

## Item 1 – Cover Page

# Navigoe, LLC

417 Beryl Street

Redondo Beach, CA 90277

(310) 697-0400

[www.navigoe.com](http://www.navigoe.com)

**This brochure provides information about the qualifications and business practices of Navigoe, LLC. If you have any questions about the contents of this brochure, please contact Eric Toya, Chief Compliance Officer, at (310) 697-0400 and/or [Eric@Navigoe.com](mailto:Eric@Navigoe.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Navigoe, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the firm's IARD number, which is 168716.**

## Item 2 – Material Changes

The Material Changes section of this brochure will be updated annually when material changes have occurred since the previous release of the Firm Brochure. This brochure dated January 1, 2017 has the following material changes since the last annual update to the brochure for Navigoe, LLC dated January 1, 2016. All clients will receive a copy of this brochure prior to, or at the time of, becoming a client.

Item 4 – As a result of a change expected to come into effect on April 10, 2017, to the Employment Retirement Income Security Act (ERISA), Navigoe, LLC hereby acknowledges that it is a "fiduciary" when the firm's services are subject to the provisions of ERISA of 1974, as amended.

Item 4 - Services have changed.

Currently, our brochure may be requested by contacting Eric Toya, Chief Compliance Officer, at (310) 697-0400 or [Eric@Navigoe.com](mailto:Eric@Navigoe.com).

Additional information about Navigoe, LLC is also available via the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Navigoe, LLC who are registered, or are required to be registered, as investment adviser representatives of Navigoe, LLC.

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## Item 4 – Advisory Business

### About Navigoe, LLC

Navigoe, LLC (Navigoe) is a limited liability company formed in 2013 in the state of Nevada. The principal owner of the firm is Scott Leonard. The major decisions of a strategic and administrative nature for the firm are undertaken by Mr. Leonard.

This narrative brochure provides clients with information regarding Navigoe and the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory client of Navigoe.

As a result of a change expected to come into effect on April 10, 2017, to the Employment Retirement Income Security Act (ERISA), Navigoe, LLC hereby acknowledges that it is a "fiduciary" when the firm's services are subject to the provisions of ERISA of 1974, as amended.

Prior to engaging Navigoe to provide services, clients are required to enter into an agreement with Navigoe setting the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Navigoe beginning services. It remains the client's responsibility to promptly notify Navigoe if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising Navigoe's previous recommendations and/or services.

Prior to entering into an on-going agreement with Navigoe, prospective clients first have a complimentary Introductory Meeting. Navigoe learns the planning needs of the prospective client and details the process to become a client.

The next step, called the Family Wealth Audit, clients are taken through a discovery and financial overview process that generally entails three separate phases as follows:

Phase 1: Data Collection – Client completes a confidential questionnaire and Navigoe collects documents/data necessary to develop a comprehensive understanding of the client's financial situation.

Phase 2: Discovery Meeting - Navigoe learns the goals and values of the client and gathers additional information

Phase 3: "Charting Your Course" Meeting – Navigoe presents an assessment of the client's progress toward their goals, the plan for services to be provided, investment allocation recommendations, and suggested next steps. At this time, Navigoe and the client decide to move into a formal ongoing relationship with each other.

Phase 4: "Setting Sail" Meeting – Navigoe and the client begin implementing the investment plan and planning recommendations.

The fee for the Family Wealth Audit is \$2,400. Half (\$1,200) is due during the data collection, and the remainder is due at Phase 3, the "Charting Your Course" meeting. If the client agrees to move into a formal ongoing relationship with Navigoe, the second payment is waived.

### **Concierge Wealth Management**

After the Family Wealth Audit client meetings, if both parties decide to work together, the client may engage Navigoe to provide both ongoing financial consulting and investment management on a fee-only basis as part of Navigoe's Wealth Management Consulting Process. This process is customizable to the unique needs of the client. For new clients, usually in the first 12 to 24 months of working with Navigoe, there will be meetings as often as necessary to establish the full breadth of planning recommendations and to implement such recommendations.

Once the initial client's wealth management goals have been established, it is typical to move to a three meeting a year schedule. Based on calendar year trimesters, the meetings are designed to move toward and monitor the client's goals. The meetings are as follow:

**First Trimester - Financial Plan and Investment Policy Review:** After the new year, we review your goals and evaluate if everything is still on track. This includes revisiting your investment policy to assess if it is still a good fit for you and if the investments performed as expected.

