

# Disclosure Brochure

January 28, 2014

## **UNFCU Advisors LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of UNFCU Advisors LLC (hereinafter “UNFCU Advisors” or the “firm”). If you have any questions about the contents of this brochure, please contact Stephen Ryerson at (212) 324-3900. 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 UNFCU Advisors LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

UNFCU Advisors LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since UNFCU Advisors' last annual update dated March 11, 2013. UNFCU Advisors does not have any material changes to disclose in this Item; however, please note that beginning in January 2014, UNFCU Advisors changed its name from UNFCU Financial Services, LLC, doing business as UNFCU Financial Advisors, to UNFCU Advisors LLC.

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## Item 4. Advisory Business

UNFCU Advisors is a wholly owned subsidiary of the United Nations Federal Credit Union – a financial organization serving the United Nations community since 1947 with a tradition of trust, integrity and seemingly unparalleled service. In business as an SEC registered investment adviser since August 2006, UNFCU Advisors was founded to provide financial solutions that meet the specific needs of the United Nations Federal Credit Union, its employees, members and their families. It is the firm's philosophy to offer independent, objective, unbiased advice and to share the resources made available to the United Nations community since 1947. As of December 31, 2013, UNFCU Advisors had \$36,810,069 in assets under management, of which \$2,566,313 is managed on a discretionary basis and \$34,243,756 is managed on a non-discretionary basis.

UNFCU Advisors provides financial planning, consulting, and investment management services. Prior to engaging UNFCU Advisors to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with UNFCU Advisors setting forth the terms and conditions under which UNFCU Advisors renders its services (collectively the "*Agreement*").

This Disclosure Brochure describes the business of UNFCU Advisors. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of UNFCU Advisors' officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on UNFCU Advisors' behalf and is subject to UNFCU Advisors' supervision or control.

### Financial Planning and Consulting Services

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UNFCU Advisors provides its clients with a broad range of comprehensive financial planning and consulting services. Among the matters in which these services address include, without limitation:

- Estate planning;
- Education planning;
- Retirement planning;
- Insurance planning;
- Risk management; and
- Tax strategy.

In performing its services, UNFCU Advisors is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. UNFCU Advisors may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if UNFCU Advisors recommends its own services. The client is under no obligation to act upon any of the

recommendations made by UNFCU Advisors under a financial planning or consulting engagement or to engage the services of any such recommended professional, including UNFCU Advisors itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of UNFCU Advisors' recommendations. Clients are advised that it remains their responsibility to promptly notify UNFCU Advisors if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising UNFCU Advisors' previous recommendations and/or services.

### **Institutional Consulting Services**

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In addition, UNFCU Advisors provides certain institutional clients with a range of consulting services related to the maintenance of retirement plans and member benefit initiatives. In addition to advising the institution on plan options and structure, the firm's benefit consultants help clients select and implement cost-effective benefit plans designed to meet their specific business goals and employee needs. UNFCU Advisors creates a customized service plan for each of its clients that clearly defines the guidance and support in which they receive, such as:

- Plan review, design and marketing;
- Renewal analysis;
- Carrier/vendor negotiations and selection;
- Pre-renewal estimates for strategy and budget planning; and
- Plan performance reports.

The firm also endeavors to help its clients save time and money by providing assistance with many ongoing administrative tasks, which include:

- Strategic financial program;
- Compliance sessions;
- Internet / intranet support and online benefits administration;
- Patient advocate program;
- Legislative compliance and market updates; and
- Employee benefit plan survey.

### **Investment Management Services**

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Clients can engage UNFCU Advisors to manage all or a portion of their assets on a discretionary or non-discretionary basis. The firm's portfolio management offering is broken down into two levels: the Advisor Model and the Custom Investment Model. The Advisor Model is designed as a full service investment

management program for retail investors, whereas the Custom Investment Model is constructed as a comprehensive, specially tailored service for larger institutional clients.

UNFCU Advisors primarily allocates clients' investment management assets among mutual funds, exchange-traded funds ("ETFs") and individual debt securities, as well as *Independent Managers* (as defined below) in accordance with the investment objectives of the client. UNFCU Advisors also provides advice about any legacy positions or investments otherwise held in clients' portfolios.

UNFCU Advisors also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, UNFCU Advisors either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

UNFCU Advisors tailors its advisory services to the individual needs of clients. UNFCU Advisors consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. UNFCU Advisors ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify UNFCU Advisors if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon UNFCU Advisors' management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in UNFCU Advisors' sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### **Use of Independent Managers**

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As mentioned above, UNFCU Advisors recommends that certain clients authorize the active management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between UNFCU Advisors or the client and the designated *Independent Managers*. UNFCU Advisors renders services to the client relative to the discretionary selection or recommendation of *Independent Managers*. UNFCU Advisors also monitors and reviews the account performance and the client's investment objectives. UNFCU Advisors receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When selecting or recommending an *Independent Manager* for a client, UNFCU Advisors reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's*

investment strategies, past performance and risk results to the extent available. Factors that UNFCU Advisors considers in selecting or recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, UNFCU Advisors' investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by UNFCU Advisors, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to UNFCU Advisors' written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than UNFCU Advisors. In such instances, UNFCU Advisors may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

If UNFCU Advisors refers a client to an *Independent Manager* where UNFCU Advisors' compensation is included in the advisory fee charged by such *Independent Manager* and the client engages the *Independent Manager*, UNFCU Advisors is compensated for its services by receipt of a fee to be paid directly by the *Independent Manager* to UNFCU Advisors in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee is paid solely from the *Independent Manager's* investment management fee, and does not result in any additional charge to the client.

### Item 5. Fees and Compensation

UNFCU Advisors offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management. Additionally, certain of UNFCU Advisors' *Supervised Persons*, in their individual capacities, may offer insurance products under a commission arrangement.

#### Financial Planning and Consulting Fees

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UNFCU Advisors charges fixed and/or hourly fees for its financial planning and consulting services. These fees are negotiable, but generally range from \$1,000 to \$15,000 on a fixed fee basis and/or from \$250 to \$350 on an hourly rate basis, depending upon the level and scope of the services and the professional engaged to render them. If the client engages UNFCU Advisors for additional investment advisory services, UNFCU Advisors may offset all or a portion of its fees for those services based upon the amount paid for the financial planning or consulting services.

Prior to engaging UNFCU Advisors to provide financial planning and/or consulting services, the client is required to enter into a written agreement with UNFCU Advisors setting forth the terms and conditions of the engagement. Generally, UNFCU Advisors requires one-half of the financial planning / consulting fee

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(estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### Investment Management Fee

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UNFCU Advisors provides investment management for an annual fee based upon a percentage of the assets being managed by UNFCU Advisors. UNFCU Advisors' annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. UNFCU Advisors does not, however, receive any portion of these commissions, fees, and costs.

The fees vary, depending on the level of service, as follows:

- **Advisor Model.** The firm's annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter. The annual fee varies depending upon the amount of the assets under management, as follows:

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
up to \$99,999	1.25%
\$100,000 - \$249,999	1.10%
\$250,000 - \$999,999	1.00%
\$1,000,000 - \$4,999,999	0.85%
above \$5,000,000	negotiable

- **Custom Investment Model.** Due to the diverse nature of these services, the firm's fees and payment terms are individually negotiated with each client. These fees are contingent upon a number of factors, including the market value of the assets under management and the type of services to be provided.

UNFCU Advisors, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### Fees Charged by Financial Institutions

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As further discussed in response to Item 12 (below), UNFCU Advisors generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*") for investment management accounts.

UNFCU Advisors may only implement its investment management recommendations after the client has arranged for and furnished UNFCU Advisors with all information and authorization regarding accounts



with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by UNFCU Advisors, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers*, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to UNFCU Advisors’ fee.

### **Fee Debit**

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UNFCU Advisors’ *Agreement* and the separate agreement with any *Financial Institutions* may authorize UNFCU Advisors or *Independent Managers* to debit the client’s account for the amount of UNFCU Advisors’ fee and to directly remit that management fee to UNFCU Advisors or the *Independent Managers*. Any *Financial Institutions* recommended by UNFCU Advisors have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to UNFCU Advisors. Alternatively, clients may elect to have UNFCU Advisors send an invoice for payment.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between UNFCU Advisors and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. UNFCU Advisors’ fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to UNFCU Advisors’ right to terminate an account. Additions may be in cash or securities provided that UNFCU Advisors reserves the right to liquidate any transferred securities or decline to accept particular securities into a client’s account. Clients may withdraw account assets on notice to UNFCU Advisors, subject to the usual and customary securities settlement procedures. However, UNFCU Advisors designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. UNFCU Advisors may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets is not adjusted or prorated based on the number of days remaining in the quarter.

### **Item 6. Performance-Based Fees and Side-by-Side Management**

UNFCU Advisors does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

### **Item 7. Types of Clients**

UNFCU Advisors generally provides its services to individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

#### **Minimum Account Size and Minimum Annual Fee**

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UNFCU Advisors generally imposes a minimum portfolio size of \$10,000 and minimum annual fee of \$125 for new and existing clients who engage the firm to provide investment management services under the Advisor Model. UNFCU Advisors does not maintain a stated minimum portfolio size or minimum annual fee for institutional participation in the firm's Custom Investment Model.

UNFCU Advisors, in its sole discretion, may accept clients with smaller portfolios or waives its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. UNFCU Advisors only accepts clients with less than the minimum portfolio size if, in the sole opinion of UNFCU Advisors, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. UNFCU Advisors may aggregate the portfolios of family members to meet the minimum portfolio size.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than UNFCU Advisors. In such instances, UNFCU Advisors may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

#### **Methods of Analysis**

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The firm relies on a decidedly top-down approach to analyzing investment opportunities relative to each client's individual portfolio allocation. The firm's allocation methodology seeks to spread assets across various industries and sectors in an effort to reduce portfolio concentrations and corresponding risk. The

firm relies on a variety of technical indicators to arrive at its investment decisions, which include variance, correlation, and other similarly related metrics.

Asset allocation involves an investment method in which UNFCU Advisors seeks to balance risk and reward by apportioning portfolio assets among various asset classes according to an individual's objectives, time horizon and risk tolerance. While UNFCU Advisors believes that this diversification affords clients an added level of protection from overexposure to any one asset class, it also ensures that portfolios are subjected to a variety of asset classes that may prove volatile during a given period.

### Investment Strategies

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The firm employs a disciplined, yet dynamic approach to asset management that combines an in-depth understanding of both its clients' goals and risk profile within a well-defined strategy. The firm seeks to design portfolios in such a way to maximize expected returns within a level of risk with which its clients are comfortable.

The first step in the firm's investment process is to identify its clients' financial goals and objectives based on a complete understanding of their personal situation. Through a comprehensive assessment, the firm seeks to determine current and future income needs or constraints, time horizons and risk tolerance, among other key metrics. The firm's approach is further defined by the following core beliefs:

- **Diversification and Balance.** Diversification across asset classes (together with the appropriate asset weightings within portfolios) improves long-term investment returns while nonetheless reducing volatility.
- **Turnover Erodes Returns.** Excessive turnover, either of assets within portfolios or of whole portfolios contributes to long-term underperformance.
- **Cost Minimization.** Investment management related costs, including fees and transaction costs, will negatively affect performance especially if such costs are compounded over long periods.
- **Determinants of Performance.** Asset allocation and portfolio structure, more than individual security selection or market timing, are the principal components of investment performance.

In designing and managing clients' investment assets, the firm seeks to proactively and continuously monitor each of the following components:

- **Determination of Risk Preference.** Identifying and understanding one's level of risk is important before beginning or modifying a client's portfolios. The firm works together with clients in an effort to gain a better understanding of their tolerance for risk before choosing which funds in which to invest. Since personal and financial circumstances can change overtime, the firm meets with clients on a regular basis to review their overall situation in an effort to ensure that their investments are still aligned with their objectives.

- **Top-Down Asset Allocation Modeling.** The firm begins the process by designing investment portfolios with a top-down asset allocation approach. The firm is constantly researching investment categories such as cash, bonds, stocks and real assets, as well as different geographical markets to identify the most attractive investment areas and opportunities.
- **Creation of Efficient Portfolio Structures.** Portfolio efficiency seeks to provide the greatest expected return for a given level of risk. The firm starts by evaluating asset classes' expected returns given various risk factors while ensuring adequate levels of diversification.
- **Selection of Asset Classes and Setting of Weightings.** The firm strives to select the most attractive actively-managed mutual funds or index funds for its clients' portfolios, taking into consideration factors such as long-term performance, fees, expenses and manager tenure.
- **Monitoring and Re-Balancing.** The firm undertakes regular reviews of both the target asset allocation, as well as the selected mutual funds in an effort to ensure that the portfolios remain consistent with its clients' objectives and strategies.

### Risks of Loss

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#### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

#### *Market Risks*

The profitability of a significant portion of UNFCU Advisors' recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that UNFCU Advisors will be able to predict those price movements accurately.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market

volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Use of Independent Managers*

UNFCU Advisors may recommend the use of *Independent Managers* for certain clients. UNFCU Advisors will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, UNFCU Advisors does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

### *Management Through Similarly Managed Accounts*

For certain clients, UNFCU Advisors may manage portfolios by allocating portfolio assets among various mutual funds and securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, UNFCU Advisors buys, sells, exchanges and/or transfers shares of mutual funds and securities based upon the *investment strategy*.

UNFCU Advisors' management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to UNFCU Advisors' clients may be limited. As further discussed in response to Item 12B (below), UNFCU Advisors allocates investment opportunities among its clients on a fair and equitable basis.

## **Item 9. Disciplinary Information**

UNFCU Advisors is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. UNFCU Advisors does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

UNFCU Advisors is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

### Receipt of Insurance Commission

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UNFCU Advisors is under common control with UNFCU Financial Services, LLC a duly licensed insurance agency, doing business as Industrial Coverage Corporation. Certain of UNFCU Advisors' *Supervised Persons*, in their individual capacities, are also licensed insurance agents with UNFCU Financial Services, LLC and various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While UNFCU Advisors does not sell such insurance products to its investment advisory clients, UNFCU Advisors does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients, as well as provide advisor-assisted insurance services through Income Solutions<sup>®</sup>, an annuity purchase program. A conflict of interest exists to the extent that UNFCU Advisors or its *Supervised Persons* recommend the purchase of insurance products where UNFCU Advisors or its *Supervised Persons* receive insurance commissions or other additional compensation.

### Affiliation with Other Investment Adviser

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UNFCU Advisors is under common control with UNFCU Advisors GmbH, an affiliated investment adviser located and registered in Austria. Certain of UNFCU Advisors' *Supervised Persons*, in their individual capacities, are also investment adviser representatives with UNFCU Advisors GmbH, and in such capacity, may recommend, on a fully-disclosed basis, the investment advisory services of UNFCU Advisors GmbH. A conflict of interest exists to the extent that UNFCU Advisors recommends UNFCU Advisors GmbH's investment advisory services where UNFCU Advisors' *Supervised Persons* receive a portion of the investment advisory fees or other additional compensation.

### Related Federal Credit Union

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UNFCU Advisors is under common control with United Nations Federal Credit Union. UNFCU Advisors may recommend United Nations Federal Credit Union to its clients to fulfill their banking needs. However, clients must be eligible to become members of United Nations Federal Credit Union and are advised that such a referral is an inherent conflict of interest due to the common ownership among the companies.

### Fees from Independent Managers

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As discussed above, UNFCU Advisors recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain *Independent Managers*. In certain circumstances UNFCU Advisors' compensation is included in the advisory fee charged by such *Independent Managers*. There may be a conflict of interest to choose such *Independent Managers*.

## Item 11. Code of Ethics

UNFCU Advisors and persons associated with UNFCU Advisors (“*Associated Persons*”) are permitted to buy or sell securities that it also recommends to clients consistent with UNFCU Advisors’ policies and procedures.

UNFCU Advisors has adopted a code of ethics that sets forth the standards of conduct expected of its *Associated Persons* and requires compliance with applicable securities laws (“*Code of Ethics*”). In accordance with Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by UNFCU Advisors or any of its *Associated Persons*. The *Code of Ethics* also requires that certain of UNFCU Advisors’ personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in UNFCU Advisors’ *Code of Ethics*, none of UNFCU Advisors’ *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of UNFCU Advisors’ clients.

When UNFCU Advisors is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when UNFCU Advisors is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact UNFCU Advisors to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, UNFCU Advisors may recommend that clients utilize the brokerage and clearing services of *Fidelity*.

Factors which UNFCU Advisors considers in recommending *Fidelity* to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables the firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The



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commissions and/or transaction fees charged by *Fidelity*, or any other broker-dealer recommended by the firm, may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by UNFCU Advisors' clients comply with UNFCU Advisors' duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where UNFCU Advisors determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. UNFCU Advisors seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

UNFCU Advisors periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct UNFCU Advisors in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and UNFCU Advisors will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by UNFCU Advisors (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, UNFCU Advisors may decline a client's request to direct brokerage if, in UNFCU Advisors' sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless UNFCU Advisors decides to purchase or sell the same securities for several clients at approximately the same time. UNFCU Advisors may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among UNFCU Advisors' clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among UNFCU Advisors' clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that UNFCU Advisors determines to aggregate client orders for the purchase or sale of securities, including securities in which UNFCU Advisors' *Supervised Persons* may invest, UNFCU Advisors generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. UNFCU Advisors does not receive any additional compensation or remuneration as a result of the aggregation. In the event that UNFCU Advisors determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant



factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, UNFCU Advisors may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist UNFCU Advisors in its investment decision-making process. Such research generally will be used to service all of UNFCU Advisors' clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because UNFCU Advisors does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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UNFCU Advisors may receive from *Fidelity*, without cost to UNFCU Advisors, computer software and related systems support, which allow UNFCU Advisors to better monitor client accounts maintained at that broker-dealer. UNFCU Advisors may receive the software and related support without cost because UNFCU Advisors renders investment management services to clients that maintain assets at that broker-dealer. The software and related systems support may benefit UNFCU Advisors, but not its clients directly. In fulfilling its duties to its clients, UNFCU Advisors endeavors at all times to put the interests of its clients first. Clients should be aware, however, that UNFCU Advisors' receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence UNFCU Advisors' choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, the firm may receive the following benefits from *Fidelity* through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate

the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### **Item 13. Review of Accounts**

For those clients to whom UNFCU Advisors provides investment management services, UNFCU Advisors monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom UNFCU Advisors provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one or both of UNFCU Advisors’ Principals, Stephen J. Ryerson and Markus D. Bruderer. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with UNFCU Advisors and to keep UNFCU Advisors informed of any changes thereto. UNFCU Advisors contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts.

Those clients to whom UNFCU Advisors provides financial planning and/or consulting services will receive reports from UNFCU Advisors summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by UNFCU Advisors.

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

UNFCU Advisors is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, UNFCU Advisors is required to disclose any direct or indirect compensation that it provides for client referrals.

If a client is introduced to UNFCU Advisors by either an unaffiliated or an affiliated solicitor, UNFCU Advisors may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from UNFCU Advisors’ investment management fee, and does not result in any additional charge to the client. If the client is introduced to UNFCU Advisors by an unaffiliated solicitor, the solicitor provides the client with a copy of UNFCU Advisors’ written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor’s disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of UNFCU Advisors discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of UNFCU Advisors’ written disclosure brochure at the time of the solicitation.

UNFCU Advisors may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

### Item 15. Custody

UNFCU Advisors' *Agreement* and/or the separate agreement with any *Financial Institution* may authorize UNFCU Advisors through such *Financial Institution* to debit the client's account for the amount of UNFCU Advisors' fee and to directly remit that management fee to UNFCU Advisors in accordance with applicable custody rules.

The *Financial Institutions* recommended by UNFCU Advisors have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to UNFCU Advisors. Clients should carefully review the statements sent directly by the *Financial Institutions*.

### Item 16. Investment Discretion

UNFCU Advisors may be given the authority to exercise discretion on behalf of clients. UNFCU Advisors is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. UNFCU Advisors is given this authority through a power-of-attorney included in the agreement between UNFCU Advisors and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). UNFCU Advisors takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

### Item 17. Voting Client Securities

UNFCU Advisors may vote client securities (proxies) on behalf of its clients. When UNFCU Advisors accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in UNFCU Advisors' Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in UNFCU Advisors' Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact UNFCU Advisors to request information about how UNFCU Advisors voted proxies for that client's securities or to get a copy of UNFCU Advisors' Proxy Voting Policies and Procedures. A brief summary of UNFCU Advisors' Proxy Voting Policies and Procedures is as follows:

- UNFCU Advisors has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to UNFCU Advisors' then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, UNFCU Advisors devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct UNFCU Advisors' vote on a particular solicitation but can revoke UNFCU Advisors' authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that UNFCU Advisors maintains with persons having an interest in the outcome of certain votes, UNFCU Advisors takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

UNFCU Advisors does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, UNFCU Advisors is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. UNFCU Advisors has no disclosures pursuant to this Item.

## **UNFCU Advisors LLC**

*a Registered Investment Adviser*

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Prepared by:

