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

### **The Brochure**

**Updated: March 2020**

This brochure provides information about the qualifications and business practices of Holderness Investments Company (Holderness). If you have any questions about the contents of this brochure, please contact us at (336) 574-1400. 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 Holderness Investments Company is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Item 2: Statement of Material Changes to Form ADV**

Since our last Part 2A Form ADV amendment filing in March of 2019, Holderness has made the following material changes to its brochure:

- In Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss), Holderness removed disclosures related to short-selling as an investment strategy and the risks related to short-selling. Holderness does not recommend short-selling and does not anticipate conducting any short-selling unless it is done so at a client's request.
- In Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss), Holderness included a description of risks related to businesses, terrorism and catastrophes.
- In Item 12 (Brokerage Practices), Holderness has amended its disclosure describing its aggregated trading process.

A copy of Holderness's complete Form ADV Brochure and Brochure Supplement is available without charge by contacting Holderness at (336) 574-1400 or at our website [www.holdernessinvestments.com](http://www.holdernessinvestments.com). Additional information about Holderness is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### Item 4: Advisory Business

Holderness primarily provides customized investment management services to high-net-worth individuals and associated trusts, estates, pension and profit sharing plans, and other legal entities. Holderness generally invests client assets in domestic and international stocks, bonds, mutual funds, and exchange traded funds (“ETFs”).

Holderness works with each client to establish an appropriate Investment Profile. Holderness will work with Client’s to document their respective Investment Profile, including:

- A description of the Client’s situation, risk profile, and objectives;
- Explanation of the investment strategy that will be pursued; and
- Documenting any guidelines and/or restrictions.

Holderness was founded in 1995 and is owned by Richard Holderness. As of **December 31, 2019**, Holderness managed approximately **\$306,096,753** on a discretionary basis and approximately **\$7,333,414** on a non-discretionary basis.

#### Item 5: Fees and Compensation

##### General

Holderness charges most of its clients an annual investment management fee based on the following schedule:

	Assets Under Management	Annual Fee
First	\$ 3,000,000	1.00%
Next	\$ 3,000,000	.75%
Next	\$ 3,000,000	.60%
Next	\$ 3,000,000	.50%
Next	\$ 10,000,000	.40%

Holderness has the right to waive or negotiate lower fees depending on the circumstances.

Holderness charges fees quarterly in arrears based on an accounts average daily balance during the quarter. The account value upon which the fee is based will include the current fair market value of all your investments managed by Holderness. These may include mutual funds, ETFs, fixed annuity accounts, stocks, bonds, and other securities as noted above in the Advisory Business section. Most clients authorize Holderness to deduct fees automatically from their brokerage accounts, but clients may request that Holderness send quarterly invoices to be paid by check.

If a client terminates the investment management agreement with Holderness in the middle of a billing period, Holderness will invoice the client for an amount that is pro-rated based on the account’s average daily balance and the number of days that the account was managed during that quarter.

In addition to Holderness’s investment management fees, clients bear trading costs and custodial fees. To the extent that clients’ accounts are invested in mutual funds and/or ETFs, these funds pay a separate layer of management, trading, and administrative expenses.

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

Holderness does not charge any performance fees. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures.

However, these conflicts of interest are not applicable to Holderness.

## **Item 7: Types of Clients**

Holderness primarily provides customized investment management services to high-net-worth individuals and associated trusts, estates, pension and profit sharing plans, and other legal entities. Holderness's minimum account size is generally \$1,000,000, but this amount is negotiable.

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

The Holderness Investment Team works to conduct fundamental analysis on all investments recommended for client accounts. This analysis varies depending on the investment in question. Our investment selection process is rooted in an in-depth bottom-up company analysis while acknowledging our consensus macroeconomic outlook. Our investment team utilizes multiple tools to screen for investment ideas and ongoing company analysis.

For stocks and bonds the analysis generally includes a review of:

- The issuer's management;
- The amount and volatility of past profits or losses;
- The issuer's assets and liabilities, as well as any material changes from historical norms;
- Prospects for the issuer's industry, as well as the issuer's competitive position within that industry; and
- Any other factors considered relevant.

For mutual funds and ETFs, the analysis generally includes a review of:

- The fund's management team;
- The fund's historical risk and return characteristics;
- The fund's exposure to sectors and individual issuers;
- The fund's fee structure; and
- Any other factors considered relevant.

The Holderness Investment Team meets periodically to discuss applicable topics, such as investment ideas, economic developments, current events, investment strategies, and client holdings. The Investment Team consists of Richard Holderness, the Chief Investment Officer, Kim Cummings, Ken Shahbaz, and Sheila Falls. Investments are evaluated independently, as well as in the context of clients' existing holdings and sector exposures.

Holderness primarily invests for relatively long-term horizons, often for 2 years or more. However, market developments could cause Holderness to sell securities more quickly.

Depending on a client's investment objectives, Holderness may recommend warrants, commercial paper, certificates of deposit, interests in partnerships, commodities, buying or writing of options, or purchasing fixed or variable annuities.

All investing involves a risk of loss.

### **Investment Strategies we offer include:**

#### **Custom Portfolio Management**

Since our founding, we have specialized in custom portfolio management. The process begins with an evaluation of each client's goals and risk profile. Normally, Holderness maintains discretionary trading authority over the account and makes buy/sell decisions based on our research conclusions. Holderness can customize these investments based on a client's specific requests (e.g., investing in a specific sector/stock). Client service is handled by the Holderness team, and we can cater to unique client needs through cash management or trading services. Clients are scheduled for reviews of their performance and investment goals and may call our office at any time to discuss their accounts. Holderness will also maintain non-discretionary accounts for clients under this solution if they have existing investments they would like to hold.

## Vision Tactical Strategies

These actively managed model portfolios are designed to utilize a strategic and diversified mix of asset classes to establish a core portfolio. This solution is thematic and derived from our macroeconomic outlook. The portfolios are constructed in response to our overall market viewpoint, so that the allocation may take advantage of tactical opportunities within the various asset classes. Clients will be able to choose one of five portfolios based on their risk profile. Those models are Equity, Growth, Balanced, Conservative, and Fixed Income. The portfolios are dynamic in that rebalancing will be utilized to maintain target allocations. Each portfolio generally holds ETFs.

## Third-Party Investment Managers

Holderness may recommend clients use the investment advisory services of professional portfolio management firms for the individual management of client accounts. Holderness will assist clients in identifying a Third-party Portfolio Manager. The Third-Party Portfolio Manager manages client's assets on a discretionary basis. Holderness will provide initial and ongoing assistance regarding the Third-Party Portfolio Manager selection process. The Third-Party Portfolio Manager may have a minimum account value (e.g., \$100,000) that is required for a client to invest with them.

## Risk of Loss - General

**All investing involves a risk of loss** and the investment strategy offered by Holderness could lose money over short or even long periods of time. Performance could be negatively impacted by a number of different market risks including, but not limited to, that portfolio management techniques used by Holderness may not produce the desired results. This could cause accounts to decline in value. In addition, Holderness may rely on information that turns out to be erroneous. Holderness selects investments based, in part, on information provided by issuers to regulators or made directly available to Holderness by the issuers or other sources. Holderness is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and may result in losses.

- Potential Risks of Investing in Stocks, Mutual Funds, ETFs and Bonds:

**Stock Market Risk** - Stock market risk is the possibility that stock prices overall will decline over short or extended periods. Investing in small- and medium-sized companies involves greater risk and more price volatility than is customarily associated with more established companies. Stocks of such companies may be subject to more volatility in price than larger company securities.

**Foreign Securities Risk** - Foreign securities are subject to the same market risks as U.S. securities, such as general economic conditions and company and industry prospects. However, foreign securities involve the additional risk of loss due to political, economic, legal, regulatory, and operational uncertainties; differing accounting and financial reporting standards; limited availability of information; currency conversion; and pricing factors affecting investment in the securities of foreign businesses or governments.

**Interest Rate Risk** - Bonds also experience market risk as a result of changes in interest rates. The general rule is that if interest rates rise, bond prices will fall. The reverse is also true: if interest rates fall, bond prices will generally rise.

A bond with a longer maturity (or a bond fund with a longer average maturity) will typically fluctuate more in price than a shorter term bond. Because of their very short-term nature, money market instruments carry less interest rate risk.

**Credit Risk** - Bonds and bond mutual funds are also exposed to credit risk, which is the possibility that the issuer of a bond will default on its obligation to pay interest and/or principal. U.S. Treasury securities, which are backed by the full faith and credit of the U.S. Government, have limited credit risk, while securities issued or guaranteed by U.S. Government agencies or government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government may be subject to varying degrees of credit risk. Corporate bonds rated BBB or above by Standard & Poor's are generally considered to carry moderate credit risk. Corporate bonds rated lower than BBB are considered to have significant credit risk. Of course, bonds with lower credit ratings generally pay a higher level of income to clients.

**Liquidity Risk** - Liquidity risk exists when a particular security is difficult to trade. A mutual fund's investment in illiquid securities may reduce the returns of the mutual fund because the mutual fund may not be able to sell the assets at the time desired for an acceptable price, or might not be able to sell the assets at all.

**Call Risk** - Many fixed income securities have a provision allowing the issuer to repay the debt early, otherwise known as a "call feature." Issuers often exercise this right when interest rates are low. Accordingly, holders of such callable securities may not benefit

fully from the increase in value that other fixed income securities experience when rates decline. Furthermore, after a callable security is repaid early, a mutual fund would reinvest the proceeds of the payoff at current interest rates, which would likely be lower than those paid on the security that was called.

**Objective/Style Risk** - All mutual funds are subject, in varying degrees, to objective/style risk, which is the possibility that returns from a specific type of security in which a mutual fund invests will trail the returns of the overall market.

**U.S. Government Agency Securities Risk** - Securities issued by U.S. Government agencies or government-sponsored entities may not be guaranteed by the U.S. Treasury. If a government-sponsored entity is unable to meet its obligations, the securities of the entity will be adversely impacted.

**ETF Risk** - Clients may invest in ETFs which may, in turn, invest in equities, bonds, and other financial vehicles. ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Clients could invest in an ETF to gain exposure to a portion of the U.S. or foreign market. Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral, and the liquidity of the supporting collateral. Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

- Potential Risks related to Cybersecurity:

Holderness and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage or interruption from computer viruses, network failures, computer and telecommunications failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. A cybersecurity breach could expose both Holderness and its clients to substantial costs (including, without limitation, those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, the dissemination of confidential and proprietary information and reputational damage), civil liability as well as regulatory inquiry and/or action. While Holderness has established a business continuity plan in the event of, and risk management strategies, systems, policies and procedures to seek to prevent, cybersecurity breaches, there are inherent limitations in such plans, strategies, systems, policies and procedures including the possibility that certain risks have not been identified.

- Potential Risks Related to Business, Terrorism and Catastrophes.

Clients will be subject to the risk of loss arising from exposure that may incur, indirectly, due to the occurrence of various events, including hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events such as a pandemic. These catastrophic risks of loss can be substantial and could have a material adverse effect on Holderness's business and client portfolios including investments recommended by Holderness.

## **Item 9: Disciplinary Information**

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

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

Holderness Asset Solutions, LLC, an affiliated entity, provides alternative insurance based solutions for clients. The managing members of the LLC are Richard Holderness and Kim Cummings. Our employees may be licensed as insurance agents for Holderness Asset Solutions, LLC. In this capacity, they can effect transactions in insurance products for clients and earn commissions for the affiliate LLC for these activities. The fees clients pay to Holderness for advisory services are separate and distinct from the commissions earned for insurance related activities. This presents a conflict of interest because Holderness may have an incentive to recommend insurance products to for the purpose of generating commissions rather than solely based on client needs. However, clients are under no obligation, contractually or otherwise, to purchase insurance products through any person or entity affiliated with Holderness. Clients are advised that similar insurance services are available elsewhere.

Intercarolina Financial Services, Inc. (Intercarolina) is a registered broker-dealer registered with FINRA and the SEC. As a broker-dealer, Intercarolina transacts business in various types of securities, including mutual funds, stocks, bonds, commodities, options, private and public partnerships, variable annuities, and other investment products. Our employees may be registered representatives of Intercarolina, and will receive commissions for selling investment products to clients. A conflict of interest exists since an employee has an incentive to recommend products that pay commissions. Our employees do not receive commissions when providing investment advisory services through us.

Holderness does not engage in providing accounting and tax services to clients. However, certain Holderness representatives, in their individual capacities, may be licensed Certified Public Accountants, and may provide accounting and tax services. Clients can engage these representatives to provide accounting and tax services. Any activity by your investment adviser representative as a Certified Public Accountant or in providing accounting and tax services is separate from and outside of his or her role on behalf of Holderness. You should understand that Holderness does not review, approve nor supervise your investment adviser's representative's recommendations as a Certified Public Accountant or provider of accounting and tax services.

Other than the conflicts mentioned above, Holderness and its employees do not have any other relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

Holderness has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires Holderness and its employees to:

- act in clients' best interests
- abide by all applicable regulations
- avoid even the appearance of insider trading
- pre-clear and report on many types of personal securities transactions

Holderness's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. A copy of Holderness's code of ethics is available upon request.

Holderness does expect that, in the normal course of investment advising, certain securities would be bought or sold for the Company, as well as by employees, that will also be recommended for clients. The Company has implemented an internal policy to monitor personal trading of its employees to mitigate potential conflicts of interests. The policy includes such controls as required pre-clearance of trades, and quarterly reporting of securities transactions by employees. Employees are permitted to trade the same securities on the same day as clients only when the employees participate in an aggregated or "block" trade with clients and receive the same average price. In any situation where a transaction is partially filled, no employee will receive an allocation from the block transaction until all clients have fully participated to their desired allocation. In addition, certain personal trades must be pre-cleared by Richard Holderness prior to execution.

Under certain circumstances an employee might invest in a security that is not considered suitable for client accounts because of size, liquidity, or other factors. A change in these factors could result in the security becoming more suitable for clients, but the Chief Executive Officer might not allow the security to be purchased for client accounts in order to avoid even the appearance of employees trading ahead of clients. In Holderness's experience, it is rare for an employee's personal trading to limit clients' investment opportunities, but such a situation may arise from time to time.

In the normal course of business, managers, members and/or associated persons of Holderness may provide gifts and gratuities to various clients and other persons. These gifts, gratuities and contributions are not premised upon any specific client referrals or any expectation of any other type of benefit to Holderness.

### **Item 12: Brokerage Practices**

For most clients, Holderness recommends the establishment of brokerage accounts with Charles Schwab & Co., Inc. ("Schwab") a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. We consider a wide range of factors in deciding which broker/custodian to recommend, including:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for your account)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- breadth of investment products made available (mutual funds, ETFs, etc.)

- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength and stability of Schwab
- Schwab's prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below (see *Products and Services Available to Holderness from Schwab* below)

### Products and Services Provided by Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like Holderness. Schwab provide Holderness and its clients with access to its institutional brokerage - trading, custody, reporting, and related services—many of which are not typically available to retail customers. Schwab also makes available various support services. Some of those services help Holderness manage or administer clients' accounts, while others help Holderness manage and grow its business. Following is a more detailed description of Schwab's support services:

#### *Services that Benefit Clients*

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Holderness might not otherwise have access or that would require a significantly higher minimum initial investment by Holderness's clients.

#### *Services that May Not Directly Benefit Clients*

Schwab also makes available other products and services that benefit Holderness but may not directly benefit clients. These products and services assist Holderness in managing and administering Holderness's clients' accounts. Schwab includes investment research, and that of third parties. Holderness may use this research to service all or a substantial number of its clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also purchases, reimburses or makes available benefits, software, and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of Holderness's fees from Holderness's clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

#### *Services that Generally Benefit Only Holderness*

Schwab also offers other services intended to help Holderness manage and further develop its business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support

Schwab may provide some of these services themselves. In other cases, they will arrange for third-party vendors to provide the services to Holderness. Schwab may also discount or waive their fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide Holderness with other benefits, such as occasional business entertainment of Holderness personnel.

#### *Holderness's Interest in Schwab's Services*

The availability of these services from Schwab benefits Holderness because Holderness does not have to produce or purchase them. Holderness does not have to pay for Schwab's services so long as Holderness's clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon Holderness committing any specific amount of business to Schwab.

The \$10 million minimum may give Holderness an incentive to recommend that clients maintain accounts with Schwab, based on Holderness's interest in receiving Schwab's services that benefit Holderness's business rather than based on clients' interests in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. Holderness believes, however, that its recommendation of Schwab, when appropriate, as custodian and broker is in the best interests of clients. Holderness's recommendation is primarily supported by the scope, quality, and price of Schwab's services. Holderness does not believe that recommending clients to maintain assets at Schwab presents a material conflict of interest.

#### The Selection of Trading Counterparties

Holderness can typically trade accounts held at Schwab using other broker/dealers. However, clients are charged trade-away fees that Holderness believes may outweigh any benefits from trading stocks, mutual funds, or ETFs with other brokers. The availability and pricing of bonds varies more widely, so prior to placing a bond trade Holderness may solicit bids from several dealers and then execute the trade with the dealer that offers sufficient liquidity and the most favorable pricing.

For clients who elect to have their accounts held by firms other than Schwab, Holderness's approach is generally to trade stocks, mutual funds, and ETFs with the chosen custodian, and to trade bonds with the dealer that offers sufficient liquidity and the most favorable pricing.

Some clients' accounts are relatively small, in which case the custodian may not allow Holderness to trade through other firms. Other clients may specifically request that their accounts only be traded through a particular broker/dealer. Holderness trades these accounts through the firm chosen by the client, which limits Holderness's ability to seek best execution and prohibits the client from participating in block trades. Trading restrictions may result in materially higher trading costs and reduced returns.

#### Directed Brokerage

As noted above, Holderness generally recommends the establishment of brokerage accounts with Schwab to maintain custody of clients' assets and to effect trades for their accounts.

If you have instructed Holderness to execute any or all securities transactions for your account with or through one or more brokers, you represent and warrant that you have negotiated the terms and conditions (including, but not limited to, commission rates) relating to all services provided by such brokers and that you are satisfied with such terms and conditions. We shall not have any responsibility for obtaining for your account from any such broker the best prices or any particular commission rates for transactions with or through any such designated broker. You recognize that you may not obtain rates as low as it might otherwise obtain if we had discretion to select broker/dealers other than those you chose. You further agree that if we believe, in our exclusive discretion, that we cannot satisfy our fiduciary duty of best execution by executing a securities transaction for your account with a broker designated by you, we may execute that securities transaction with a different broker. You shall promptly inform Holderness in writing if you desire that we cease executing transactions with or through any such designated broker.

#### Best Execution Reviews

As a fiduciary, we seek to obtain best execution in all securities transactions. However, this does not mean that we will always obtain the best possible price or the lowest commission. On at least an annual basis Holderness's Chief Compliance Officer and other senior executives evaluate the pricing and services offered by Schwab and other trading counterparties with those offered by other reputable firms. Holderness has sought to make a good-faith determination that Schwab and other chosen trading counterparties provide clients with good services at competitive prices. However, clients should be aware that this determination could have been influenced by Holderness's receipt of products and services from Schwab. Historically Holderness has concluded that Schwab is as good as, or better than, the other firms that have been considered. Holderness would notify its clients if it were to determine that another firm offered better pricing and services than their current custodian.

#### Trade Rotation

Holderness makes all clients aware of its policies with respect to the aggregation and allocation of orders. To meet this objective, Holderness follows written trade rotation procedures. Holderness clients that receive continuous and regular investment management services are categorized by custodian into groups. These groups are traded either simultaneously via the Orion Connect trade order management software or rotated if the Orion system is unavailable.

#### Aggregated Trades

When transacting in the same security for more than one client, Holderness may aggregate an order to ensure clients receive the same price. By aggregating orders, it ensures that no particular client is favored over other clients. Specifically, each client that participates in aggregated order will participate at the average share price for all transactions in that security. Securities are allocated in proportion to the size of the order placed for each account. In the event an order is partially filled, Holderness will allocate securities pro rata based on the original order.

If a client requests that their account be placed with a broker-dealer which does not also custody other accounts for Holderness, that client's account will be unable to participate in aggregated trading and therefore will not receive the benefits of such trading.

In certain instances, Holderness may execute over the counter securities transactions on an agency basis, which may result in advisory clients incurring two transaction costs for a single trade: a commission paid to the executing broker-dealer plus the market makers mark-up or mark-down.

#### Client Referrals

Holderness does not compensate Schwab or any other custodian or broker/dealer for referring client accounts.

### **Item 13: Review of Accounts**

Accounts under Holderness's management are monitored on an ongoing basis by the respective Investment Team member. The Investment Team members review each account in detail on at least an annual basis, as well as in connection with each client meeting. The Investment Team members and the Chief Compliance Officer review a number of reports that are designed to identify accounts that may deviate from their Investment Profiles. Reason's for deviations from a Client's Investment Profile may, among other things, be due to additions/withdraws from their accounts or the performance of an investment (e.g., a particular asset class under or outperforms causing it to go above or below a guideline). Reviews of client accounts will also be triggered if a client changes his or her investment objectives, or if the market, political, or economic environment changes materially.

Subject to individual client objectives and constraints, the Vision Tactical Strategy accounts will be monitored in accordance with the assigned model and rebalanced based on changes in the model allocation. Those change will be based our macroeconomic review, and fundamental analysis of the securities used in the models. When possible, account trades will be aggregated for rebalancing.

Clients receive account statements directly from their chosen custodian on at least a quarterly basis. Holderness may supplement these custodial statements with reports provided during client meetings or as requested.

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

We do not compensate any person or company for client referrals, nor do we offer or receive sales awards or prizes for providing investment advice to clients.

Other than the previously described products and services that Holderness receives from Schwab; Holderness does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

### **Item 15: Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but Holderness can access many clients' accounts through its ability to debit advisory fees. For this reason, Holderness is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements and should compare these statements to any account information provided by Holderness.

Holderness is also considered to have custody as a result of standing letters of authorization ("SLOA") in place from clients that allow Holderness to direct the custodian to send client funds based on the SLOA. Advisers relying on SLOAs to make certain disbursements on behalf of a client may avoid obtaining a surprise asset verification if each such client provides written instructions to the custodian regarding specific transactions that the client authorizes the custodian to disburse upon request of Holderness and provides Holderness with written instructions that explicitly describe the specific transactions that the client authorizes Holderness to disburse. Further, the custodian must verify these instructions when executing each transaction and confirm these instructions at least annually. Holderness has no ability to change any routing information regarding such disbursements and the client can terminate such relationship at any time.

### **Item 16: Investment Discretion**

Holderness has investment discretion over the vast majority of clients' accounts. Clients grant Holderness trading discretion through Holderness's Investment Management Agreement as well as an execution of a limited power of attorney included in the Schwab brokerage account application forms.

Clients using our Custom Portfolio Management offering can place reasonable restrictions on Holderness's investment discretion. For example, some clients have asked Holderness not to buy securities issued by companies in certain industries, or not to sell certain securities in which the client has a particularly low tax basis.

If a client desires for Holderness to manage a non-discretionary account for them they will sign an alternate Non-Discretionary Investment Management Agreement detailing the limitations associated with a non-discretionary arrangement.

### **Item 17: Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 under the Investment Advisers Act of 1940, Holderness has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that Holderness receives will be treated in accordance with these policies and procedures.

Holderness considers the reputation, experience, and competence of a company's management and board of directors when it evaluates a prospective investment. In general, Holderness votes in favor of routine corporate matters, such as the re-approval of an auditor or a change of a legal entity's name. Holderness also generally votes in favor of compensation practices and other measures that are in-line with industry norms, that allow companies to attract and retain key employees and directors, that reward long-term performance, and that align the interests of management and shareholders. Holderness supplements its evaluation of client proxies with guidance from an independent corporate governance consulting firm.

Holderness has not identified any material conflicts of interest in connection with past proxy votes. Such a conflict could arise if, for example, a client was a senior executive with a publicly traded company and other clients held securities issued by that company. Holderness realizes that due to the difficulty of predicting and identifying all material conflicts, it must rely on its employees to notify the Chief Executive Officer and/or Chief Compliance Officer of any material conflict that may impair Holderness's ability to vote proxies in an objective manner. Upon such notification, the Chief Executive Officer will notify its legal counsel of the conflict who will recommend an appropriate course of action.

A copy of Holderness's proxy voting policies and procedures, as well as specific information about how Holderness has voted in the past, is available upon written request. Upon written request, clients can also take responsibility for voting their own proxies or can give Holderness instructions about how to vote their respective shares.

### **Class Action Lawsuits**

Sometimes securities held in the accounts of clients will be the subject of class action lawsuits. Holderness has engaged Chicago Clearing Corporation ("CCC") to provide a comprehensive review of our clients' possible claims to a settlement throughout the class action lawsuit process. CCC actively seeks out any open and eligible class action lawsuits. Additionally, CCC files, monitors and expedites the distribution of settlement proceeds in compliance with SEC guidelines on behalf of our clients. CCC's filing fee is contingent upon the successful completion and distribution of the settlement proceeds from a class action lawsuit. In recognition of CCC's services, CCC receives 15% of our clients' share of the settlement distribution. When Holderness receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by clients, it will work to assist clients and Chicago Clearing Corporation in the gathering of required information and submission of claims. Clients are automatically included in this service but may Opt-Out by indicating as such in the Investment Advisory Agreement entered into with Holderness. If a Client Opt-Outs, Holderness and CCC will not monitor class action filings for that Client.

### **Item 18: Financial Information**

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



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Part 2B of Form ADV

**The Brochure Supplement**

**Updated: March 2020**

This brochure supplement provides information about Richard Holderness, Kim Cummings, Ken Shahbaz, and Sheila Falls. It supplements Holderness's accompanying Form ADV brochure. Please contact Holderness's Chief Compliance Officer, Kim Cummings, at (336) 574-1400 if you have any questions about the Form ADV brochure or this supplement, or if you would like to request additional or updated copies of either document.

Additional information about Mr. Holderness, Ms. Cummings, Mr. Shahbaz, and Ms. Falls is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ***Biographical Information for:***

### **Richard T. Holderness, CFA**

#### *Educational Background and Business Experience*

A native of Greensboro, NC (born 1946), Richard is a seasoned investment professional with over 47 years of experience. He graduated Phi Beta Kappa with a BA in History from the University of North Carolina at Chapel Hill in 1968. He attended UNC Kenan-Flagler School of Business and graduated with an MBA in Finance in 1973. Mr. Holderness has also been awarded the Chartered Financial Analyst (CFA) and Fellow Life Management Institute (FLMI) designations. In order to become a CFA Charter holder, Mr. Holderness was required to pass a series of examinations, maintain membership with the CFA Institute and a local CFA chapter, and agree to abide by the CFA Institute's Code of Ethics. Further explanation of the CFA Charter is detailed in full on the last page of this document. The FLMI professional management designation is earned by passing 10 national examinations on life and health insurance subjects including insurance, finance, marketing, law, information systems, accounting, management, and employee benefits.

Upon graduation from the University of North Carolina, Richard began his career in the finance department of Durham Life Insurance Co. in Raleigh, and in 1974, was elected Assistant Vice President and a Member of the Finance Committee. In 1979, he was elected Vice President in charge of the Securities Department. In this position, he was directly responsible for managing a stock and bond portfolio in excess of \$300,000,000. In 1982, Richard and two partners formed North Carolina Trust Company in order to manage investments for individuals and corporations and to provide general trust and financial consulting services. Richard's position with N.C. Trust Company was that of President and Chief Investment Officer. In 1987, Mr. Holderness co-founded the Registered Investment Advisory firm Trent Capital Management, Inc. of Greensboro, N.C. and Lexington, KY. Richard served as President and a member of the Board of Directors of Trent Capital Management, Inc. from the organization's inception until August 1995 when he left to start his own firm, Holderness Investments Company. Richard is President and Portfolio Manager and enjoys managing assets for an array of account types including high net worth individuals, corporations and charitable organizations.

Richard is a member of Holderness Asset Solutions, LLC, an affiliate of Holderness Investments Company organized to provide insurance-based solutions for clients of Holderness Investments and others. The LLC was formed in 2012.

For several years Richard served as a member of the UNC Chapel Hill Medical Foundation Investment Fund Committee, and currently serves as on the UNC Greensboro Investment Fund Committee. Those committees govern how the university endowment funds are allocated and invested. Richard has also served on the UNC Greensboro Board of Visitors.

Richard currently serves as Vice President of Finance and Member of the Board of Directors for the North Carolina Tennis Foundation. He has been actively involved with the work of the Foundation for over 20 years. He is also a member of the NC CFA Society.

#### *Disciplinary Information*

Mr. Holderness has not been involved in any legal or disciplinary events that would be material to a client's evaluation of him or of Holderness.

#### *Other Business Activities*

As noted above, Richard is a member of Holderness Asset Solutions, LLC, an affiliate of Holderness Investments Company organized to provide insurance-based solutions for clients of Holderness Investments and others. He shares a pro-rata interest in the profits of this LLC and thus has an interest in recommending Holderness Asset Solutions, LLC to clients.

#### *Additional Compensation*

Mr. Holderness does not receive economic benefits from any person or entity other than Holderness and Holderness Asset Solutions, LLC in connection with the provision of investment advice to clients.

#### *Supervision*

As Holderness's founder and Chief Executive Officer, Mr. Holderness maintains ultimate responsibility for the company's operations. Mr. Holderness discusses investment decisions with Kim Cummings who is the firm's Vice-President and Chief Compliance Officer. Operational decisions are discussed with Holderness's Operations Manager, Gina Malone. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## ***Biographical Information for:***

### **Kim R. Cummings, CFA**

#### **Educational Background and Business Experience**

Kim Cummings is a native of Greensboro, NC (born 1968) and has over 27 years of experience in the investment advisory business. She attended the University of North Carolina at Chapel Hill and earned her BS degree in Business Administration from the Kenan-Flagler School of Business. She has also been awarded the Chartered Financial Analyst (CFA) designation. In order to become a CFA Charter holder, Mrs. Cummings was required to pass a series of examinations, maintain membership with the CFA Institute and a local CFA chapter, and agree to abide by the CFA Institute's Code of Ethics. Further explanation of the CFA Charter is detailed in full on the last page of this document.

In 1993 Kim joined Trent Capital Management as their Mutual Fund Marketing Coordinator. She was later promoted to Operations Manager for the firm. In 1995 she joined Richard Holderness at Holderness Investments Company to pursue a career in investment analysis and portfolio management. Along with Richard, Kim helped build the business from the ground up and serves as the firm's Vice-President and Chief Compliance Officer. She serves clients daily and assists Richard in investment research, analysis and portfolio management. Additionally, Kim is responsible for all business management, human resources, and accounting functions of the firm.

Kim is a member of Holderness Asset Solutions, LLC, an affiliate of Holderness Investments Company organized to provide insurance-based solutions for clients of Holderness Investments and others. The LLC was formed in 2012.

Kim is active in active member of the Women's Professional Forum and the Society of Financial Service Professionals, and the Greensboro Estate Planning Council, all located in Greensboro. Kim is currently on the Board of the Women's Professional Forum Foundation. In addition, she is a member of the NC CFA Society. Kim has also been active in the local community as a volunteer with the Boys Scouts of America, her children's schools, and the Greensboro Children's Theatre.

#### **Disciplinary Information**

Ms. Cummings has not been involved in any legal or disciplinary events.

#### **Other Business Activities**

As noted above, Kim is a member of Holderness Asset Solutions, LLC, an affiliate of Holderness Investments Company organized to provide insurance-based solutions for clients of Holderness Investments and others. She shares a pro-rata interest in the profits of this LLC and thus has an interest in recommending Holderness Asset Solutions, LLC to clients.

#### **Additional Compensation**

Ms. Cummings does not receive economic benefits from any person or entity other than Holderness and Holderness Asset Solutions, LLC in connection with the provision of investment advice to clients.

#### **Supervision**

Ms. Cummings's investment recommendations are supervised by Holderness's CEO, Richard Holderness. Operational decisions are discussed with Holderness's Operations Manager, Gina Malone. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## ***Biographical Information for:***

### **Kenneth Shahbaz, CPA/PFS, CFP, MBA**

#### **Educational Background and Business Experience**

Kenneth (Ken) Shahbaz (born 1946) has over 21 years of experience in the securities industry. Ken was previously an investment adviser representative and registered representative for Kestra Financial Services, Inc. from 04/01/2016 – 01/24/2017; for NFP Securities, Inc. from 11/2005 – 04/1/2016; and for Capital Investment Group, Inc. from 04/1999 – 11/2005.

Ken first attended Aquina College earning his Bachelor of Business Administration in Accounting. Subsequently he attended Auburn University where he earned his Master's in Business Administration. Ken also holds the CFP and CPA/PFS professional designations.

Ken has many years of involvement at various levels with the Old North State Council of the Boy Scouts of America. He currently serves on the Executive Board.

#### **Disciplinary Information**

Ken has not been involved in any legal or disciplinary events.

#### **Other Business Activities**

Ken is separately licensed as an insurance agent for Holderness Asset Solutions, LLC. In this capacity, he can effect transactions in insurance products for clients and earn commissions for these activities.

Ken is also a registered representative of InterCarolina Financial Services, Inc. (InterCarolina) a registered broker/dealer and FINRA member based in Greensboro, NC. In this capacity, he can affect transactions in investment products for clients and earn commissions for these activities.

Fees clients pay Holderness for advisory services are separate and distinct from the commissions earned for insurance or investment related activities. Being licensed as an insurance agent and registered representative presents a conflict of interest, because Ken may have an incentive to recommend insurance and investment products for the purpose of generating commissions rather than solely based on a client's needs. However, Ken may only recommend securities and insurance products that he believes are suitable for clients. Please ask Ken if you have any questions regarding the compensation he receives when recommending an insurance or investment product. Clients are under no obligation to purchase insurance or investment products through Ken.

Ken is also the owner of Shahbaz, Carothers & Company P.A., Certified Public Accounting firm that provides accounting, auditing, tax and financial planning services as a CPA. Shahbaz Wealth Strategies LLC, a single person LLC owned by Ken.

#### **Additional Compensation**

Ken does not receive economic benefits from any person or entity other than those mentioned above in connection with the provision of investment advice to clients.

#### **Supervision**

Ken's investment recommendations are supervised by Holderness's CEO, Richard Holderness, and CCO, Kim Cummings. Operational decisions are discussed with Holderness's Operations Manager, Gina Malone. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## ***Biographical Information for:***

### **Sheila Falls CPA/PFS, CFP**

#### *Educational Background and Business Experience*

Sheila Falls (born 1961) has over 8 years of experience in the securities industry. Sheila previously was an investment adviser representative and/or registered representative for Park Avenue Securities, LLC from 8/2017 – 10/2017; Holderness Investments Co from 1/2017 to 6/2017; Kestra Financial Services, Inc. from 04/2016 – 01/2017; and NFP Advisor Services, LLC from 11/2011 – 04/2016. Prior to this, Sheila worked for Lincoln National Corporation as a Tax Manager.

Sheila attended the University of North Carolina at Greensboro and earned her BS degree in Accounting (magna cum laude) in 1981. Sheila also holds the CFP and CPA/PFS professional designations. Sheila is also a member of the AICPA, Personal Financial Planning division of AICPA and NCACPA.

#### *Disciplinary Information*

Sheila has not been involved in any legal or disciplinary events.

#### *Other Business Activities*

Sheila is separately licensed as an insurance agent for Holderness Asset Solutions, LLC. In this capacity, she can effect transactions in insurance products for clients and earn commissions for these activities.

Sheila is also a registered representative of InterCarolina Financial Services, Inc. (InterCarolina) a registered broker/dealer and FINRA member based in Greensboro, NC. In this capacity, she can affect transactions in investment products for clients and earn commissions for these activities.

Fees clients pay Holderness for advisory services are separate and distinct from the commissions earned for insurance or investment related activities. Being licensed as an insurance agent and registered representative presents a conflict of interest, because Sheila may have an incentive to recommend insurance and investment products for the purpose of generating commissions rather than solely based on a client's needs. However, Sheila may only recommend securities and insurance products that she believes are suitable for clients. Please ask Sheila if you have any questions regarding the compensation she receives when recommending an insurance or investment product. Clients are under no obligation to purchase insurance or investment products through Sheila.

Sheila is also an independent CPA. She provides tax, accounting and financial planning services.

#### *Additional Compensation*

Sheila does not receive economic benefits from any person or entity other than those mentioned above in connection with the provision of investment advice to clients.

#### *Supervision*

Sheila's investment recommendations are supervised by Holderness's CEO, Richard Holderness, and CCO, Kim Cummings. Operational decisions are discussed with Holderness's Operations Manager, Gina Malone. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Descriptions of Certifications and Designations**

### **Chartered Financial Analyst**

The Chartered Financial Analyst (CFA) designation is an international professional certification offered by the CFA Institute (formerly AIMR) to financial analysts who complete a series of three examinations. To become a CFA Charterholder, candidates must pass each of three six-hour exams, possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. The CFA curriculum includes these topic areas: Ethical and Professional Standards; Quantitative Methods (such as the time value of money, and statistical inference); Economics; Financial Reporting and Analysis; Corporate Finance; Analysis of Investments (stocks, bonds, derivatives, venture capital, real estate, etc.); Portfolio Management and Analysis (asset allocation, portfolio risk, performance measurement, etc.). CFA charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct.

### **Certified Financial Planner™**

The Certified Financial Planner™ (CFP®) designation is a professional certification mark for financial planners conferred by the Certified Financial Planner Board of Standards, Inc. (CFP Board). To earn the CFP designation, candidates must meet several requirements—the first of which is the educational requirement, which requires candidates to have a bachelor's degree or higher from a regionally-accredited college or university. CFP candidates must master a list of financial planning topics such as: General Principles of Financial Planning; Insurance Planning; Investment Planning; Income Tax Planning; Estate Planning; Retirement Planning; Interpersonal Communication; and Professional Conduct and Fiduciary Responsibility. Students are required to complete course training in the above listed topic areas in order to meet the first requirement to sit for the 170 question CFP Certification Examination. CFP candidates must also have three years full-time or equivalent experience in the financial planning field and be approved by the CFP Board, which involves an extensive background check—including an ethics, character and criminal check. Students and certificants are required to adhere to the CFP Board's Standards of Professional Conduct, which includes: The Code of Ethics and Professional Responsibility; and the Rules of Conduct and Financial Planning Practice Standards. To maintain certification, certificate holders are also required to: complete 30 hours of continuing education accepted by the CFP Board and submit a properly completed certification application every two years in addition to paying an annual certification fee.

### **Certified Public Accountant**

Certified Public Accountant (CPA) is the statutory title of qualified accountants in the United States who have passed the Uniform Certified Public Accountant Examination and have met additional state education and experience requirements for certification as a CPA. In most U.S. states, only CPAs who are licensed are able to provide to the public attestation (including auditing) opinions on financial statements. In order to become a CPA in the United States, a candidate must sit for and pass the Uniform Certified Public Accountant Examination (Uniform CPA Exam), which is set by the American Institute of Certified Public Accountants and administered by the National Association of State Boards of Accountancy. In addition to the CPA exam, most states also require the completion of a special examination on ethics and that specific education and work experience minimums are met. CPAs are also required to take continuing education courses in order to renew their license. Requirements vary by state, but the majority of states require 120 hours of CPE every 3 years with a minimum of 20 hours per calendar year.

### **Personal Financial Specialist**

The Personal Financial Specialist (PFS) is a credential established by the American Institute of CPAs (AICPA) for CPAs who specialize in personal financial planning (PFP). The PFS credential is granted solely to CPAs with considerable PFP education and experience who want to demonstrate their knowledge, skill and experience. In order to obtain the PFS credential, a candidate must meet the following criteria: obtain a CPA license, join the AICPA and be a member in good standing, complete a minimum of 80 hours of personal financial planning education in 9 different practice areas, attain at least 2 years of full-time experience in personal financial planning, and successfully pass a PFP exam.