

Form ADV Part 2A Disclosure Brochure

Item 1 – Cover Page

Navy Federal Asset Management, LLC

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Date of Brochure: April 2013

The Form ADV Part 2A “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. 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 (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, are 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

The material changes to our Disclosure Brochure since the March 2012 annual update filing include the following:

- a) In November 2012, we added a description of advisory services provided to retirement plans.
- b) With our annual update filing dated March 2013, we updated the reported amount of Regulatory Assets Under Management. We have reported Regulatory Assets Under Management in the amount of \$107,394,207 for the fiscal year-end December 2012. Please refer to *Item 4 – Advisory Business* for more details.
- c) In April 2013, we made revisions at *Item 5 – Fees and Compensation* to update the information about fees for the NFAM Advisory Program accounts sub-advised by Envestnet and about fee for the NFAM Advisory Program accounts sub-advised by OBS.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31, so you will receive the summary of material changes, if any, by no later than April 30 each year. At that time we will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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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 Envestnet, INC. 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 recommendations based upon the client's investment objective. If the proposed allocation is accepted by the client, the Sub-Advisor 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 service uses a wide range of mutual funds and 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. It emphasizes active fund managers that strive to outperform their benchmark index.

Risk management is based on the “Participate & Protect” philosophy. The Sub-Advisor for NFAM MAP Alpha Advantage 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 portfolios use 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 asset allocation 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. The 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. The 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 portfolio 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 necessary to cover a debit 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 the Sub-Advisor's disclosure document in addition to Navy Federal Asset Management's brochure. Clients should review the Sub-Advisor's disclosure document for more information on the 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 the Sub-Advisor. Navy Federal Asset Management will have discretionary authority to hire and fire the Sub-Advisor.

Envestnet, INC - The following portfolio options are offered by Envestnet, INC under the NFAM Advisory Program:

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

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 an 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 for NFAM Index Plus is Envestnet, INC.

NFAM Active Passive Portfolios – The Envestnet, INC Active Passive Funds are the building blocks used to create the NFAM Active Passive Portfolios. The Sub-Advisor Envestnet, INC 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 for NFAM Active Passive Portfolios is Envestnet, INC.

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 Navy Federal Asset Management 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 the 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. It's approximately 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 an exposure to the stock market, with approximately 40% of its assets diversified throughout, however, is moderated by a strong bond presence. With approximately 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 approximately 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 approximately 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 Target Date/EFS – The OBS D/EFS, portfolios are based on the investor's 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 a professionally

managed investment program to assist the investor with the 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. The SA/EFS Fund Portfolios are an efficient

way to access the DFA Asset Classes. 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 Defensive is a defensive fund, 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 Conservative Portfolio has an exposure to the stock market, with approximately 40% of its assets diversified throughout equity asset classes; however, this exposure is moderated by a strong bond presence. With approximately 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 Moderate portfolio aims to provide a balance between capital preservation and capital appreciation. With an approximately 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 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 typically will include a bond allocation of approximately 40%, with the bond allocation designed to provide income to the investor as well as protection in a downward market.

SA/EFS Moderately Aggressive - The SA/EFS Moderately Aggressive Portfolio contains 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 portfolios have a 30/70% fixed income to equity instrument asset allocation.

SA/EFS Aggressive - 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 portfolios have 100% equity allocation. Portfolios are generally suited for investors who 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.

Retirement Plans

Navy Federal Asset Management offers retirement plan services to retirement plan sponsors and to individual participants in retirement plans. For a corporate sponsor of a retirement plan we provide fiduciary management services through the NFAM MAP and NFAM Advisory Programs, as described above.

If you elect to utilize any of Navy Federal Asset Management's Fiduciary Management Services, then Navy Federal Asset Management will be acting as an Investment Manager to the Plan, as defined by ERISA section 3(38), with respect to our Fiduciary Management Services, and Navy Federal Asset Management hereby acknowledges that it is a fiduciary with respect to its Fiduciary Management Services.

The exact suite of services provided to a client will be listed and detailed in the advisory services agreement between Navy Federal Asset Management and the retirement plan.

Securities and other types of investments all bear different types and levels of risk. Those risks are typically discussed with clients in defining the investment policies and objectives that will guide investment decisions for their qualified plan accounts. Upon request, as part of our retirement plan services, we can discuss those investments and investment strategies that we believe may tend to reduce these risks for a particular client's circumstances and plan participants.

Clients and plan participants must realize that obtaining higher rates of return on investments entails accepting higher levels of risk. Based upon discussions with the client, we will attempt to identify the balance of risks and rewards that is appropriate and comfortable for the client and other employees. It is still the responsibility of each individual client to ask questions if the client does not fully understand the risks associated with any investment. All plan participants are strongly encouraged to read prospectuses, when applicable, and ask questions prior to investing.

We strive to render our best judgment for clients. Still, Navy Federal Asset Management cannot assure that investments will be profitable or assure that no losses will occur in the client portfolios. Past performance is an important consideration with respect to any investment or investment advisor, but it is not necessarily an accurate predictor of future performance.

Navy Federal Asset Management will disclose to the client, to the extent required by ERISA Regulation Section 2550.408b-2(c), any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or Plan Administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable) all information related to the advisory services agreement between

Navy Federal Asset Management and the retirement plan and any compensation or fees received in connection with such agreement that is required for the ERISA-covered plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If we make an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to the client the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

Termination of Services

Either Navy Federal Asset Management or the client may terminate services at any time by providing written notice to the other party. If the client terminates services within five business days of executing an agreement for services with Navy Federal Asset Management, services will be terminated upon receipt of notice of termination and will be terminated without penalty. However, clients should be aware that they will still be subject to market risk during this period, meaning any declines in securities markets may reduce the value of the client's Navy Federal Asset Management account assets.

If services are terminated in the NFAM Advisory Program after the initial five business days, the date of termination shall be the date upon which the account manager receives notice of termination. Any unpaid fees as of that date shall be due and payable by the client. Navy Federal Asset Management has 30 days from the date of termination to deduct fees from the client's program account.

If Navy Federal Asset Management elects to terminate a NFAM MAP client services agreement, the client will be given at least 30 days' written notice and the date of termination shall be a date selected by Navy Federal Asset Management not less than thirty nor more than sixty days following Navy Federal Asset Management's mailing of notice to client's address of record. If client elects to terminate a NFAM MAP client services agreement, the termination date shall be a date selected by client, or if no date is provided, the termination date shall be the date upon which the account manager receives notice of termination. Any unpaid fees as of the date of termination shall be due and payable by the client. Navy Federal Asset Management has 30 days from the date of termination to deduct fees from the client's Program account.

If applicable, upon termination of a NFAM MAP or NFAM Advisor Program account, NFAM will refund any prepaid but unearned fees. Fees will be prorated based on the number of days services were provided prior to the effective date of termination.

Specialization

Navy Federal Asset Management specializes in providing asset management services through the selection of Sub-Advisors.

Type of Investments

Navy Federal Asset Management generally provides clients with advice regarding the selection of Sub-Advisors. Navy Federal Asset Management may offer advice on the following types of securities:

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

Navy Federal Asset Management does not provide advice on foreign issues, warrants, options contracts on securities or commodities, futures contracts on tangibles or intangibles, securities exempted from registration, hedge funds, and interest in partnerships investing in real estate or oil and gas interests.

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 \$107,394,207 of assets under management as of December 31, 2012.

Item 5 – Fees and Compensation

This section provides details regarding the fees and compensation arrangements 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 for individual or institutional clients. 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	Envestnet, INC 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 - .95%
Over \$1,000,000	0.20%	0.15%	.35 - .60%	.75 - 1.00%

Fee Schedule for NFAM Advisory Program Account Sub-Advised by Envestnet, INC

Investment Amount	Envestnet, INC 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%	1.25 - 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%
2 Million to 4,999,999	0.25%	.65 - .80%	.90 - 1.05%

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5 Million to 9,999,999	0.15%	.65 - .70	.80 - .85%
Over 10,000,000	0.10%	.50 - .70	.60 - .80%

Institutional Pricing

NFAM may provide advisory services to Institutions including but not limited to Charitable Organizations, LLCs and Corporations. The pricing for these services may be different than pricing for Individual public clients and may not be reflected in the pricing schedule above. All Institutional clients are provided with a pricing model negotiated separately with NFAM and the third party Money Manager chosen to manage the institutional account(s).

How fees are charged

Depending upon the advisory program and Sub-Advisor selected, fees are charged to an account in advance 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 fees due for the period of time the account has been managed since the last billing period.

- Fees for NFAM MAP accounts 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 accounts sub-advised by Envestnet, Inc. are charged in advance on a quarterly basis using the average daily balance from the previous quarter. The fee for the initial calendar quarter (or part thereof) in which a client participates in the NFAM Advisory Program with accounts sub-advised by Envestnet Inc. are calculated on the day after the initial placement of Program Assets for sub-advisement by Envestnet, Inc. and are debited the first day of the new month after assets are placed in the Program. The initial fee for any partial calendar quarter is appropriately pro-rated based on the number of calendar days in the partial quarter. Thereafter, the fee is calculated at the beginning of each calendar quarter based on the value of Program Assets on the last business day of the prior calendar quarter. However, if a client's account is opened in the last month of a calendar quarter, the fee will be calculated and debited for the remaining period in the calendar quarter plus the next calendar quarter on the day after assets are initially placed into the Program. The fee for each quarter will equal (on an annualized basis) the percentage set forth in the Fee Schedule, of the fair market value of the Program Assets in the applicable category (including interest paid or accrued) as calculated on the last business day of the previous calendar quarter. The broker that provides custodial services for the Program Assets will determine fair market value for the purpose of

calculation of the fee. Upon termination of a NFAM Advisory Program account sub-advised by Envestnet, INC, and withdrawal of the client's assets from the Program, Navy Federal Asset Management will provide a pro-rata refund to client for any prepaid but unearned fees.

- Fees for NFAM Advisory Program accounts sub-advised by OBS are charged in advance on a quarterly basis. If a client's account is opened for advisory services during the quarter, the initial fee will be pro-rated according to the number of days in the quarter for the time period advisory services are provided. Client's advisory Program Account fee will be charged on or about the tenth business day after the Client's Program Account has been funded. Client will be charged execution fees at the time of the trade. There is also a quarterly fee for reporting services and statements to be provided to the client. At certain times, the client account may also be assessed certain account charges for wire fees, annual IRA maintenance fees, and other miscellaneous fees from the custodian. For the purpose of verifying the computation of the Program Account fee, the client's account will be valued in accordance with the values provided on the statement the client receives from the custodian of record. In the absence of a reportable market value, NFAM and OBS may seek an independent third-party opinion or make a good faith determination of the value to be used for fee calculation. Upon termination of a NFAM Advisory Program sub-advised by OBS, Navy Federal Asset Management will provide a pro-rata refund to client for any prepaid but unearned fees.

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. The client understands 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 Navy Federal Asset Management do not include all the fees the client will pay when the client purchases or sells securities for the client's account(s). The following list of fees or expenses are what the client pays directly to third parties, whether a security is being purchased, sold, or held in the client's account(s) under management by Navy Federal Asset Management. Fees are charged by the broker-dealer / custodian. Navy Federal Brokerage Services, LLC may receive, directly or indirectly, any of these fees charged to the client. These fees are paid to the client's broker, custodian, or the issuer or product sponsor of the mutual fund or other investments held by the client. The fees include:

- Brokerage commissions;
- Mutual fund sales loads;
- 12b-1 fees;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Mutual Funds (MF) or Exchange Traded Funds (ETFs)

- Advisory fees charged by sub-advisors (if any are used for the client's account);
- Custodial Fees;
- Odd-Lot differentials;
- Deferred sales charges (charged by MFs);
- Surrender charges (charged by MFs);
- Transfer taxes;
- Wire transfer and electronic fund processing fees;
- IRA and qualified retirement plan fees;
- Termination Fees;
- Express Mail Fees;
- Among others that may be incurred.

Please review the brokerage account additional fee schedule attached to the client agreement for more information on fees. For accounts in NFAM MAP or accounts in NFAM Advisory Program which are sub-advised by Envestnet, INC, 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 investment adviser representatives do not receive personally (directly or indirectly) any compensation from the sale of any specific security or investment in the client's account managed by Navy Federal Asset Management.

Certain of our investment adviser representatives are also registered representatives of Navy Federal Brokerage Services, LLC, a securities broker-dealer. Clients may work with the investment adviser representative in the representative's separate capacity as a registered representative of Navy Federal Brokerage Services. When acting in the separate capacity as a registered representative, the client's investment adviser representative may sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to the client. As such, the investment adviser representative may suggest that the client implement investment advice by purchasing securities products through a commission-based brokerage account in addition to or in lieu of a fee-based investment-advisory account. This receipt of commissions creates an incentive to recommend those products for which the investment adviser representative will receive a commission in the representative's separate capacity as a registered representative of a securities broker-dealer. Consequently, the objectivity of the advice rendered to the client could be biased.

Clients are under no obligation to use the services of our representatives in this separate capacity as registered representatives or to use brokerage services of Navy Federal Brokerage Services. The client can select any broker/dealer the client wishes to implement securities transactions. If the client selects our representatives to implement securities transactions in the representative's separate capacity as a registered representative, the client must use Navy Federal Brokerage Services as the broker/dealer. Prior to effecting any such transactions, the client is required to enter into a new account agreement with Navy Federal Brokerage Services. The commissions charged by Navy Federal Brokerage Services may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also

receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

Certain of the investment adviser representatives of Navy Federal Asset Management are licensed insurance representatives of various companies under Navy Federal Brokerage Services. When acting in the separate capacity as a licensed insurance representative, the client's investment adviser representative may sell insurance products to clients for commissions. As such, the investment adviser representative may suggest that the client implement investment advice by purchasing insurance products. The receipt of insurance commissions creates an incentive to recommend those insurance products for which the investment adviser representative will receive a commission in the representative's separate capacity as a licensed insurance representative. Consequently, the objectivity of the advice rendered to the client could be biased.

Clients are under no obligation to use the services of our representatives in this separate capacity as licensed insurance representatives. The client can select any licensed insurance representative the client wishes to implement insurance transactions.

If services are being provided to an ERISA qualified retirement plan, any 12b-1 fees received by Navy Federal Asset Management will be offset against our stated fee. Any fee offset will be detailed on the invoice we send to the client. The invoice will detail the amount of the fee offset, the payer of the 12b-1 fee, and the services rendered for the 12b-1 fee. If we receive any other compensation for our services, we will (i) offset that compensation against our stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to the client.

Please additionally refer to Item 10 – Other Financial Industry Activities and Affiliations for information about certain business relationships and compensation arrangements of Navy Federal Asset Management and its supervised persons.

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

Neither Navy Federal Asset Management nor any of its supervised persons accept 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 portfolio management program and Sub-Advisor that is chosen.

<u>Program</u>	<u>Minimum Account Size</u>
NFAM MAP Alpha Advantage	\$100,000
NFAM MAP ETF	\$50,000
NFAM MAP Tax Sensitive	\$100,000
NFAM Advisory Program Funds	\$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-Advisors 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 each Sub-Advisor's performance over an extended period of time on an ongoing basis. The investment committee will meet at least quarterly 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 acts 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.

The client should understand that past performance is not indicative of future results. Therefore, the client 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. The client 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 the client 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 the client held common stock, or common stock equivalents, of any given issuer, the client would

generally be exposed to greater risk than if the client 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, the client will bear additional expenses based on the client's pro rata share of the ETF's 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 – The client's investment will vary 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 adviser representative.

Item 9 – Disciplinary Information

This item is not applicable to Navy Federal Asset Management's brochure because there are 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 the integrity of Navy Federal Asset Management's management.

Item 10 – Other Financial Industry Activities and Affiliations

A. The management, certain support staff, and the investment adviser representatives 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 or associated persons of any futures commission merchant, commodity pool operator, or a commodity trading advisor.

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 the client's 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 by 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 facilitates back office processing, 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 is 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. 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 2012, the Sub-Advisors available on the NFAM platform are the following:

1. Madison Asset Managers;
2. Envestnet, INC; 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 its clients at all times. This fiduciary duty is considered the core underlying principle for our Code of Ethics which also covers our 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 our 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 a summary of Navy Federal Asset Management's Code of Ethics. However, if the client wishes 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

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

Item 12 – Brokerage Practices

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. Navy Federal Asset Management recommends broker/dealers and custodians that Navy Federal Asset Management believes will provide services in a manner and at a cost that will allow Navy Federal Asset Management to meet its duty of best execution.

Although Navy Federal Asset Management is not affiliated with 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 Envestnet, INC 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 and held at Pershing, LLC, Navy Federal Brokerage Services, LLC does not serve as the introducing broker-dealer. 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.. 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 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 handling the trade error. 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

The client's investment adviser representative will review the client's account on at least a quarterly basis; however, the client's investment adviser representative may review the client's account more often due to changes in the client's circumstances, the client's 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 the client's investment policy statement and the client's 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 Envestnet, INC provides quarterly performance reports to each NFAM Advisory Program account sub-advised by Envestnet, INC 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, Envestnet, INC, OBS or another Sub-Advisor ever prepares a report for the client, the client 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. 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. For the client's accounts in NFAM MAP or in NFAM Advisory Program which are sub-advised by Envestnet, INC, 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 to Navy Federal Financial Group 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 hire and fire sub-advisers 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 Envestnet, INC, Envestnet, INC 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 Envestnet, INC. Subject to the limitations and/or restrictions that the client listed in the client’s profile or other appropriate suitability analysis (including any reasonable restrictions the client placed on investments), Navy Federal Asset Management shall have full authority to supervise and direct the investment of the monies contributed by the client without prior consultation. Although Navy Federal Asset Management shall have discretionary authority to hire or fire Envestnet, INC, Navy Federal Asset Management shall not have discretionary investment authority to make specific investments within the client’s 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 Envestnet, INC, 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, 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.