**Second Trimester - Estate Planning and Asset Protection Meeting:** Whether we are discussing major changes to your family and financial goals, performing a life insurance needs analysis or simply reviewing beneficiary designations, this annual meeting ensures your estate and asset protection plan is kept up to date.

**Third Trimester - Income Tax Planning and Cash Flow Analysis:** In the latter part of the year, our team communicates with your tax professional to make recommendations that can be implemented before the end of the year. If appropriate, we review your cash flow needs to ensure your income is cost-efficient and tax-smart.

Subject to any written guidelines, which the client may provide, Navigoe will be granted discretion and authority to manage the client's investment account(s). Accordingly, Navigoe is authorized to perform various functions, at the client's expense, without further approval from the client. Such functions include making all investment decisions on the (a) securities purchased/sold and (b) the amount of securities to be purchased/sold. Once the portfolio is constructed, Navigoe provides ongoing

supervision and rebalancing of the portfolio as changes in market conditions and client circumstances may require.

Navigoe primarily allocates investment management assets of its client accounts among various asset classes using mutual funds, (and to a much lesser extent, among various individual debt and equity securities), on a discretionary basis, in accordance with the investment objectives of the client as set forth in an Investment Policy Statement prepared by Navigoe for review and acceptance by the client. Unless the client directs otherwise, Navigoe shall primarily recommend that all investment management accounts be maintained at Charles Schwab & Co., Inc. (Schwab), TD Ameritrade Institutional, a division of TD Ameritrade, Inc. Member FINRA/SIPC/NFA (TDA), and/or National Advisors Trust Company FSB (NAT).

After consultation with Navigoe, clients may impose restrictions on investing in certain securities or types of securities. Other restrictions may be imposed by clients with respect to the (average or longest) maturity or credit quality of fixed income investments. In either case, all restrictions must be in writing.

If requested by the client, Navigoe may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Navigoe. If a client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

### **Limited Engagement Financial Planning**

Most clients find that an ongoing, long-term relationship is the most beneficial way to engage our services. Others just need some answers to pressing questions without the long-term commitment. In that case, Navigoe's limited engagement financial planning is the perfect solution.

### **Guided Personal Solution (GPS)**

A single meeting lasting up to two hours: \$600

This one-time consultation is a fast way to get answers to 2-3 of your most pressing financial questions or concerns. You'll walk away with a summary of the topics discussed, recommended action items and the confidence to take the next steps. If you decide to work with Navigoe on an ongoing basis at any point, half of the fee will be applied toward your wealth management services.

**Essential Financial Plan**

2-3 meetings, 2 clarification phone calls and a customized financial plan: \$4,800

Your Essential Financial Plan serves as a foundation for making the best decisions for your family's wealth. After 2-3 meetings to discuss your priorities, our team develops your Essential Financial Plan to summarize your highest-priority needs, such as:

- Retirement planning
- Investment policy
- Insurance needs
- Estate planning
- Savings and debt plan
- Budget and cash flow

You will have access to this plan for six months through Navigoe's Financial Planning Portal. During this time, you are entitled to 2, 30 minute phone calls for added clarification to the plan recommendations. If you would like assistance implementing your Essential Financial Plan or an ongoing partner who you can turn to with any future questions, it's simple to migrate over to our full-service, comprehensive wealth management services. In fact, your financial plan will serve as the foundation for wealth management, so you'll already be one step ahead.

**Trade Error Policy**

Should they occur, losses resulting from Navigoe's trade errors shall be reimbursed by Navigoe, but Navigoe shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within Navigoe's custodian firm account, and while Navigoe does not receive any net benefit, Navigoe retains the net gains to be used against any future trade errors that may occur.

**Client Obligations**

In performing its services, Navigoe is not required to verify any information received from the client or from the client's other professionals. Moreover, each client is advised that it remains his or her responsibility to promptly notify Navigoe if there is ever any change in the client's financial situation or investment objectives during the client engagement.

**Disclosure Statement**

A copy of Navigoe's written brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or at the same time as, the execution of the Financial

Planning and Consulting Agreement and/or Investment Advisory Agreement. Any client who has not received a copy of Navigoe's written brochure at least 48 hours prior to executing the Financial Planning and Consulting Agreement and/or Investment Advisory Agreement shall have five business days subsequent to executing the agreement to terminate Navigoe's services without penalty.

