

# Disclosure Brochure

March 26, 2019

## **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 Markus Bruderer at (212) 324-3901. 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 amendment dated March 27, 2018. The Firm has amended Item 4 to reflect additional details related to its investment consulting services. The Firm has amended Items 4 and 5 to reflect the fact that it has retained Morningstar Investment Services LLC to offer discretionary investment management services to the Firm's clients. The Firm has also amended Items 4 and 5 to reflect the fact that it accesses investment solutions for clients through an asset management platform offered by AssetMark, Inc. The Firm has amended Item 5 to reflect revisions to the fees related to investment management services provided through Moventum S.C.A. The Firm has amended Items 5 and 12 to remove references to Raymond James as a broker-dealer utilized by the Firm and to add references to Community America Financial Solutions and Fidelity Institutional Wealth Solutions as broker-dealers and custodians recommended or selected by the Firm. The Firm has amended Items 5 and 10 to reflect the fact that certain of its supervised persons are registered representatives of Community America Financial Solutions, a broker-dealer utilized by the Firm as well as certain conflicts of interest associated with such affiliations. The Firm has amended Item 5 to reflect new fee arrangements with respect to services provided through Assetmark, Inc. The Firm has amended Item 4 to eliminate references to institutional consulting services. The Firm has also amended Items 4 and 5 to reflect participation in the United Asset Strategies Managed Portfolios Program.

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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 distinguished 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, 2018, UNFCU Advisors had \$46,972,415 in assets under management, of which \$13,577,572 was managed on a discretionary basis and \$33,394,843 was managed on a non-discretionary basis.

UNFCU Advisors provides financial planning, consulting, and investment consulting and 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. These services 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 recommends clients engage the Firm for additional related services, its *Supervised Persons* in their individual capacities as insurance agents, registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage UNFCU Advisors or its affiliates to provide additional services for compensation. 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.

### **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 renders 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 may receive 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 generally 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, are 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 may also receive 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.

Among other Independent Managers, UNFCU Advisors utilizes the services of Moventum, S.C.A. ("Moventum"), a Luxembourg-based financial services company that offers customized managed portfolio solutions in multiple currencies on its custodial platform. Moventum, in consultation with UNFCU Advisors, has established a series of customized managed portfolios designed to meet UNFCU Advisors' clients' goals, to generate attractive returns for UNFCU Advisors' clients, and to ensure that clients stay within their personal risk tolerance levels. Moventum's managed portfolios fall into various investment strategies, which Moventum defines as "Defensive," "Balanced," "Dynamic," and "Growth." Moventum defines the particular characteristics a mutual fund must have to align with a portfolio's strategy. The selection of the particular funds that comprise the managed portfolio is then handled by an independent fund research company, FondsConsult Research AG. Moventum applies a six-step straight through portfolio management process that covers asset management, administration (accounting, rebalancing &

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reallocation) and reporting of each UNFCU Advisors' managed portfolio. The fees that clients pay to Moventum will include not only asset management and platform fees charged by Moventum, but also UNFCU Advisors' asset management fee (which will be remitted to UNFCU Advisors), all of which are described in more detail in Item 5 below.

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 may be 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.

The Firm also utilizes Morningstar Investment Services LLC, which offers investment management services to the Firm's clients through the discretionary investment advisory program called Morningstar® Managed Portfolios<sup>SM</sup> (the "Morningstar Program"). The Morningstar Program offers a series of portfolios consisting of either no-load or load-waived open-end mutual funds, exchange-traded funds, or equity securities. UNFCU Advisors is responsible for selecting the appropriate portfolio for clients, and Morningstar Investment Services LLC is responsible for Portfolio construction and ongoing monitoring and maintenance of the portfolios within the Morningstar Program. Clients must sign a separate client agreement to participate in the Morningstar Program. The fees associated with participation in the Morningstar Program are described below in Item 5.

Additionally, UNFCU utilizes investment solutions offered through an asset allocation and account management platform offered by AssetMark, Inc. (the "AssetMark Platform") which enables investment advisers to establish client accounts and to utilize, among other options, Independent Managers that provide their services through the AssetMark Platform. Currently, UNFCU Advisors accesses the covered call and municipal bond strategies offered by Clark Capital through the AssetMark Platform. Clients must enter into a separate client agreement to access the investment solutions available through the AssetMark Platform. The fees associated with participation with respect to the AssetMark Platform are described below in Item 5.

Where appropriate, the Firm also has eligible clients participate in the United Asset Strategies Managed Portfolios Program, a proprietary Program consisting of multiple investment options and strategies with portfolios intended for a range of Clients based on such factors as age, financial situation, time horizon, risk tolerance, and any reasonable restrictions that the client may place on the portfolio selected for its account. United Asset Strategies provides discretionary investment management services (including portfolio construction and ongoing monitoring of investments), marketing, communications, and other services to clients on its platform. The Firm will use the program principally to access individual debt securities and long-only equity strategies. The fees associated with client participation in the United Asset Strategies Managed Portfolios program are outlined in Item 5 below.

