



Robert Harrell Incorporated  
8310 N Capital of Texas Highway, Building 1-320  
Austin, Texas 78731-1011

Office: (512) 795-9100  
Fax: (512) 795-0633

[www.harrell.com](http://www.harrell.com)

## FORM ADV, Part 2A

Dated: 03-09-2021

This brochure provides information about the qualifications and business practices of Robert Harrell Incorporated. If you have any questions about the contents of this brochure, please contact us at (512) 791-9500 or [rhi@harrell.com](mailto:rhi@harrell.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.

Robert Harrell Incorporated is an SEC-registered investment adviser. Using "registered investment adviser" or "registered" while describing the company or its employees does not imply a certain level of skill or training.

Additional Information about Robert Harrell Incorporated is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

### Material Changes

There are no material changes in this brochure from the last annual updating amendment of Robert Harrell, Incorporated on 03/13/2020. Material changes relate to Robert Harrell, Incorporated policies, practices or conflicts of interests only.

## Item 3: Table of Contents

## Table of Contents

### Form ADV Part 2A

	<u>Page</u>
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.....	8
Item 6: Performance-Based Fees and Side-By-Side Management .....	12
Item 7: Types of Clients .....	12
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss .....	12
Item 9: Disciplinary Information.....	15
Item 10: Other Financial Industry Activities and Affiliations .....	15
Item 11: Code of Ethics, Participation or Financial Interest in Client Transactions and Personal Trading .....	16
Item 12: Brokerage Practices .....	18
Item 13: Review of Accounts.....	19
Item 14: Client Referrals and Other Compensation .....	19
Item 15: Custody .....	19
Item 16: Investment Discretion.....	19
Item 17: Voting Client Securities .....	20
Item 18: Financial Information .....	21

## Item 4: Advisory Business

## Advisory Business

Robert Harrell Incorporated (RHI, Adviser) is a privately owned independent SEC-Registered Investment Adviser. In 1991, Robert L. Harrell founded RHI as President and Chief Executive Officer, and in 2009, Sandra Larsen-Harrell became President and majority shareholder. RHI is headquartered in Austin, Texas. Currently, RHI successfully meets the established requirements of the State of Texas Historically Underutilized Businesses (HUB) Certification and Compliance Program.

### *Advisory Services Offered*

RHI provides a full range of services for its individual and institutional clients, including high-net worth individuals; family limited partnerships; family offices; banks; public, corporate and Taft-Hartley employee benefit plans; endowments, foundations, charitable trusts. RHI's services are broadly defined as Supervisory Investment Services and Investment Consulting Services.

In 1988, the former research department of Lowry, Raclin, Harrell and Howerdd, Inc (LRHH), including Dr. James MacBeth and Dr. Dave Emanuel evolved into a research and technology firm, Empirical Modeling and Analytics, Inc. (EMA Softech). EMA Softech provided analytical and performance data to RHI until 2013. Currently, RHI receives performance data from Zephyr Associates, Inc and has brought performance analysis in-house. RHI continues to provide 4-factor performance analysis to its clients as it has since inception of the firm.

Since its inception, RHI has taken a highly proactive approach to portfolio risk monitoring, risk control, and manager communication. However, the firm's position is that quarterly reporting is not always sufficient for all clients. For this reason, RHI has adopted information systems which monitor investment management activity as frequently as on a daily basis. This allows RHI, as a fiduciary-level consultant, to stay abreast of changes which have an impact on the ability of an institution to meet its financial obligations.

In providing *Investment Consulting Services*, RHI works with the client to analyze and educate regarding Portfolio manager selection and retention, determining appropriate asset allocation mix, development of investment objectives and funding medium, performance evaluation, and record keeper evaluation and selection. Also, RHI provides quarterly portfolio evaluation reports to clients that include analysis of the comparative risk and return of each of their portfolio managers.

## Item 4: Advisory Business, cont'd

In providing *Supervisory Investment Services* to the client, RHI represents that it is a registered investment adviser under the Investment Advisers Act of 1940, and it qualifies as an investment manager under Section 3(38) of ERISA, as that it is a fiduciary to the client within the meaning of ERISA. RHI is authorized by the client to exercise its best judgment in investing, selling, and reinvesting the cash and securities in an account in its discretion. The client further authorizes RHI, through any of its officers or employees, to perform the following on a discretionary or non-discretionary basis.

