

## Item 1 – Cover Page

Navy Federal Asset Management, LLC  
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<https://www.navyfederal.org/products-services/investments-insurance/nffg.php>

Date of Brochure: March 2, 2011

The Form ADV, Part 2, our “Disclosure Brochure” or “Brochure” as required by the Investment Advisers Act of 1940 is a very important document between our members (you) and Navy Federal Asset Management, LLC (also referred to as Navy Federal Asset Management or NFAM throughout this Brochure). This Brochure provides information about our qualifications and business practices.

***This brochure provides information about the qualifications and business practices of Navy Federal Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 877-221-8108 or [nfbsops@navyfederal.org](mailto:nfbsops@navyfederal.org). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.***

***Additional information about Navy Federal Asset Management, LLC also is available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (go to the website, select “investment adviser firm” and type in our firm name or our CRD number which is 144244). Results will provide you both Part 1 and 2 of our Form ADV.***

Navy Federal Asset Management is an investment adviser registered with the SEC. Our registration as an investment adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other investment advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

## Item 2 – Material Changes

### 1. Initial Filing on March 2 , 2011:

- a. This is our “initial” filing of the new Part 2 of our Form ADV. While some of the information provided in this document reflects business that Navy Federal Asset Management has been doing since it opened, this Brochure, dated March 2, 2011, is brand new. This Brochure was developed in response to new requirements adopted and imposed by the United States Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940 (IA Act). As a result, this Disclosure Brochure is substantially different from previous versions and includes disclosures not specifically included in our previous Form ADV Part II.
  - b. As a result, this Brochure should be considered new. Although you will recognize most of the disclosures as similar or identical to what you have read in the past, there are new disclosures in this Brochure including:
    - i. Material Changes, Item 2;
    - ii. Review of Accounts, Item 13;
    - iii. Custody, Item 15; and
    - iv. The elimination of Part II (pages 1-6 which were the check the box pages).
2. In future filings, this section of the Brochure will address only those “material changes” that have been incorporated since our last annual update of this Brochure.
  3. We may, at any time, update this Brochure and either send you a copy of our updated Brochure or a summary of material changes to our Brochure and an offer to send you a copy (either by electronic means (email) or in hard copy form) of the updated Brochure.
  4. If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Patricia Price at 877-221-8108 or [nfbsops@navyfederal.org](mailto:nfbsops@navyfederal.org).

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## Item 4 – Advisory Business

Navy Federal Asset Management is wholly owned by Navy Federal Financial Group, which is a wholly owned subsidiary of Navy Federal Credit Union. Navy Federal Asset Management began operations in June 2007. Navy Federal Asset Management's principal business activity is acting as an investment advisory firm. Navy Federal Asset Management offers advisory clients portfolio management services for a fee. These services (collectively known referred to as "advisory services") are offered through investment adviser representatives of Navy Federal Asset Management. Currently, all investment adviser representatives are also registered with the firm's affiliated broker/dealer, Navy Federal Brokerage Services, LLC. Navy Federal Asset Management clients may also be clients of the broker/dealer, dependent upon the products and services the client has selected.

### ***Description of Primary Advisory Service***

Navy Federal Asset Management offers two primary advisory services, NFAM MAP and the NFAM Advisory Program. Both of these advisory services are portfolio management programs and are considered wrap-fee programs.

**NFAM MAP** - NFAM MAP is a mutual fund wrap program sponsored by Navy Federal Asset Management and administered by FundQuest. Under this program, Navy Federal Asset Management has the discretionary authority to hire and fire third-party portfolio managers (Sub-Advisors) who provide asset allocation services to the client using a wide range of mutual funds and exchange traded funds based on asset allocation models. Under NFAM MAP, a Navy Federal Asset Management investment adviser representative meets with a potential client to discuss financial objectives, needs, risk tolerance, financial status and reasonable investment restrictions. This information is gathered and sent to the selected Sub-Advisor for data review and to provide the client a recommended portfolio allocation with specific investment recommendation based upon the client's investment objective. If the proposed allocation is accepted by the client, the Sub-Advisor (and Navy Federal Asset Management when utilizing certain Sub-Advisors) is given discretionary authority to select and change the specific investments within the client's portfolio as necessary in accordance with the client's stated objective. NFAM MAP provides clients with investment management and monitoring of the designated assets, performance reporting and other advisory services, as well as trade execution and internet access to positions for a "wrap" fee.

Within NFAM MAP, the Sub-Advisors will maintain model portfolios selected by NFAM. The following are the model portfolios currently available to a client:

**NFAM MAP Alpha Advantage** – This personalized asset allocation services uses a wide range of mutual funds and exchange traded funds based upon asset allocation models. This strategy offers portfolios for a range of investment needs including income, capital preservation and various levels of growth. It emphasizes active fund managers that strive to outperform their benchmark index with higher return and lower risk. Risk management based on "Participate & Protect" philosophy. The Sub-Advisor for NFAM MAP is Madison Asset Management.

**NFAM MAP ETF** – This personalized asset allocation service uses a wide range of exchange-traded funds based on asset allocation models. This strategy offers portfolios for a range of investment needs including income, capital preservation and various levels of growth. The portfolio

uses exchange-traded funds (ETFs) designed to closely track the performance of a market index. The Sub-Advisor for NFAM MAP ETF is Madison Asset Management.

**NFAM MAP Tax Sensitive** – This personalized advisory service seeks to provide the client with tax-efficient income and capital appreciation by investing primarily in a portfolio of core equity exchange-traded funds and municipal bond mutual funds. In general, to qualify for the portfolio, investments in this strategy should have low turnover, low expenses, and a high degree of tax sensitivity. The Sub-Advisor for NFAM MAP Tax Sensitive is Madison Asset Management.

### **NFAM Advisory Program**

The NFAM Advisory Program is a wrap program sponsored by NFAM, which provides clients with personalized asset allocation services using a wide range of mutual funds and exchange traded funds based upon asset allocation models. Additionally, NFAM Advisory Program provides clients with account monitoring, monitoring and rebalancing of funds, performance reporting and other advisory services, as well as trade execution and internet access to positions for a “wrap” fee.

Under the NFAM Advisory Program, Navy Federal Asset Management has the discretionary authority to hire and fire third-party portfolio managers (Sub-Advisors). The Sub-Advisor shall act as the portfolio manager for accounts managed through the NFAM Advisory Program. Sub-Advisor shall have the full authority to supervise and direct the investment of monies contributed by the client to the NFAM Advisory Program account without prior consultation with the client. Subject to the limitations described in client responses to the Profile and Investment Strategy Report or other appropriate suitability analysis, the Sub-Advisor shall have unlimited investment discretion with respect to any changes to investments in the NFAM Advisory Program accounts, within the parameters of the selected portfolio model. This includes discretion to adjust asset allocations and replace or reduce the investment options in the NFAM Advisory Program portfolios. The Sub-Advisor will have full authority to supervise and direct the investment of monies contributed by clients to the NFAM Advisory Program without prior consultation except that clients shall retain the ability to modify the Investment Strategy Report at any time and shall inform the Navy Federal Asset Management investment adviser representative of any such modifications. Sub-Advisor may in its discretion and within the terms of the NFAM Advisory Program agreement executed between Navy Federal Asset Management and the client utilize model portfolios to achieve the objectives of the various portfolios options offered under the NFAM Advisory Program. Navy Federal Asset Management has no discretionary authority to select the investments in these NFAM Advisor Program accounts but will have discretion to select the Funds to be liquidated if need be to cover a debt balance in relation to the quarterly fees or if a client requests a withdrawal of funds and the funds are not readily available in the Program account money market. Other than these specific liquidations, all transactions in NFAM Advisory Program accounts shall be initiated by Sub-Advisor. Clients participating in the NFAM Advisory Program will receive Sub-Advisor’s disclosure document in addition to Navy Federal Asset Management’s brochure. Clients should review Sub-Advisor’s disclosure document more information on Sub-Advisor.

Navy Federal Asset Management shall be responsible for, among other things: (1) determining client suitability for the NFAM Advisory Program and the recommended portfolio option; and (2) confirming with the client the accuracy and completeness of the information contained in the Profile and Investment Strategy Report. Navy Federal Asset Management’s investment adviser representatives shall

communicate to clients the investments or separate account managers recommended by Sub-Advisor. Navy Federal Asset Management will have discretionary authority to hire and fire Sub-Advisor.

**FundQuest** - The following portfolio options are offered by FundQuest under NFAM Advisory Program:

**NFAM Funds** – Assets in this portfolio are limited to mutual funds. Mutual funds in this program are selected based on each individual clients needs with an emphasis on reaching the clients overall investment objective. Each fund within this program is selected for its individual strategy to fit within the confines of that client's objective. The Sub-Advisor for NFAM Funds is FundQuest.

**NFAM Index Plus** – This strategy offers portfolios that seek to provide investors with the best complement of strategies available. It enables the advisor to leverage the resources from professional money managers to monitor and make changes to meet individual client's goals. These portfolios use active mutual funds in the categories where active managers have been more likely to outperform, and passive investments where, on average, active managers have been less likely to beat their benchmark. The Sub-Advisor is FundQuest.

**NFAM Active Passive Portfolios** – The FundQuest Active Passive Funds are the building blocks used to create the NFAM Active Passive Portfolios. The Sub-Advisor FundQuest aims to enhance value to client portfolios through careful combinations of these funds, which feature both actively managed and passive (index-based) investments. The Sub-Advisor is FundQuest.

**OBS/EFS** - Funds for the Efficient Frontier Series ("EFS") are passively managed asset class portfolios that follow the covenants of Modern Portfolio Theory of reducing risk (volatility) by diversification among asset classes. Passively managed funds are supplied by Dimensional Fund Advisors (DFA). In addition, these portfolios utilize combination funds that are themselves well diversified. Regression analysis is used to place portfolios on or close to the Efficiency Frontier. The Sub-Advisor for EFS is OBS Financial Services, Inc. ("OBS"). Regression Analysis helps us understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed.

The following portfolio options are offered by OBS as Sub-Advisor under NFAM Advisory Program:

**EFS Aggressive:** The EFS Aggressive Portfolio is the most aggressive portfolio and offers full exposure to the stock market. The EFS Aggressive Portfolio is diversified between domestic and international stocks, with no exposure to the bond markets.

**EFS Moderately Aggressive:** The EFS Moderately Aggressive Portfolio provides exposure to the complete stock market, with an aggressive approach towards growth. A small bond presence is maintained, but income generation and downside protection is limited.

**EFS Balanced:** This Portfolio provides a fairly balanced investment approach with an emphasis on growth. The portfolio is more resistant to inflation with an increased potential for increased return. Its' 40% bond presence provides income to the investor and helps dampen volatility during a stock market downturn.

**EFS Moderate:** The EFS Moderate Portfolio provides a balanced investment approach, with a conservative emphasis. The portfolio has a healthy exposure to the stock market, with 40% of its assets diversified throughout, however, is moderated by a strong bond presence. With 60% of the portfolio assets in the bond market, the investor can receive a consistent stream of income and some protection from a volatile stock market.

**EFS Conservative:** This Portfolio provides investors with the opportunity to build wealth through a conservative risk managed approach. With 80% of the portfolio invested in fixed income assets, exposure to the stock market is limited, and the bond markets provide a consistent stream of income for the investor. To keep pace with inflation, the portfolio invests 20% into the stock market, which raises the growth potential over that of a portfolio void of stock exposure.

**EFS Fixed Income -** The EFS Fixed Portfolio provides investors with a conservative and consistent stream of income. The investor remains diversified by investing in asset classes, which are comprised of government and corporate bonds of various quality, geographical region and maturity.

**OBS TD/EFS -** Portfolio is based on the investors approximate retirement year. As each Portfolio's retirement date approaches, the asset allocations will become progressively more conservative. TD/EFS Portfolios with an earlier retirement date will have a more conservative asset allocation. TD/EFS Portfolios with a later retirement date will have a more aggressive asset allocation. Each TD/EFS Portfolio is designed primarily for the investor who seeks professionally managed investment program to assist the investor with their accumulation of assets prior to and during retirement.

**TD/EFS Balanced Income –** The Target Date/EFS Balanced Income Portfolio is designed for people who have already retired. This is the most conservative of the Target Date/EFS Portfolios. It is designed to provide a constant stream of income through fixed income holdings while still growing moderately through equity. All other Target Date/EFS Portfolio allocations eventually mirror the Balanced Income Portfolio.

**TD/EFS 2010 –** The Target Date/EFS 2010 Portfolio is designed for people planning on retiring in 2010 and up to 10 years after January of 2010. Over time, this portfolio will slowly change to a more conservative allocation by replacing a portion of equity with fixed income every 5 years. In the year 2010, this portfolio will mirror the current allocation of the Target Date/EFS Balanced Income Portfolio.

**TD/EFS 2020 –** The Target Date/EFS 2020 Portfolio is designed for people planning on retiring in 2020 and up to 10 years after January of 2020. Over time, this portfolio will

slowly change to a more conservative allocation by replacing a portion of equity with fixed income every 5 years. In the year 2020, this portfolio will mirror the current allocation of the Target Date/EFS Balanced Income Portfolio.

**TD/EFS 2030** – The Target Date/EFS 2030 Portfolio is designed for people planning on retiring in 2030 and up to 10 years after January of 2030. Over time, this portfolio will slowly change to a more conservative allocation by replacing a portion of equity with fixed income every 5 years. In the year 2030, this portfolio will mirror the current allocation of the Target Date/EFS Balanced Income Portfolio.

**TD/EFS 2040** – The Target Date/EFS 2040 Portfolio is designed for people planning on retiring in 2040 and up to 10 years after January of 2040. Over time, this portfolio will slowly change to a more conservative allocation by replacing a portion of equity with fixed income every 5 years. In the year 2040, this portfolio will mirror the current allocation of the Target Date/EFS Balanced Income Portfolio.

**TD/EFS 2050** – The Target Date/EFS 2050 Portfolio is designed for people planning on retiring in 2050 and up to 10 years after January of 2050. Over time, this portfolio will slowly change to a more conservative allocation by replacing a portion of equity with fixed income every five years. In the year 2050, this portfolio will mirror the current allocation of the Target Date/EFS Balanced Income Portfolio.

**OBS SA/EFS** - The OBS SA/EFS Portfolio utilizes a mutual fund family commissioned by Loring Ward and managed by Dimensional Fund Advisors. The family of funds consists of 3 Domestic Equity, 3 International Equity, 2 Fixed Income and 1 Real Estate Fund. Essentially, these asset classes are clones of DFA equivalency asset classes with the added benefit that the entire Service Fee is wrapped within the shareholder service charge. SA/EFS funds are divided into 6 portfolios based on a questionnaire that can be filled out by clients. This arrangement allows for the full use of diversification by asset class.

**SA/EFS Defensive** – The SA/EFS Fund Portfolios are an efficient way to access the DFA Asset Classes. These portfolios have the service fees wrapped within the shareholder service charge. With a majority of the portfolio investing in fixed income assets, exposure to the stock market is limited, while the bond markets provide a consistent stream of income for the investor. To keep pace with inflation, the SA/EFS Defensive portfolio invests a small portion into the stock market, which raises the growth potential over that of a portfolio absent of stock exposure.

**SA/EFS Conservative** - The SA/EFS Fund Portfolios are an efficient way to access the DFA Asset Classes. These portfolios have the service fees wrapped within the shareholder service charge. The SA/EFS Conservative Portfolio has a healthy exposure to the stock market, with 40% of its assets diversified throughout equity asset classes; however, this exposure is moderated by a strong bond presence. With 60% of the portfolio assets in the bond markets, the investor can receive a consistent stream of income with some protection from a downward stock market.



**SA/EFS Moderate** - The SA/EFS Fund Portfolios are an efficient way to access the DFA Asset Classes. These portfolios have the service fees wrapped within the shareholder service charge. The SA/EFS Moderate portfolio aims to provide a balance between capital preservation and capital appreciation. With a 50/50 exposure to equity and fixed income, the moderate portfolio is designed for those who are most comfortable with a balanced approach and have an average tolerance for portfolio fluctuations.

**SA/EFS Balanced** - The SA/EFS Fund Portfolios are an efficient way to access the DFA Asset Classes. These portfolios have the service fees wrapped within the shareholder service charge. The SA/EFS Balanced Portfolio provides a fairly balanced investment approach with an emphasis on growth. The portfolio is more resistant to inflation with an increased potential for capital appreciation. However, the portfolio has a reasonable bond presence, providing income to the investor as well as protection in a downward market.

**SA/EFS Moderately Aggressive** - The SA/EFS Fund Portfolios are an efficient way to access the DFA Asset Classes. These Portfolios have the service fees wrapped within the shareholder service charge. The SA/EFS Equity Portfolio is the most aggressive of the SA/EFS series containing full exposure to equity securities. It is designed for investors that are willing to assume a higher level of risk to potentially achieve higher returns. These investors should have a long time horizon.

**SA/EFS Aggressive** - The SA/EFS Fund Portfolios are an efficient way to access the DFA Asset Classes. These Portfolios have the service fees wrapped within the shareholder service charge. The SA/EFS Aggressive Portfolio is the most aggressive of the SA/EFS series containing full exposure to equity securities. It is designed for investors that are willing to assume a higher level of risk to potentially achieve higher returns. These investors should have the longest time horizon.

**Third-Party Money Manager Referral Program** – Navy Federal Asset Management refers certain clients to Members Trust Company and Navy Federal Asset Management receives through its parent company, Navy Federal Financial Group, an ongoing solicitor fee if such clients still maintain assets under the management of Members Trust Company. In light of Navy Federal Financial Group, the parent company of Navy Federal Asset Management, owning a portion (less than 10%) of Members Trust Company and Navy Federal Asset Management president's role as a member of the board of directors of Members Trust Company, Navy Federal Asset Management has a conflict of interest. Please refer to Item 10.C.2 for additional details.

### ***Specialization***

Navy Federal Asset Management does not specialize in any particular area.

### ***Type of Investments***

Navy Federal Asset Management generally provides clients with advice regarding the selection of Sub-Advisors. Under limited circumstances and only upon the client's request, Navy Federal Asset Management may offer advice on the following types of securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Exchange Traded Funds (ETFs)
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities

***Tailor Advisory Service to Individual Needs of Client***

Navy Federal Asset Management's asset management services are always provided based upon the specific needs of the individual client. The client is given the ability to impose reasonable restrictions including specific investment selections and sectors.

***Client Assets Managed by Navy Federal Asset Management, LLC***

In its capacity of holding discretionary authority to hire and fire Sub-Advisors of its portfolio management programs, Navy Federal Asset Management has **\$69,832,998.99** of assets under management as of December 31, 2010.

## **Item 5 – Fees and Compensation**

This section provides details regarding the fees and compensation arrangement of Navy Federal Asset Management's services.

Navy Federal Asset Management fees will be calculated based on a percentage of assets under management and will not exceed 2.25% on an annualized basis. Navy Federal Asset Management fees are negotiable and may vary according to the services provided, parties involved in providing the services, types of investments and other such considerations. The Navy Federal Asset Management investment adviser representative will determine the exact fee of Navy Federal Asset Management within the range described below under the Navy Federal Asset Management Fee column for each Sub-Advisor. Therefore, different clients participating in the same program may pay different fees. Navy Federal Asset Management believes

its fees are competitive with those fees charged by other investment advisers for comparable services; however, Navy Federal Asset Management fees may be higher than the fees charged by other investment advisers. In addition to the Navy Federal Asset Management fees, there may be other charges assessed to Navy Federal Asset Management accounts for certain activity, termination of accounts, or other such occurrences. The minimum amount to open a Navy Federal Asset Management account will vary depending on the product and Sub-Advisor selected. Please refer to Item 7 of this Brochure for the minimum account sizes.

***Fee Schedule for NFAM MAP Account Sub-Advised by Madison Asset Management***

| Investment Amount    | Madison Asset Management Fee | FundQuest Administrative Fee | Navy Federal Asset Management Fee | Total Fee    |
|----------------------|------------------------------|------------------------------|-----------------------------------|--------------|
| First \$50,000       | 0.25%                        | 0.15%                        | .60 - 1.60%                       | 1.00 - 2.00% |
| Next \$50,000        | 0.25%                        | 0.15%                        | .60 - 1.35%                       | 1.00 - 1.75% |
| Next \$150,000       | 0.25%                        | 0.15%                        | .60 - 1.10%                       | 1.00 - 1.50% |
| Next \$250,000       | 0.25%                        | 0.15%                        | .60 - .85%                        | 1.00 - 1.25% |
| Next \$500,000       | 0.20%                        | 0.15%                        | .50 - .65%                        | .85 - 1.00%  |
| All Over \$1,000,000 | 0.20%                        | 0.15%                        | .35 - .60%                        | .75 - 1.00%  |

***Fee Schedule for NFAM Advisory Program Account Sub-Advised by FundQuest***

| Investment Amount | FundQuest Fee | Navy Federal Asset Management Fee | Total Fee    |
|-------------------|---------------|-----------------------------------|--------------|
| First \$250,000   | 0.35%         | 1.00 - 1.40%                      | 1.35 - 1.75% |
| Next \$250,000    | 0.30%         | .95 - 1.25%                       | 1.15 - 1.55% |
| Next \$500,000    | 0.25%         | .80 - 1.00%                       | 1.05 - 1.25% |
| Next \$1,000,000  | 0.20%         | .75 - .80%                        | .95 - 1.00%  |
| Over \$2,000,000  | 0.20%         | 0.65%                             | 0.85%        |

***Fee Schedule for NFAM Advisory Program Account Sub-Advised by OBS***

| Investment Amount | OBS Fee | Navy Federal Asset Management Fee | Total Fee    |
|-------------------|---------|-----------------------------------|--------------|
| First \$250,000   | 0.25%   | 1.00 - 1.40%                      | 1.25 - 1.65% |
| Next \$250,000    | 0.25%   | .95 - 1.25%                       | 1.20 - 1.50% |
| Next \$500,000    | 0.25%   | .80 - 1.00%                       | 1.05 - 1.25% |

|                  |       |            |              |
|------------------|-------|------------|--------------|
| Next \$1,000,000 | 0.25% | .75 - .80% | 1.00 - 1.05% |
| Over \$2,000,000 | 0.25% | 0.65%      | .90%         |

## How fees are charged

Depending upon the advisory program and Sub-Advisor selected fees are charged to an account in advance or in arrears on a quarterly basis. Upon termination of an advisory program for an account billed in advance, Navy Federal Asset Management will refund any prepaid but unearned fees. Upon termination of an advisory program for an account billed in arrears, Navy Federal Asset Management will collect fee due for the period of time the account has been managed since the last billing period.

- **Fees for NFAM MAP account sub-advised by Madison Asset Management are charged in advance on a quarterly basis using the average daily balance from the previous quarter. If there is a deposit over \$25,000 made during the quarter which was not included in the fee charged in advance, there is a look back and an additional fee (pro-rated) is charged for such deposit. Upon termination of a Madison Asset Management sub-advised account, Navy Federal Asset Management will refund any prepaid but unearned fees.**
- **Fees for NFAM Advisory Program account sub-advised by FundQuest are charged in advance on a quarterly basis using the average daily balance from the previous quarter. Upon termination of a NFAM Advisory Program sub-advised by FundQuest, Navy Federal Asset Management will refund any prepaid but unearned fees.**
- **Fees for NFAM Advisory Program account sub-advised by OBS are charged in advance on a quarterly basis using the balance on the first day of the current quarter. Upon termination of a NFAM Advisory Program sub-advised by OBS, Navy Federal Asset Management will refund any prepaid but unearned fees.**

For those accounts where fees are charged in advance on a calendar-quarter basis, the initial pro-rated fee will be charged to a client's account on or about the second business day after the account has been opened and funded. Upon termination or client request for funds withdrawal (including systematic withdrawal programs), costs to liquidate securities such as short term redemption fees, if any, may be borne by the client. You understand that such liquidations may have adverse tax consequences. Upon termination, Navy Federal Asset Management agrees to reimburse a pro-rata share of any prepaid, but unearned fees.

## Additional Fees and Expenses

Although the advisory fees described above cover the execution costs Advisory fees payable to us do not include all the fees you will pay when we purchase or sell securities for your account(s). The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your account(s) under our management. Fees charged are by the broker dealer / custodian. Navy Federal Brokerage Services, LLC may receive, directly or indirectly any of these fees charged to the client. They are paid to your broker, custodian or the mutual fund or other investments you hold. The fees include:

- Brokerage commissions;
- Mutual fund sales loads including 12b-1 fees;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Mutual Funds (MF), Exchange Traded Funds (ETFs)
- Advisory fees charged by sub-advisers (if any are used for your account);
- Custodial Fees;
- Deferred sales charges (on MF or annuities);
- Odd-Lot differentials;
- Deferred sales charges (charged by MFs);
- Surrender charges (charged by MFs or annuities);
- Transfer taxes;
- Wire transfer and electronic fund processing fees;
- Commissions or mark-ups / mark-downs on security transactions ;
- IRA and qualified retirement plan fees;
- Among others that may be incurred.
- Termination Fees
- Express Mail Fees

Please review the brokerage account additional fee schedule attached for more information on fees. For accounts in NFAM MAP or accounts in NFAM Advisory Program which are sub-advised by FundQuest, Navy Federal Brokerage Services, LLC serves as the introducing broker-dealer and may receive a portion of certain administrative fees charged the qualified custodian, Pershing, LLC.

### ***Other Compensation***

Our advisors do not receive personally (directly or indirectly) any compensation from the sale of specific security or investment in your account managed by Navy Federal Asset Management.

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

Neither Navy Federal Asset Management nor any of its supervised persons accepts performance-based fees, which are fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7 – Types of Clients**

Navy Federal Asset Management generally provides investment advice to members of Navy Federal Credit Union, individual persons, trusts and institutions. There are minimum initial investment amounts for advisory, which range from \$25,000 to \$100,000 depending on the product, model and Sub-Adviser that is chosen.

### **Program**

### **Minimum Account Size**

|  |           |
|--|-----------|
| NFAM MAP Alpha Advantage                           | \$100,000 |
| NFAM MAP ETP                                       | \$50,000  |
| NFAM MAP Tax Sensitive                             | \$100,000 |
| NFAM Advisory Program Funds                        | \$50,000  |
| NFAM Advisory Program ETF                          | \$50,000  |
| NFAM Advisory Program Index Plus                   | \$50,000  |
| NFAM Advisory Program Active Passive Portfolios    | \$25,000  |
| NFAM Advisory Program EFS Aggressive               | \$25,000  |
| NFAM Advisory Program EFS Moderately Aggressive    | \$25,000  |
| NFAM Advisory Program EFS Balanced                 | \$25,000  |
| NFAM Advisory Program EFS Moderate                 | \$25,000  |
| NFAM Advisory Program EFS Conservative             | \$25,000  |
| NFAM Advisory Program EFS Fixed Income             | \$25,000  |
| NFAM Advisory Program TD/EFS Balanced Income       | \$25,000  |
| NFAM Advisory Program TD/EFS 2010                  | \$25,000  |
| NFAM Advisory Program TD/EFS 2020                  | \$25,000  |
| NFAM Advisory Program TD/EFS 2030                  | \$25,000  |
| NFAM Advisory Program TD/EFS 2040                  | \$25,000  |
| NFAM Advisory Program TD/EFS 2050                  | \$25,000  |
| NFAM Advisory Program SA/EFS Defensive             | \$25,000  |
| NFAM Advisory Program SA/EFS Conservative          | \$25,000  |
| NFAM Advisory Program SA/EFS Moderate              | \$25,000  |
| NFAM Advisory Program SA/EFS Balanced              | \$25,000  |
| NFAM Advisory Program SA/EFS Moderately Aggressive | \$25,000  |
| NFAM Advisory Program SA/EFS Aggressive            | \$25,000  |

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

A. Navy Federal Asset Management typically provides its advisory services through wrap accounts and utilizes independent third party money managers (Sub-Advisors) to manage the assets of the wrap accounts. Navy Federal Asset Management has an investment committee that conducts due diligence and selects Sub-Advisors. At least annually a due diligence review will be performed from both a compliance and performance perspective to determine that the Sub-Advisor utilized in the portfolio programs are still an appropriate fit for the portfolio management programs sponsored by Navy Federal Asset Management. The investment committee will also review the Sub-Advisor's performance over an extended period of time on an ongoing basis. The investment committee will meet at least every other month to discuss any potential concerns or recommended changes to the Sub-Advisors utilized in the portfolio management programs. The investment committee will be responsible for determining if a Sub-Advisor should be replaced due to poor performance or concerns with non-compliance with regulatory requirements.

Navy Federal Asset Management uses an investment policy statement to determine the appropriate initial investment recommendation and ongoing asset management for each individual client. The investment adviser representative of Navy Federal Asset Management act in a relationship manager capacity with the client. The individual investment policy statement or investment strategy report takes into account each client's risk tolerance, time horizon, total assets, income, investment goals and financial status.

You should understand that past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including but not limited to stocks, mutual funds, ETFs and bonds) involves risk of loss. Further, depending on the different types of investments, there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

B. Because of the inherent risk of loss associated with investing, Navy Federal Asset Management is unable to represent, guarantee, or even imply that its services and methods of analysis or other unaffiliated, third-party investment advisors can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through Navy Federal Asset Management's investment management programs or other unaffiliated third-party investment advisors.

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (Stock) Market Risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be

exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- ETF and Mutual Fund Risk – When the client is invested in an ETF or mutual fund, it will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with my firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

C. Navy Federal Asset Management typically provides its advisory services through wrap accounts and utilizes independent third party money managers to manage the assets of the wrap accounts. Wrap accounts managed by third party money managers generally consist of Mutual Funds and/or Exchange Traded Funds (ETFs).

There are a variety of mutual fund categories. For example, there are funds that hold only stocks, bonds or cash (money markets) or hold only securities in a particular sector (i.e., health care). There are also balanced funds that incorporate all asset classes.

Mutual Funds may have risk factors associated with them including, but not limited to, market risk, political risk, currency risk, liquidity and financial risk depending on the investment goal of the selected mutual fund. Each category of asset held in a fund has its own category of risk. For example, bonds may be redeemed before their maturity date or dividends may decline because of falling interest rates. Interest rates may go up and cause the fund value to decline or the bond issuer may be a credit risk and default in timely repaying interest and principal. Stocks in a particular sector may decline due to developments in that industry. Any type of fund could be impacted because of natural disasters, inflation, changes in U.S./foreign currency exchange rates, market cycles or political events like elections. A manager may not meet fund objectives because he or she failed to effectively execute the fund's investment strategy.



ETFs are a security that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange. ETFs experience price changes throughout the day as they are bought and sold. ETFs are subject to numerous risks including many of the risks involved with investing in mutual funds

Clients need to consider not only their investment goals (i.e., capital gains, income) but their risk tolerance level (i.e., conservative, aggressive, balanced). They should also understand that not every fund or ETF will have the same degree of risk. Clients should always read the prospectus that is provided with each mutual fund or ETF considered or selected. The prospectus contains details on the securities held in the fund as well as the risks and costs associated with those holdings. If clients have any questions, they should contact their investment advisor.

## **Item 9 – Disciplinary Information**

This item is not applicable to Navy Federal Asset Management's brochure because no legal or disciplinary events listed at Item 9 of the Form ADV Part 2 instructions that are material to Navy Federal Asset Management's business or integrity of Navy Federal Asset Management's management.

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

A. The management, certain support staff, and the advisors of Navy Federal Asset Management are registered with its affiliate, Navy Federal Brokerage Services, LLC which is a full service broker/dealer and also a wholly owned subsidiary of Navy Federal Financial Group see Item 10.C.2 for information on Navy Federal Financial Group.

B. Neither Navy Federal Asset Management nor any of its management persons are registered as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

C. Other Arrangements

1. Navy Federal Asset Management is affiliated with Navy Federal Brokerage Services, LLC, which is a registered broker/dealer. Navy Federal Asset Management and Navy Federal Brokerage Services, LLC are both wholly owned subsidiaries of Navy Federal Financial Group and may serve the same clients. Please refer to Item 12. Brokerage Practices for more details about how Navy Federal Asset Management may utilize Navy Federal Brokerage Services, LLC with respect to your advisory services.

2. The parent company of Navy Federal Asset Management is Navy Federal Financial Group. Navy Federal Financial Group owns a less than 10% share of Members Trust Company, and the president of Navy Federal Asset Management and Navy Federal Financial Group is a member of the board of directors for Members Trust Company. Navy Federal Asset Management refers clients to Members Trust Company as a third-party money manager and through its parent company, Navy Federal Financial Group; Navy Federal Asset Management continues to receive an ongoing solicitor fee from Members Trust Company for such client with assets under management

by Members Trust Company. The relationship between Navy Federal Financial Group, Navy Federal Asset Management and Members Trust Company creates a material conflict of interest. Navy Federal Asset Management addresses that conflict of interest through due diligence reviews, financial audits and an account review process to verify Members Trust Company fits the client's investment needs.

3. Navy Federal Asset Management is affiliated with Navy Federal Credit Union. Its parent company, Navy Federal Financial Group, is a wholly owned subsidiary of Navy Federal Credit Union. Navy Federal Asset Management primarily serves members of Navy Federal Credit Union.

4. Navy Federal Asset Management's parent company, Navy Federal Financial Group, is also a licensed insurance agency and may be paid a portion of the insurance commissions received by GEICO for property and casualty insurance and CUNA Mutual Group for life and long term care insurance that are placed with members of Navy Federal Credit Union.

5. Navy Federal Brokerage Services, LLC clears through Pershing, this relationship is based on a piggybacking relationship with introducing broker-dealer, CUSO Financial Services, which facilitate back office processing and account processing and servicing of new and existing accounts for both Navy Federal Asset Management and Navy Brokerage Services, LLC. Navy Federal Asset Management, Navy Federal Brokerage Services, LLC and CUSO Financial Services have an agreement in place to perform these services in exchange for a fee which based upon the gross fees and commissions earned by Navy Federal Asset Management and Navy Federal Brokerage Services, LLC. CUSO Financial is not affiliated with Navy Federal Asset Management or Navy Federal Brokerage Services, LLC in anyway. Navy Federal Asset Management addresses security of account information and privacy within this relationship through due diligence reviews and financial audits.

D. Navy Federal Asset Management recommends various third party Sub-Advisors for each of its programs. As of January 2011, the Sub-Advisors available on the NFAM platform are the following:

1. Madison Asset Managers;
2. FundQuest; and
3. OBS

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

### **Code of Ethics Summary**

Navy Federal Asset Management has established a Code of Ethics that will apply to all of its supervised persons. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of clients at all times. This fiduciary duty is considered the core underlying principle for the advisor's Code of Ethics which also covers its Insider

Trading and Personal Securities Transactions Policies and Procedures. Navy Federal Asset Management requires all of its supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times.

Upon employment or affiliation and when changes occur, all supervised persons will sign an acknowledgement that they have read, understand and agree to comply with the advisor's Code of Ethics. Navy Federal Asset Management has the responsibility to make sure that the interests of all clients are placed ahead of Navy Federal Asset Management's or its supervised person's own investment interest. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. Navy Federal Asset Management and its supervised persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients.

This disclosure is provided to give as a summary of Navy Federal Asset Management's Code of Ethics. However, if you wish to review Navy Federal Asset Management's Code of Ethics in its entirety, a copy will be provided promptly upon request.

### **Employee Personal Securities Transactions Disclosure**

You should know that the supervised persons of Navy Federal Asset Management, LLC may buy or sell securities that are also recommended to clients such as yourself. In order to minimize this conflict of interest, Navy Federal Asset Management, LLC only recommends and purchases securities which are in general widely held and publicly traded.

### **Item 12 – Brokerage Practices**

Clients wishing to implement Navy Federal Asset Management's general investment advice are free to select any broker/dealer or investment advisor they wish and are so informed. However, for clients that wish to establish a NFAM Map account or NFAM accounts managed by a Sub-Advisor such as Fund Quest and OBS, Navy Federal Asset Management will require that accounts be established at Pershing, LLC. Pershing, LLC offers custody of securities, trade execution, clearance and settlement of transactions. NFAM recommends broker/dealers and custodians that the NFAM believes will provide services in a manner and at a cost that will allow NFAM to meet its duty of best execution.

Although Navy Federal Asset Management is not affiliated Pershing, LLC, Navy Federal Asset Management's affiliated broker-dealer, Navy Federal Brokerage Services, LLC is an introducing broker-dealer and clears through Pershing, LLC. For all accounts in NFAM MAP and those accounts sub-advised by FundQuest under the NFAM Advisory Program, Navy Federal Brokerage Services, LLC serves as the introducing broker-dealer on behalf of Pershing, LLC.

For those accounts sub-advised by OBS under the NFAM Advisory Program, Navy Federal Brokerage Services, LLC does not serve as the introducing broker-dealer for these accounts held at Pershing, LLC. However, Navy Federal Asset Management receives economic benefits through its participation in the institutional platform of Pershing, LLC. These benefits include receipt of duplicate client confirmations;

access to a trading desk serving Navy Federal Asset Management and other institutional platform participants; the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, technology, and practice management products or services provided to Navy Federal Asset Management by third party vendors. These benefits received by Navy Federal Asset Management do not depend on the amount of brokerage transactions directed to a particular broker/dealer.

As part of its fiduciary duties to clients, Navy Federal Asset Management endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits from using Navy Federal Brokerage Services, LLC as introducing broker-dealer and or the institutional platform of Pershing, LLC in and of itself creates a potential conflict of interest.

At least annually, Navy Federal Asset Management reviews alternative custodians in the marketplace for comparison to the currently used custodian, evaluating criteria such as overall expertise, cost competitiveness and financial condition. Quality of execution for custodians will be reviewed through best execution review. No single criteria will validate nor invalidate a custodian, but rather, all criteria taken together will be used in evaluating the currently utilized custodian.

### ***Handling of Trade Errors.***

Navy Federal Asset Management has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of Navy Federal to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by Navy Federal Asset Management if the error was caused by Navy Federal Asset Management. If the error is caused by the qualified custodian, the qualified custodian will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the client will not receive the gain. The Sub-Advisor or Pershing, LLC will receive any trade correction gains; however, Navy Federal Asset Management and Navy Federal Brokerage Services, LLC will never benefit or profit from trade errors.

### ***Individual Trading Policy***

Transactions implemented by Navy Federal Asset Management and/or Sub-Advisors for client accounts are generally affected independently, unless the firm decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by the firm when Navy Federal Asset Management or Sub-Advisor believes such action may prove advantageous to clients. When Navy Federal Asset Management or Sub-Advisor aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that

might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among the firm's clients in proportion to the purchase and sale orders placed for each client account on any given day. When Navy Federal Asset Management or Sub-Advisor determines to aggregate client orders for the purchase or sale of securities, including securities in which Navy Federal Asset Management or Sub-Advisor may invest, the firm will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, Navy Federal Asset Management or Sub-Advisor does not receive any additional compensation or remuneration as a result of aggregation.

### **Item 13 – Review of Accounts**

Your investment adviser representative will review your account on at least quarterly basis; however, your investment adviser representative may review your account more often due to changes in your circumstances, your express request or changes within the market. Our compliance and training supervisors, brokerage operations specialists or operations management staff review newly established accounts. Navy Federal Asset Management also has an investment committee, which consists of its president, chief compliance officer and assistant vice president of investment operations. The investment committee reviews on a quarterly basis a certain number of randomly selected accounts; these accounts are reviewed for suitability with your investment policy statement and your stated investment needs. In addition, the investment committee reviews the fees charged to these accounts to ensure that the accurate fee has been deducted from an account or refunded in the case of a closed account.

Navy Federal Asset Management and its investment adviser representatives do not provide reports directly to clients. In the case of our portfolio management programs, the qualified custodian, Pershing, LLC, provides quarterly account statements and FundQuest provides quarterly performance reports to each NFAM Advisory Program account sub-advised by FundQuest and each NFAM MAP account sub-advised by Madison Asset Management. Additionally, OBS provides quarterly performance reports to NFAM Advisory Program account sub-advised by OBS. To the extent that Navy Federal Asset Management, FundQuest, OBS or another Sub-Advisor ever prepares a report for you, you should compare such reports against the account statements delivered by the qualified custodian, Pershing, LLC.

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

Navy Federal Asset Management refers clients to Members Trust Company and Navy Federal Asset Management, through its parent company, Navy Federal Financial Group, receives a referral fee paid by Members Trust Company based upon a portion of the management fee charged to the client. The portion of the referral fee paid to Navy Federal Asset Management may reach as high as 55% of the overall fee received by Members Trust Company.

For your accounts in NFAM MAP or your accounts in NFAM Advisory Program which are sub-advised by FundQuest, Navy Federal Brokerage Services, LLC serves as the introducing broker-dealer and may receive a portion of certain administrative fees charged by Pershing, LLC, the qualified custodian,

Except for the investment advisory fees charged by Navy Federal Asset Management, the referral fees paid by Members Trust Company and certain administrative fees received by Navy Federal Brokerage Services, LLC as an introducing broker-dealer, Navy Federal Asset Management nor any of its related persons accept economic benefit for providing investment advice or other advisory services to its clients.

Neither Navy Federal Asset Management nor any of its related persons, directly or indirectly, compensates any person who is not a supervised person of Navy Federal Asset Management for client referrals.

## **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

Navy Federal Asset Management is deemed to have custody of client funds and securities whenever Navy Federal Asset Management is given the authority to have fees deducted directly from client accounts.

For accounts in which Navy Federal Asset Management is deemed to have custody, Navy Federal Asset Management has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which funds and securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client or the client's independent representative at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Navy Federal Asset Management. When clients have questions about their account statements, they should contact Navy Federal Asset Management or the qualified custodian preparing the statement.

Pershing LLC will be the qualified custodian for NFAM MAP and NFAM Advisory Program accounts. Securities are registered in street name which means that customer-owned securities are held in the name of Pershing, LLC for more efficient trading. Clients will receive from Pershing monthly or quarterly statements depending on activity. Pershing LLC is located at One Pershing Plaza Jersey City, NJ 07399. Phone: 201/413-2000.

Navy Federal Credit Union, an affiliate of Navy Federal Asset Management, may in its capacity as a credit union, have custody of non-investment advisory assets of the clients of Navy Federal Asset Management. Navy Federal Credit Union does not hold assets subject to the investment advisory services of Navy Federal Asset Management.

## **Item 16 – Investment Discretion**

The assets of a NFAM MAP account shall be managed by third-party investment advisers (“Sub-Advisors”) engaged by Navy Federal Asset Management, LLC. In accordance with the initial Investment Allocation Proposal, NFAM shall engage or recommend Sub-Advisors for Client. While NFAM will generally discuss changes with Client prior to making such changes, NFAM does retain discretionary authority to hire and fire Sub-Advisors on Client’s behalf without first consulting with Client. For assets of an account managed by Sub-Advisors, Madison Asset Management or OBS Financial Services, the client authorizes Navy Federal Asset Management, LLC the discretionary authority to make investment decisions on behalf of the client and provide trading instructions, on behalf of the client to the Sub-Advisors, broker-dealers and custodians for the client’s NFAM MAP Account. The client also authorizes Navy Federal Asset Management, LLC to provide a copy of the client agreement to any Sub-Advisor or broker-dealer through which transactions will be implemented on behalf of the client as evidence of Navy Federal Asset Management, LLC’s and/or the Sub-Advisor’s authority.

For the assets of an account sub-advised by FundQuest, FundQuest shall have discretion to change the investments within the parameters of the selected portfolio model. This includes discretion to adjust asset allocations and replace or reduce mutual funds and/or ETFs in the client’s account. All transactions shall be initiated by FundQuest. Subject to the limitations and/or restrictions that you listed in your profile or other appropriate suitability analysis (including any reasonable restrictions you placed on investments) Navy Federal Asset Management shall have full authority to supervise and direct the investment of the monies contributed by you without prior consultation. Although Navy Federal Asset Management shall have discretionary authority to hire or fire FunQuest, Navy Federal Asset Management shall not have discretionary investment authority to make specific investments within your account.

## **Item 17 – Voting Client Securities**

### **Navy Federal Asset Management Proxy Policy**

Navy Federal Asset Management does not vote proxies. Sub-Advisor(s) selected by Navy Federal Asset Management like FundQuest, Madison Asset Management or OBS may vote proxies for client accounts or may pass them directly to the client for voting. Specific information on the proxy voting policies of a selected Sub-Advisor can be found in the Sub-Advisor’s ADV Part 2 provided at the time of account opening or upon request thereafter. For more information on proxy voting information, please contact us at 877-221-8108.

## **Item 18 – Financial Information**

This item is not applicable to Navy Federal Asset Management’s Brochure. Navy Federal Asset Management does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Navy Federal Asset Management is not subject to a financial condition reasonably likely to impair its ability to meet contractual commitments. Finally, Navy Federal Asset Management has not been the subject of a bankruptcy petition at any time.