## **Investment Consulting Services**

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UNFCU Advisors provides investment consulting services with respect to fixed annuity and fixed index annuity products on behalf of its clients. Where UNFCU Advisors deems it is appropriate for clients, UNFCU Advisors and its supervised persons will recommend participation in non-U.S. trusts offering such products and perform administrative functions to facilitate their clients' participation in trusts that purchase fixed annuity and fixed index annuity products from insurance companies. UNFCU Advisors then provides ongoing investment consulting services once their clients are admitted to the trusts. UNFCU Advisors receives fees from the sponsoring insurance companies for such recommendations but does not charge clients for its ongoing investment consulting services. As a result of its receipt of fees for its recommendations, a conflict of interest exists because UNFCU Advisors has an incentive to recommend that clients participate in such trusts. Nonetheless, UNFCU Advisors will only recommend that their clients participate in such trusts that purchase such annuity products only when it is in the best interest of 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.

### Financial Planning and Consulting Fees

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 (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

UNFCU Advisors provides investment management services 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 \$1,000,000	1.25%
Above \$1,000,000	Negotiable

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- **Legacy clients** have grandfathered fee arrangements in place and pay fees based on the following fee schedule:

<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.

As discussed in Item 4 above, certain clients may participate in the customized managed portfolios offered by Moventum. For clients that participate in such managed portfolios, UNFCU Advisors charges an annual asset-based management fee of 125 basis points or 1.25%; Moventum will also charge clients an annual asset-based fee of 50 basis points (0.50%) which includes a 0.25% management fee and 0.25% platform fee. The fees for participation in the portfolios offered through Moventum are prorated and payable quarterly, in advance, based on the market value of the portfolio at the end of the last quarter. For certain clients, UNFCU offsets mutual funds' trail fees which may lower the total overall cost of these services.

For clients participating in the mutual fund portfolios offered through the Morningstar Program, clients pay Morningstar and UNFCU Advisers the following fees:

<u>PORTFOLIO VALUE</u>	<u>UNFCU ADVISORS</u>	<u>MORNINGSTAR INVESTMENT SERVICES</u>
First \$500,000	0.85%	0.40%
Next \$500,000	0.85%	0.35%
Next \$1,000,000	0.85%	0.30%
Next \$2,000,000	0.85%	0.20%

For clients participating in the ETF portfolios offered through the Morningstar Program, clients pay Morningstar and UNFCU Advisers the following fees:

<u>PORTFOLIO VALUE</u>	<u>UNFCU ADVISORS</u>	<u>MORNINGSTAR INVESTMENT SERVICES</u>
First \$1,000,000	0.95%	0.30%
Next \$4,000,000	0.95%	0.25%
Next \$5,000,000	0.95%	0.20%

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The fees for participation in the Morningstar Program are prorated and payable quarterly, in advance, based on the market value of the portfolio at the end of the last quarter.

Clients participating in the AssetMark Platform pay the following fees to AssetMark and UNFCU Advisors:

## Covered Call Strategy

<u>PORTFOLIO VALUE</u>	<u>UNFCU ADVISORS</u>	<u>ASSETMARK, INC</u>
First \$250,000	0.90%	1.05%
Next \$250,000	0.90%	1.05%
Next \$500,000	0.90%	0.99%
Next \$1,000,000	0.90%	0.94%
Next \$1,000,000	0.90%	0.90%
Next \$2,000,000	0.90%	0.85%
Above \$5,000,000	0.90%	0.75%

## High Dividend Equity Strategy

<u>PORTFOLIO VALUE</u>	<u>UNFCU ADVISORS</u>	<u>ASSETMARK, INC</u>
First \$250,000	0.75%	1.00%
Next \$250,000	0.75%	0.80%
Next \$500,000	0.75%	0.75%
Next \$1,000,000	0.75%	0.70%
Next \$1,000,000	0.75%	0.70%
Next \$2,000,000	0.75%	0.70%
Above \$5,000,000	0.75%	0.60%

## Bond Strategies (Taxable/Muni)

<u>PORTFOLIO VALUE</u>	<u>UNFCU ADVISORS</u>	<u>ASSETMARK, INC</u>
First \$250,000	0.60%	0.50%
Next \$250,000	0.60%	0.40%
Next \$500,000	0.60%	0.35%
Next \$1,000,000	0.60%	0.33%
Next \$1,000,000	0.60%	0.30%
Next \$2,000,000	0.60%	0.25%
Above \$5,000,000	0.60%	0.15%

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The fees for participation in the AssetMark Platform are prorated and payable quarterly, in advance, based on the market value of the portfolio at the end of the last quarter.

Clients participating in the United Asset Strategies Managed Portfolios program pay the following fees to United Asset Strategies and the Firm:

### Fixed Income

<u>PORTFOLIO VALUE</u>	<u>UNFCU ADVISORS</u>	<u>UNITED ASSET STRATEGIES</u>
\$125,000 - \$4,999,999	0.60%	0.50%
More than \$5,000,000	0.60%	0.40%

### Equities

<u>PORTFOLIO VALUE</u>	<u>UNFCU ADVISORS</u>	<u>UNITED ASSET STRATEGIES</u>
\$125,000 - \$4,999,999	0.60%	0.65%
More than \$5,000,000	0.60%	0.40%

Such fees are paid quarterly either in advance based on the market value of the assets on the last day of the preceding quarter or in arrears based on the market value of the assets on the last day of the current calendar quarter.

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

As further discussed in response to Item 12 (below), UNFCU Advisors generally recommends that clients utilize the brokerage and clearing services of Community America Financial Solutions (“CAFS”) for investment management accounts. For clients participating in the Morningstar Program and the AssetMark Platform, the Firm has selected the brokerage and custodial services offered by Fidelity Institutional Wealth Solutions (“Fidelity”) although the Firm will not have a direct contractual relationship with Fidelity.

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 CAFS, any other broker-dealer recommended by UNFCU Advisors, any broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “Financial Institutions”).

Clients incur certain charges imposed by the Financial Institutions and other third parties such as brokerage commissions and other transaction costs, fees charged by Independent Managers, fees charged by asset management platform providers, 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), reporting charges, 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. Such charges, fees and commissions are exclusive of and in addition to UNFCU Advisors' fee.

Clients can engage certain persons associated with UNFCU Advisors (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with UNFCU Advisors. Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of CAFS, provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons are entitled to a portion of the brokerage commissions paid to CAFS, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. Because such supervised persons may receive such compensation in connection with the sale of mutual funds, a conflict of interest exists as such Supervised Persons, in their capacity as registered representatives of CAFS, may have an incentive to recommend more expensive mutual fund share classes to clients where such Supervised Persons earn more compensation with respect to the sale of such mutual fund share classes. Prior to effecting any transactions, clients are required to enter into a separate account agreement with CAFS. A conflict of interest exists to the extent that UNFCU Advisors recommends the purchase or sale of securities where its Supervised Persons receive commissions or other additional compensation as a result of the Firm's recommendation. Where the Firm selects CAFS to execute securities transactions on behalf of advisory clients, neither the Firm nor its supervised persons receive any additional compensation as a result of the execution of such transactions through CAFS.

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### **Fee Debit**

UNFCU Advisors' Agreement and the separate agreement with any Financial Institutions generally 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.

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

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 consult with its clients about the options and ramifications of transferring securities as necessary. 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 provides its services to individuals (mostly non-U.S. persons), banks and thrift institutions.

#### **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 waive 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.

## *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

## *Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

## *Fixed Income Securities*

Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations and to price volatility.

## *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 ability of Independent Managers to implement their investment strategy successfully. 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.

## Registered Representative of a Broker-Dealer

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Certain of the Firm's Supervised Persons are registered representatives of CAFS and provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described at length in Item 5.

## Licensed Insurance Agency

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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®, 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 UNFCU Advisors GmbH

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UNFCU Advisors is under common control with UNFCU Advisors GmbH. Where appropriate, UNFCU Advisors GmbH provides referrals for mortgage or insurance services to third parties when contacted by UNFCU Advisors' clients. A conflict of interest exists as a result of such recommendation because UNFCU Advisors GmbH receives referral fees from such third parties for recommending their mortgage or insurance services to UNFCU Advisors' clients.

## 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 because of the compensation received by UNFCU Advisors.

## Item 11. Code of Ethics

UNFCU Advisors has adopted a code of ethics (“Code of Ethics”) in compliance with applicable securities laws that sets forth the standards of conduct expected of its *associated persons*. The Firm’s *Code of Ethics* contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its associated persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders. 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.

The Firm’s associated persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm’s policies and procedures. 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 open-end mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more open-end 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 recommends that clients utilize the brokerage and/or clearing services of CAFS and Fidelity for clients participating in the Morningstar Program and the AssetMark Platform.

Factors which UNFCU Advisors considers in recommending CAFS, Fidelity, or any other broker-dealer to clients include its respective financial strength, reputation, execution, pricing, research and service.

CAFS and Fidelity enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by CAFS, 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.

The Firm receives the following benefits from CAFS: the receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts.

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 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 will 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 such 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 will be reallocated to other accounts (this will be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations will 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 will 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 will 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.

### 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 UNFCU Advisors' Vice President, 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 currently does not provide compensation to third parties for client referrals.

To the extent that UNFCU Advisors receives 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 generally 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 that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, 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**

In certain circumstances, UNFCU Advisors is 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

In certain circumstances, UNFCU Advisors votes 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:

