allocation of the asset classes is determined using Modern Portfolio Theory. The main objective of a person in the conservative range is to preserve capital while providing income.

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

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

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

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

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

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 semi-annually with each UIA Managed Account client and request any updated information regarding changes in the client's financial situation and investment objectives. If a meeting cannot be arranged, the information will be sent to the client by certified mail or overnight delivery unless otherwise requested by the customer.
2. Review the client's portfolio in the semi-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. After the meeting with the client, the account is reviewed closely by the Portfolio Manager and he/she may rebalance the account in order to bring the account more in line with the target allocations.
3. Be reasonably available to consult with the client.
4. Maintain client suitability information in each client's file.
5. Send a quarterly statement to each client and encourage the client to compare the statement with the quarterly statements sent by the custodians.

6. Review the account quarterly and rebalance if an asset class is in variance by 5% or more from the model portfolios target exposure to a particular asset class.

### **ASSET ALLOCATION AVENUE ACCOUNTS (AAA Accounts)**

The AAA Accounts are set up as a wrap account and are typically smaller than the UIA Managed Accounts. 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 an 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.

We offer a wrap fee brochure to our wrap account clients. A wrap program participant should consider all of the information within the wrap fee brochure before participating in the wrap fee program.

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.

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. All of the AAA Portfolios are structured using Modern Portfolio Theory except for the Conservative Bond Portfolio.

**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. 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 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. In the annual meeting, we review the client's portfolio 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.

## **RETIREMENT PLAN CONSULTING SERVICES**

We also provide consulting services through our retirement plan area to various types of retirement plans, including, but not limited to profit sharing plans and 401(k) (or 403(b)) plans. We offer these services mainly to corporations or other business entities.

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

### **Employee Communications:**

For retirement, profit sharing and 401(k) plan clients with individual plan participants exercising control



over assets in their own account ("self-directed plans"), we may also provide quarterly enrollment support for the plan participants. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). The enrollment support will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

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

#### **Investment Policy Statement Preparation (hereinafter referred to as "IPS"):**

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

#### **Selection of Investment Vehicles:**

We recommend to the plan trustees a range of asset allocation models. We then recommend various mutual funds (both index and managed) to populate the models and to offer to the participants as individual investments. The plan trustees adopt our recommended models and investments.

#### **Monitoring of Investment Performance:**

We monitor the models and investments quarterly, based on the procedures and timing intervals delineated in the Investment Policy Statement. Although our firm is not involved in any way in the purchase or sale of these investments in non-discretionary accounts, we supervise the plan's models and investment options and will make recommendations to the client as market factors and the client's needs dictate.

### **Retirement Plans Affiliated with Unified Trust**

#### **Investment Policy Statement Preparation (hereinafter referred to as "IPS"):**

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

#### **Selection of Investment Vehicles:**

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

#### **Monitoring of Investment Performance:**

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

### **Role of Uwharrie Investment Advisors, Inc. in Unified Trust Plans:**

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

1. Consult with the Plan Sponsor concerning the plan design, plan objectives, ERISA fiduciary issues, and investment options.
2. Conduct meetings with eligible employees to provide information about the plan and to assist with the completion of forms.
3. Assist in obtaining plan information needed by Unified Trust to perform its services.

4. Meet with plan sponsors on a recurring and regular basis.
5. Other services as outlined in the UIA Client Services Agreement.

## **CONSULTING SERVICES**

Clients can also receive investment advice on a more focused basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. We also provide specific consultation and administrative services regarding investment and financial concerns of the client.

Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

## **AMOUNT OF MANAGED ASSETS**

As of 12/31/2014, we were actively managing \$149,492,306 of clients' assets on a discretionary basis.

## **Item 5 Fees and Compensation**

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

#### **UIA Managed Accounts**

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

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
<b>First \$500,000</b>	<b>1.50%</b>
<b>Next \$500,000</b>	<b>1.25%</b>
<b>Next \$1,000,000</b>	<b>1.00%</b>
<b>Next \$2,000,000</b>	<b>.75%</b>

#### **Conservative Bond Portfolio**

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
<b>First \$500,000</b>	<b>1.25%</b>
<b>Next \$500,000</b>	<b>1.00%</b>
<b>Next \$1,000,000</b>	<b>.75%</b>
<b>Next \$2,000,000</b>	<b>.50%</b>

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

Our fees are billed monthly, in arrears, based upon the market value of the client's account at the end of the previous billing period. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement, Schedule C.

A minimum of **\$250,000** of assets under management is required for this service. This account size may be negotiable under certain circumstances. Uwharrie Investment Advisors may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

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

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

Discounts, not generally available to our advisory clients, may be offered to clients who have a sizeable relationship with our affiliate bank.

### **Asset Allocation Avenue Accounts**

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

<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>

The fees are billed quarterly, in advance, based upon the market value of the client's account at the end of the previous billing period. Fees will be debited from the account in accordance with the client authorization in the Agreement for Asset Allocation Account. The fee for the Third Quarter, 2015 will be calculated and be debited by Pershing, LLC, but thereafter will be calculated by UIA using a portfolio management and reporting software system.

A minimum of **\$50,000** of assets under management is required for this service. This account size may be negotiable under certain circumstances.

Asset Allocation Avenue Account advisory fees are not negotiable.

### **RETIREMENT PLAN CONSULTING FEES**

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

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
<b>Any</b>	<b>.30% to 1.75%</b>

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

Plan sponsors are invoiced in arrears at the end of each calendar quarter by the record keeper.

## **CONSULTING SERVICES FEES**

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

## **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, 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 prorate the reimbursement according to the number of days remaining in the billing period.

***Mutual Fund Fees:*** All fees paid to Uwharrie Investment Advisors for investment advisory services are separate and distinct from the 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 or early redemption 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.

***Wrap Fee Programs:*** The Asset Avenue Allocation Account is a wrap fee program. In a wrap fee arrangement, clients pay a single fee for advisory services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

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

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to Uwharrie Investment Advisors' minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

***ERISA Accounts:*** Uwharrie Investment Advisors is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Uwharrie Investment Advisors may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees. Conversely, investment

advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees may be received only when such fees are used to offset Uwharrie Investment Advisors' advisory fees. UIA ensures oversight of third party services providers with regard to current disclosure requirements.

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

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

Uwharrie Investment Advisors does not charge performance-based fees.

## **Item 7 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

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

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**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.

**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 suitable 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 in an attempt to determine if the manager is continuing to follow his/her stated investment strategy.

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.

**Quantitative Analysis:** We use various statistical estimates as we 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 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:** We subjectively evaluate 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 investment committee may negatively effect what may be a suitable investment for a client's portfolio.

**Technical Analysis:** We analyze past market movements in an attempt to forecast long-term market outcomes. Our 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 which could negatively affect a client's portfolio.

**Cyclical Analysis:** Occasionally we may take into account the current market's place in a larger market cycle when making decisions regarding trading or model structure/development.

A risk of cyclical analysis is that we 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, we may take into account the current value of a security as well as the financial condition of a particular company. This fundamental analysis will allow us to determine potential asset performance when statistical data may not be available. This type of

analysis also allows us 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 timing of our decision may be inaccurate, subject to internal bias, or prove to be unreliable information.

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

## **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.

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

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

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

**Optimal Investment Strategy:** For our bond portfolios, we review the current value points of the nominal yields on the US Treasury and US Agency curves to determine the most valuable products using the Total Return methodology and a 3-year investment horizon.

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

## **Item 9 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.

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

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

#### **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 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 client information. 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. For business or consumer loans with Uwharrie Bank of \$25,000 outstanding or greater, our 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 our firm to their clients. The referral fees paid by Uwharrie Investment Advisors are nominal. The services provided by the Related Companies are separate and distinct from our advisory services, and are provided for separate and additional compensation. 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, LLC. 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.

### **Item 11 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.

## **Item 12 Brokerage Practices**

**Trade Aggregation:** Uwharrie Investment Advisors will block trades where possible and when

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

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

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Uwharrie Investment Advisors, or our firm's order allocation policy.
- 2) The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Uwharrie Investment Advisors to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) Uwharrie Investment Advisors' client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 9) Funds and securities for aggregated orders are clearly identified on Uwharrie Investment Advisors' records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another.

**Directed Brokerage:** Uwharrie Investment Advisors may recommend that UIA Managed Account clients and Asset Allocation Avenue Wrap Account ("AAA") clients establish brokerage accounts with Pershing Advisor Solutions LLC ("PAS"), an affiliate of Pershing LLC ("Pershing"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. PAS and Pershing are subsidiaries of the Bank of New York Mellon Company, Inc. Although we recommend that clients establish accounts at PAS and Pershing, it is the client's decision to custody assets with PAS and Pershing. Uwharrie Investment Advisors is independently owned and operated and not affiliated with PAS or Pershing. Because UIA only uses one custodial platform, a customer's request to use another custodian could result in the customer not being able to open an account with UIA.

The client may direct UIA to use a particular broker-dealer (subject to UIA's right to decline and/or terminate the engagement) to execute some or all transactions for the client's account. In such an event, the client will negotiate terms and arrangements for the account with that broker-dealer, and UIA will not seek better execution services or prices from the other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by UIA. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

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

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

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

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

PAS/Pershing also makes available to our firm other products and services that benefit Uwharrie Investment Advisors but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at PAS/Pershing.

PAS/Pershing's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- i. provide access to client account data (such as trade confirmations and account statements);

- ii. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. provide research, pricing and other market data;
- iv. facilitate payment of our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.

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

- i. compliance, legal and business consulting;
- ii. publications and conferences on practice management and business succession; and
- iii. access to employee benefits providers, human capital consultants and insurance providers.

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

## **Item 13    Review of Accounts**

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

#### **UIA Managed Accounts**

**REVIEWS:** While the underlying securities within Individual UIA Managed Accounts are continually monitored, these account statements are reviewed at least quarterly. Accounts are reviewed in more detail semi-annually when the representative meets with the customer. At this time, the client's stated investment objectives and guidelines are discussed as well as any investment restrictions provided by the client. 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 Vann Eudy – Investment Advisor

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

### **Asset Allocation Avenue Accounts**

**REVIEWS:** 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 Vann Eudy – Investment Advisor

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, Uwharrie Investment Advisors provides quarterly reports summarizing account performance, balances and holdings. We strongly urge clients to compare our quarterly reports with those reports provided by the custodian.

### **UWHARRIE INVESTMENT ADVISORS CONSULTING SERVICES**

**REVIEWS:** Uwharrie Investment Advisors will review the client's Investment Policy Statement (IPS) whenever the client advises us of a change in circumstances regarding the needs of the plan. Uwharrie Investment Advisors will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur annually.

For retirement plans under Unified Trust, Uwharrie Investment Advisors will review the plan with the Plan Sponsor on an annual basis.

These accounts are reviewed by:

Lori Misenheimer - EVP, Investment Advisor

**REPORTS:** Uwharrie Investment Advisors or Unified Trust will provide reports to clients based on the terms set forth in the client's Investment Policy Statement (IPS) and agreement.

### **CONSULTING SERVICES**

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

**REPORTS:** Consulting Services clients will not typically receive reports due to the nature of the

service.

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

### **CLIENT REFERRALS**

Our firm, in the future, may pay referral fees to affiliated persons ("Solicitors") for introducing clients to us. The Solicitor is only allowed to make impersonal investment advice that involves directing the client to the firm. As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral. The firm is in compliance with the requirements of the solicitation rule. Currently no solicitor fees are being paid by UIA except for nominal fees paid to affiliate employees.

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. This fee is nominal 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.

Uwharrie Investment Advisors complies with the Solicitation Rule by requiring a written agreement between the solicitor and the firm when the program is active.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from the UIA Managed client accounts and the Asset Allocation Avenue wrap accounts.

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

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

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our managed account clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place

trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

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

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

As previously disclosed in Item 4 of this brochure, our firm does not provide non-discretionary asset management services for the UIA Managed Accounts or the AAA Accounts. The firm does recommend portfolio models to the trustees of the participant directed retirement plans not affiliated with Unified Trust; however, the firm does not trade the participant accounts. In plans offered through Unified Trust, Unified Trust has trading discretion in the accounts.

## **Item 17 Voting Client Securities**

As a matter of 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 18 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.