1. To invest and reinvest in shares, stocks, bonds, notes and any other types of securities and/or obligations of every description issued or incurred by governmental bodies, corporations, mutual funds, trusts, associations, firms or other types of entities;
2. To take such action, or direct the custodian to take such action, as may be necessary or desirable to carry out the purposes and intents of the foregoing authorizations; provided, however, that RHI is not authorized to take custody of any assets, to borrow money, to pledge or hypothecate property in an account, to direct the delivery of securities by the custodian of payment, or to direct the payment of funds by the custodian other than against receipt by the custodian of payment, or to direct the payment of funds by the custodian other than against receipt by the custodian of securities therefore, except by direct authorization of the client in which RHI takes no custodianship.

RHI provides the following services to the client in the execution of its role as an Adviser.

- Investment Policy Review
- Custodian Evaluation and Selection
- Public and Private Investment Manager Evaluation and Selection
- Establish Investment Guidelines for Managers
- Alternative Asset Class Due Diligence
- Daily Monitoring of the Total Portfolio
- Quarterly Meetings with the Account Holders, Trustees, or Board Members (minimum)
- Quarterly Performance Analysis
- Portfolio Rebalancing to:
  - Maintain the allocation among managers and
  - Provide for distributions or benefit payments

Item 4: Advisory Business, cont'd

Upon election by the client, RHI may provide the following *Additional Services*.

*Alternative Asset Consulting*

As a complement to its general consulting business, RHI also maintains a dedicated alternative asset consulting practice that performs hands-on advisory services regarding real estate, private equity and other non-traditional asset classes. RHI focuses on providing its clients a combination of on-going education on the dynamic alternative market, fund manager selection, due diligence on real estate fund managers and real estate direct deal investments, as well as monitoring and reporting on all facets of the clients' alternative holdings.

RHI is also poised to perform special project assignments on a one-off basis including specialized due diligence projects and alternative asset portfolio reviews.

*Daily Monitoring of Investment Activity*

RHI worked with its clients to develop a daily monitoring system. The system includes a performance analyst downloading all of the holdings and trades from the prior trading day, running specific accounting rules against the data to identify any misallocation, breach of investment policy, and cash levels in each of the investment accounts and the funding account. For instance, the system verifies that adequate, not excessive, cash is held in the funding account ensuring that the client's available assets are traded by the professional managers. We monitor all activity on a daily basis which has proactively reduced past inefficiencies and dislocations.

*Individual Customization*

The clients of RHI receive fully customized information regarding their specific needs as a family or organization. Each client's specific information is weighed and examined as part of their experience with RHI. While working with RHI, clients operate with an Investment Policy Statement that is unique to their needs and identifies their security objectives and restrictions.

Item 4: Advisory Business, cont'd

*Wrap Fee Programs*

RHI does not participate in wrap fee programs.

*Discretionary versus Non-Discretionary Asset Management and Assets under Advisement*

As of December 31, 2020, RHI advised \$ 22,046,532.00 on a discretionary basis and \$ 730,296,205.00 on a non- discretionary basis totaling \$ 752,342,737.00 in Assets under Management. The firm does not manage Assets under Advisement.

## Item 5            Fees and Compensation

## Fees and Compensation

***Institutional Investment Consulting Services Fee***

The services provided under the fee schedule (titled "Institutional Investment Consulting Services Annual Fee Schedule") set forth above include evaluation of investment policy, portfolio manager selection and retention, performance evaluation and quarterly portfolio evaluation reports.

All fees are negotiable especially in cases in which the client's asset base is small relative to the minimum fee or the client elects to receive a limited level of service. Otherwise, all clients are subject to the Standard Fee Schedule unless, at management's discretion, a discount is offered in the early years to a prospective client for competitive reasons.

Institutional Investment Consulting Services Annual Fee Schedule:

Client Assets:	Fee:
Less Than \$15 Million	\$7,500 per Quarter
\$15 - \$30 Million	20% of 1%
\$30 - \$50 Million	15% of 1%
\$50 - \$100 Million	10% of 1%
Over \$100 Million	5% of 1%

Applicable fees are payable at the beginning of each calendar quarter. All financial advisory relationships are terminable at any time. Conventionally, clients are billed for fees incurred by invoice on a quarterly basis. Given proper authorization, RHI does offer the option to have the fees directly debited from the client's account for collection of its Investment Consulting Services Fee.

Clients are subject to more than one fee. As stated above, RHI receives a fee for services. However, investment vehicles, custodians, third-party administrators and Investment companies, such as mutual funds, money market funds, and separate account managers also charge a fee. These fees are fully disclosed to the client. Traditionally, fees charged by these money managers are operational and money management expense associated with their respective investment vehicles. Furthermore, most accounts are subject to some custodial, brokerage and transactional fees (Please see Item 12: Brokerage). Such charges will be in addition to the fees charged by RHI.

Clients pay fees in advance. If a client should terminate the relationship during a calendar quarter, any fees paid in advance will be prorated and proportionately returned by U.S Mail to the address of record upon the client's written request. Prorating for Terminating Accounts is calculated by the following formula: Fee Paid x {Days Remaining in Quarter / Total Number of Days in Quarter}.

No one employed by RHI receives compensation for selling securities or other investment products.



## Item 5 Fees and Compensation, cont'd

***Institutional Investment Supervisory Services Fee***

The services provided under the fee schedule (titled "Institutional Investment Supervisory Services Fee Schedule") set forth above include evaluation of investment policy, portfolio manager selection and retention, performance evaluation and quarterly portfolio evaluation reports. Additionally, Investment Discretion and Daily Monitoring of Investment Activity are included services under this fee schedule.

All fees are negotiable especially in cases in which the client's asset base is small relative to the minimum fee or the client elects to receive a limited level of service. Otherwise, all clients are subject to the Standard Fee Schedule unless, at management's discretion, a discount is offered in the early years to a prospective client for competitive reasons.

Institutional Investment Supervisory Services Fee Schedule:

Client Assets:	Fee:
Less than \$50 Million	\$25,000/Quarter
\$50 - \$100 Million	25% of 1%
\$100 - \$200 Million	20% of 1%
\$200 - \$500 Million	15% of 1%
\$500 - \$1 Billion	10% of 1%
Over \$1 Billion	5% of 1%

Applicable fees are payable at the beginning of each calendar quarter. All financial advisory relationships are terminable at any time. Conventionally, client accounts are billed for fees incurred on a quarterly basis. Given proper authorization, RHI does offer the option to have the fees directly debited from the client's account for collection of its Investment Supervisory Services Fee.

Clients are subject to more than one fee. As stated above, RHI receives a fee for services. However, investment vehicles, custodians, third-party administrators and Investment companies, such as mutual funds, money market funds, and separate account managers also charge a fee. These fees are fully disclosed to the client. Traditionally, fees charged by these money managers are operational and money management expense associated with their respective investment vehicles. Furthermore, most accounts are subject to some custodial, brokerage and transactional fees (Please see Item 12: Brokerage). Such charges will be in addition to the fees charged by RHI.

Clients pay fees in advance. If a client should terminate the relationship during a calendar quarter, any fees paid in advance will be prorated and proportionately returned by U.S Mail to the address of record upon the client's written request. Prorating for Terminating Accounts is calculated by the following formula: Fee Paid x {Days Remaining in Quarter / Total Number of Days in Quarter}.

No one employed by RHI receives compensation for selling securities or other investment products.

## Item 5 Fees and Compensation, cont'd

***Individual Investment Supervisory Services Fee***

The services provided under the fee schedule (titled "Individual Investment Supervisory Services Fee Schedule") set forth above include evaluation of investment policy, portfolio manager selection and retention, performance evaluation and quarterly portfolio evaluation reports.

All fees are negotiable especially in cases in which the client's asset base is small relative to the minimum fee or the client elects to receive a limited level of service. Otherwise, all clients are subject to the Standard Fee Schedule unless, at management's discretion, a discount is offered in the early years to a prospective client for competitive reasons.

Individual Investment Supervisory Services Fee Schedule:

Client Assets:	Fee:
Less than \$500,000	1.50%
Next \$1.5 Million	1.00%
Next \$3 Million	80% of 1%
Next \$5 Million	70% of 1%
Next \$10 Million	60% of 1%
Over \$20 Million	50% of 1%

Applicable fees are payable at the beginning of each calendar quarter. All financial advisory relationships are terminable at any time. Conventionally, client accounts are debited for fees incurred on a quarterly basis. Under certain circumstance, RHI may offer the option to have the fees billed by invoice for fees incurred.

Clients are subject to more than one fee. As stated above, RHI receives a fee for services. However, investment vehicles, custodians, third-party administrators and Investment companies, such as mutual funds, money market funds, and separate account managers also charge a fee. These fees are fully disclosed to the client. Traditionally, fees charged by these money managers are operational and money management expense associated with their respective investment vehicles. Furthermore, most accounts are subject to some custodial, brokerage and transactional fees (Please see Item 12: Brokerage). Such charges will be in addition to the fees charged by RHI.

Clients pay fees in advance. If a client should terminate the relationship during a calendar quarter, any fees paid in advance will be prorated and proportionately returned by U.S Mail to the address of record upon the client's written request. Prorating for Terminating Accounts is calculated by the following formula: Fee Paid x {Days Remaining in Quarter / Total Number of Days in Quarter}.

No one employed by RHI receives compensation for selling securities or other investment products.

## Item 5 Fees and Compensation, cont'd

***Additional Services Fee***

Due to the fully customizable nature of Additional Services, all fees are priced with consideration towards the specification of the service provided and are negotiable. Primarily these services focus around technology solutions. These services include:

- Data Aggregation
- Investment Overview Reports
- Custom Benchmarking
- Cash Flows Reports

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

RHI does not charge accounts using performance-based fees because of inherent conflicts of interests that could result in favoring accounts with these types of relationships.

## Item 7 Types of Clients

RHI provides a full range of services for its individual and institutional clients, including high-net worth individuals; family limited partnerships; family offices; public, corporate and Taft-Hartley employee benefit plans; endowments, foundations and charitable trusts.

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

### Methods of Analysis, Investment Strategies and Risk of Loss

#### ***Methods of Analysis and Investment Strategies for Services provided through RHI***

RHI supplies comprehensive and general investment advice to its clients by assisting and educating the client regarding asset allocation modeling, performance-based analytics, the role of a fiduciary, and manager selection. It is the goal of RHI to provide clients with an understanding of their present levels of risk while experiencing higher levels of risk-adjusted returns (alpha) through the funds or managers selected. RHI's due diligence process includes on-site visits and conference calls with the investment managers and investment companies charged to manage the assets of the portfolio, including the following methods of analysis:

#### ***Manager Risk Reporting and Profiling***

RHI provides mutual fund and separate account manager risk reports for analyzing or monitoring of clients' portfolios in order to gain as much understanding of the risk/return trade-off within a portfolio as possible. We utilize a proprietary model in the tradition of Eugene Fama and Kenneth French to help determine whether the manager's stock selection skill (alpha), had a positive or negative impact on the portfolio.

We measure manager's risk exposures and risk-adjusted returns with high precision using advanced financial-economic methodologies based on the academic and industry-proven multi-factor approach developed by Fama and French.

#### ***Multi-Factor Analysis***

Based upon modern financial economics, RHI uses the advanced multi-factor Fama-French methodology to measure managers' exposures to the risk factors in stock and bond markets and their alphas.

#### ***Manager Screening***

Evaluates each manager based upon their performance alpha, or risk-adjusted return. A manager's evaluation combines: their alpha, their alpha's signal-to-noise ratio, and proportion of months that their alpha is positive. RHI's evaluations are computed within a manager's style peer group.

- Managers characteristics, such as:

Item 8                    Methods of Analysis, Investment Strategies and Risk of Loss, cont'd

- Asset class
- Investment category
- Sub-category
- Assets under management
- Manager tenure
- Turnover
  
- Risk and performance variables, including:
  - Risk exposure
  - Alpha
  - Alpha peer group rank

*Portfolio Monitoring*

RHI monitors and tracks the performance and investment style of the managers in our clients' portfolios. Any significant changes in their performance or style are detected and reviewed.

*Funding Studies*

Funding Studies allows RHI to produce a concise and effective report for a client's investment committee, to help determine an appropriate asset mix and spending rule given a particular level of risk. Oftentimes the funding study is the first significant investment-planning step in the management of the foundation's assets. The report includes a comparison of the current portfolio against a proposed mix, including modeling various spending rules to simulate what the impact of spending more, or less, or taking on more or less risk might be on the fund. Also, we review the effect of simulating the impact of higher inflation rates to a portfolio over time utilizing a mean-variance optimization and Monte Carlo simulation.

*Asset Liability Studies*

RHI provides comprehensive and effective reports for a defined-benefit plan's investment committee that will help determine an appropriate asset mix to meet future liabilities. Oftentimes, the asset liability study becomes a part of the investment policy statement in determining a targeted rate of return. The final report includes a comparison of the current portfolio against alternative asset mixes and strategies. Alternatives include traditional modern portfolio theory and liability-driven investing. The report utilizes a simulation of the impact of higher inflation rates and actuarial changes to a portfolio over time. This process also utilizes mean-variance optimization and Monte Carlo simulation to create the reports.

**General Risk of Loss Statement**

Prior to investing in investment securities, clients of RHI should consider the following.

- Investing in securities involves risk of loss, including the loss of principal.
- All securities markets experience varying degrees of volatility.

## Item 8                      Methods of Analysis, Investment Strategies and Risk of Loss, cont'd

- The portfolio value may fluctuate at any given time and may be worth more or less than the amount originally implemented.
- Past performance is not indicative of future performance.

### *Mutual Funds (Open-end Investment Company)*

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The combined holdings the mutual fund owns are known as its portfolio. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads). Some of the risks of mutual funds include having to pay taxes on any capital gains distribution the investor receives even if the fund goes on to perform poorly after the investor buys shares or lack of real-time prices, as mutual funds typically only calculate their NAV once every business day, typically after the major U.S. exchanges close.

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories—money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

### *Tax Consequences of Mutual Funds*

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and unless the investor makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. In addition to owing taxes on any *personal capital gains* when the investor sells shares, the investor may also have to pay taxes each year on the *fund's capital gains*. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that cannot be offset by a loss.

### *Money Market Funds*

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high-quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV)—which represents the value of one share in a fund—at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why “inflation risk”—the risk that inflation will outpace and erode investment returns over time—can be a potential concern for investors in money market funds.

## Item 8                    Methods of Analysis, Investment Strategies and Risk of Loss, cont'd

### *Bonds and Bond Funds*

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high-quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards. Some of the risks associated with bond funds include credit risk, interest rate risk, and prepayment risk. Additionally, these risks also apply to individual stocks, including concentration risks and lack of diversification.

### *Stocks and Stock Funds*

Although a stock's or stock fund's value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments—including corporate bonds, government bonds, and treasury securities. Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services. Additionally, these risks also apply to individual stocks, including concentration risks and lack of diversification.

### *Exchange Traded Funds (ETFs)*

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) whose primary objective is to achieve the same return as a particular market index. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market index. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, ETF prices may be affected by the prices of the underlying securities or the overall market. ETF prices that track a particular sector may be affected by factors affecting that particular industry segment.

## Item 9                    Disciplinary Information

Neither RHI nor any management person of RHI has been named in a legal or disciplinary event that is material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

## Item 10                  Other Financial Industry Activities and Affiliations

No employee or management person of RHI is registered, or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

No employee or management person of RHI is registered, or has an application pending to register as a futures commission merchant, commodity pool operator or a commodity trading advisor.

No employee or management person of RHI is affiliated with or has an arrangement with another financial industry entity or activity.

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

## Code of Ethics

The Robert Harrell Incorporated (RHI) Code of Ethics was adopted pursuant to SEC rule 204A-1 and applies to “supervised person” i.e. directors, officers and employees of RHI as well as “access person” i.e. any of RHI's supervised persons who provide advice on behalf of the adviser and are subject to RHI's supervision and control; who have access to nonpublic information regarding clients' purchase or sale of securities, or nonpublic information regarding the portfolio holding of any fund; or are involved in making securities recommendations to clients, or have access to such recommendations that are nonpublic. Upon written request, clients may receive a copy of RHI's Code of Ethics. The purpose is to deter wrongdoing by promoting:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission (the “SEC”) and in other public communications made by the Company;
- Avoidance of conflicts of interest, including disclosure to an appropriate person or persons identified in the Code of any material transaction or relationship that reasonably could be expected to give rise to such a conflict;
- Compliance with applicable federal securities laws: the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Investment Company Act of 1940, the Advisers Act, Title V of the Gramm-Leach-Bliley Act, any rules by the commission under any of these statutes, the Bank Secrecy Act as it applies to mutual funds and investment advisers, and any rules adopted thereunder by the Commission or the Department of the Treasury.
- Prompt internal reporting of suspected violations to an appropriate person or Persons; and
- Accountability for adherence to the Code.

### *Participation or Financial Interest in Client Transactions*

No employee or management person of RHI recommends to clients, buys or sells, securities which we have direct material financial interest.

### *Personal Trading*

Personal securities trading applies to employee, related and supervised person and access person and include person's immediate families (including any relatives by blood or marriage living in the employees' household). Personal securities trading account is any account in which the employee, supervised person or access person has a direct or indirect beneficial interest (such as a trust). Employees are required to report their personal securities transaction report to the Chief Compliance Officer (CCO) on a quarterly basis and each transaction report must contain the date of the transaction, the title, and as applicable the exchange ticker symbol or CUSIP number, interest rate and maturity date and number of shares of each reportable security involved. The nature of the transaction i.e. purchase, sale or any other type of acquisition or disposition, the price of the security at which the transaction was effected, the name of the broker dealer or bank with or through which the transaction was effected and



Item 11            Code of Ethics, Participation or Financial Interest in Client Transactions and Personal Trading, cont'd

the date that the report was submitted. The report must be submitted no later than 30 days after the end of each calendar quarter.

*Personal Trading Oversight and Monitoring*

When client securities trades are being placed or recommendations are being made, access persons are not permitted to place personal securities trades and must disclose their intention to participate in the same security to the CCO. The length of such periods and the persons or categories of persons to whom they apply, will vary to meet the nature and practices of RHI. The period imposed could be for the day or a number of calendar days where trades in a client portfolio are taking place. Traditionally, RHI makes recommendations for investment companies or separate account managers to its Clients. These types of investments do not create conflicts of interest if employees and clients invest at or about the same time because of the nature of pooled investments.

Employees are required to obtain approval from the CCO before directly or indirectly acquiring beneficial ownership in any security in an initial public offering or in a limited offering.

## Item 12 Brokerage Practices

## Brokerage Practices

*Research and other Soft Dollar Benefits*

RHI has no particular preference as to which Custodian or Broker-Dealer a client chooses to use. In the absence of a relationship from the client, RHI may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member FINRA SIPC, the Institutional Wealth Services division of Fidelity Investments, LLC (Fidelity), a SEC registered broker-dealer, members NYSE, SIPC, or Interactive Brokers LLC, a registered Futures Commission Merchant ("FCM") to maintain custody of clients' assets and to effect trades for their accounts. RHI is independently owned and operated and not affiliated with Schwab, Fidelity or Interactive Brokers LLC. RHI does not receive any "Soft Dollar Benefits" from Schwab, Fidelity, Interactive Brokers LLC or any other Broker-Dealer; we receive technical and administrative access to their institutional trading and custody services, which are typically not available to their retail investors. These services generally are available to Independent Investment Advisers on an unsolicited basis, and are not otherwise contingent upon Adviser committing to either broker-dealer any specific amount of business (assets in custody or trading). Schwab, Fidelity and Interactive Brokers LLC services include brokerage (best execution practices), 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.

For clients' accounts maintained in their custody, the broker-dealers recommended generally do not charge separately for custody but are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed or settled by the broker-dealer. These broker-dealers typically make available to RHI other products and services that may benefit RHI, but may not directly benefit its clients' accounts. Some of these other products and services assist RHI in maintaining and administering clients' accounts, increasing the serviceability of the accounts. These benefits include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of RHI's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting.

While as a fiduciary, RHI endeavors to act in its clients' best interests, and RHI only recommends these custodians to clients who do not have a preference. RHI is confident that these transaction fees, when paid, are competitive with those charged by other discount brokers. Additionally, RHI does not believe that any clients have not received the most favorable execution, particularly because we typically recommend the purchase of investment companies/mutual funds through Schwab, Fidelity or Interactive Brokers LLC.

Neither Schwab, Fidelity, Interactive Brokers LLC or any other Broker-Dealer refers clients to RHI.

### Item 13            Review of Accounts

Accounts are monitored on an ongoing basis and reviewed on a quarterly basis. The reviewer of the accounts will be the Investment Policy Committee ("IPC"). IPC will review the portfolios of the consulting and supervisory assets. IPC meets at least twice per month to review the following: investment markets, perceived macroeconomic investment risks, firm asset trends, firm-level holding concentrations, client investment results, and model portfolio investment results/allocations/strategies. Additionally, the employees will review his/her accounts at least annually with oversight from the IPC. Members of IPC are: Robert Harrell, CEO; Sandra Larsen Harrell, President; William Harrell, Senior Vice President and Chief Compliance Officer.

#### *Account Reporting*

Clients of RHI receive written consolidated reports on a quarterly basis. Additionally, the client should receive a monthly statement from their custodian every month during which there was activity in their account(s).

### Item 14            Client Referrals and Other Compensation

#### *Other Compensation*

Neither RHI nor any of our employees receives any economic benefit, sales awards or other prizes from any outside parties for providing investment advice.

#### *Client Referrals*

RHI may compensate persons or firms for client referrals in compliance with the Investment Advisers Act and state securities rules and regulations. The fees paid to referral sources do not affect the fees clients pay to the RHI. In each instance, a written agreement will exist between the Adviser and the referral source. At the time of a referral, prospective advisory clients will receive RHI's ADV Part 2A and a Solicitor's Disclosure Document. The Applicant has established policies and procedures to ensure that its solicitation activities are compliant with the requirements under Rule 206(4)-3 of the Investment Advisers Act.

### Item 15            Custody

RHI does not take custody of client's securities or funds in any way. Further, client securities and funds are always held in the name of the client.

### Item 16            Investment Discretion

RHI does accept discretionary investment authority at the request and acceptance of the client. Prior to assuming discretionary authority, clients are provided an Investment Advisory Agreement and ADV Part 2A and 2B. By signing the agreement, clients grant RHI discretionary investment authority.

Clients also complete our Investor Profile or other confidential information for our records. This information is for us to assess how to prudently implement our discretionary authority.

## Item 17            Voting Client Securities

Robert Harrell Incorporated (RHI) (Adviser) does not traditionally buy individual securities for their client's accounts. In client relationships where Robert Harrell Incorporated has discretionary authority over the investments being made, RHI invests the client's assets in either mutual funds, commingled or pooled funds, or separate accounts at an investment management firm (IMF). In these investments, the IMF is responsible for voting proxies on the individual securities being held in their portfolio in the best interest of their clients.

However, in most discretionary client relationships, RHI does have proxy voting authority on any proxies issued by the mutual fund investments themselves. Additionally, there may be circumstances where clients may want RHI to advise on one or more individual securities in their account and vote proxies on the security(ies) on their behalf. These are the situations to be addressed in these policies.

### *Voting Proxy Policies*

The ultimate goal in voting on any proxy is to vote in which ever manner is in the best interest of the client. Client proxies that are received by the Adviser will be voted, unless the Adviser deems that it is in the best interest of the client not to vote the proxy. The first step in meeting this goal is to remain informed by monitoring the mutual funds and corporate actions. This monitoring function will be implemented by the Adviser's reading of financial newspapers, weekly's, trade journals and magazines, web based research and the viewing of financial media. Additionally, the proxy material itself tends to contain detailed information on the nature of the proxy being voted.

For individual securities that RHI may be advising for a client, RHI will always vote with management regarding changes in directors or accounting firms. For broader issues, such as corporate governance matters, changes to capital structure, compensation and benefit issues, and social and corporate responsibility issues, RHI will vote with management unless it is clear that doing so will be detrimental to the company's stock price, and hence not in the best interest of the client.

For mutual fund proxy voting, RHI will always vote against any issue that will lead to higher shareholder expenses and will always vote against a proposal to change a fund's fundamental investment strategy. For other issues, RHI will vote with management unless it is clear that doing so will significantly alter the fund's investment strategy, or in some other form, not be in the client's best interest.

RHI's Investment Policy Committee will be responsible for monitoring mutual fund activity and corporate actions, making the voting decisions and submitting the proxies in a timely manner upon receipt of the proxy materials.

In situations where a conflict of interest arises between the Adviser and the proxy being voted (i.e., where the Adviser has a relationship with the company involved or has a financial interest in the outcome of a vote), the conflict of interest will be disclosed to the client and client consent will be received in writing before a vote is cast.

Upon written request, clients may receive a copy of RHI's formal Proxy Voting Policies and Procedures. Requests must be mailed, as RHI is required to maintain a record of all client requests.

The Adviser will maintain records of proxy statements received, votes cast, communications received and all documents created that were material to the voting decision and a record of each client's written request for proxy voting records, as well as the Advisers written response to these requests for a minimum of five years.

Item 18            Financial Information

RHI does not require any client to prepay more than 3 months in advance. Additionally, RHI does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.