### **Non-Participation in Wrap Fee Programs**

Navigoe, as a matter of policy and practice, does not sponsor any wrap fee program. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment supervisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

### **Amount of Assets Under Management**

As of December 31, 2016, provides investment management services to approximately to \$220.9 million in client assets. Of those assets, \$183 million are managed on a discretionary basis and \$37.9 million are managed on a non-discretionary basis.

### **Our Policy on Class Action Lawsuits**

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Navigoe has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Navigoe has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Navigoe receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials, to the client. Electronic mail is acceptable where appropriate if the client has authorized contact in this manner.



## Item 5 – Fees and Compensation

### Concierge Wealth Management

The client can determine to engage Navigoe to provide discretionary wealth management services on a fee-only basis. Navigoe offers two methods of calculating the annual fees.

#### Flat Annual Fee Based on Financial Assets

A flat annual fee is based on the client's total financial assets calculated on the schedule below:

<u>Total Financial Assets</u>	<u>Annualized Fee*</u>
First \$5,000,000	1.00%
\$5,000,001 to \$7,500,000	0.75%
Over \$7,500,001	0.50%

*\*Client accounts may be aggregated for fee calculations.*

The minimum flat annual fee is \$10,000. The annual fee is due quarterly, in advance. Upon termination, a pro-rata refund will be paid to the client if cancellation occurs within a quarter. The value of financial assets under the management of Navigoe are calculated quarterly, at the beginning of each calendar quarter. The value of all other financial assets will be calculated at the time of the engagement and updated annually.

*Emerging Millionaire Exception:* For clients who are in the accumulation phase, we waive the \$10,000 annual minimum and offer a \$2,400 annual minimum in lieu. The fee is based on the financial assets (as defined above) and an additional annual fee of 1% of client's annual income. This is based on the Adjusted Gross Income on the most recently filed tax return. All other terms apply.

#### Annual Planning Fee + Investment Management Fee

A flat annual planning fee is determined based on the complexity of the client situation and the breadth and depth of services required. This annual planning fee starts at a minimum of \$12,000. Typically, the annual planning fee range will be \$12,000-\$25,000. Investment management is not included in the planning fee.

Investment management can be provided for an additional fee of 0.50% of assets under management.

Navigoe's annual planning fee plus investment management fee shall be paid quarterly, in advance, based upon the market value of the assets on the last business day of the

previous quarter. Upon termination, fees will be prorated to the date of termination and the unearned portion of the fee will be refunded to the client.

If requested by the client, Navigoe may act as a Trust Representative for National Advisors Trust Company (NAT). The fee for wealth management and trust representation are:

<u>Portfolio Size</u>	<u>Annualized Fee*</u>
First \$5,000,000	1.00%
\$5,000,001 to \$7,500,000	0.75%
\$7,500,001 to \$10,000,000	0.50%
Over \$10,000,000	Negotiable

*\*Minimum annual fee is \$12,500.*

Navigoe's wealth management and trust representation fee shall be paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Upon termination, fees will be prorated to the date of termination and the unearned portion of the fee will be refunded to the client. Existing clients may have a different fee structure. Certain clients may negotiate a lesser fee based on certain circumstances. For example, at its discretion, Navigoe may allow members of the same household to be aggregated for purposes of determining the advisory fee. Such aggregation may be allowed when Navigoe services accounts on behalf of minor children of current clients, individual and joint accounts for a spouse.

Navigoe generally requires a minimum quarterly fee of \$3,125 for investment management services. However, Navigoe, in its sole discretion, may reduce its minimum quarterly fee and/or charge a lesser investment management fee for bundled and unbundled services based upon certain criteria (i.e. anticipated future earning capacity, or additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client).

Payment for management fees will be made by the qualified custodian holding the client's funds and securities provided the client provides written authorization permitting the fees to be paid directly from the client's account. Navigoe will not have access to client funds for payment of fees without client consent in writing. Further, the qualified custodian agrees to deliver a quarterly account statement directly to the client showing all disbursements from the account. The client is encouraged to review their account statements for accuracy. Navigoe will receive a duplicate copy of the statement that was delivered to the client. Alternatively, Navigoe may invoice clients directly for portfolio management fees. When clients are billed directly, payment is due upon receipt of Navigoe's invoice.

## General Information Regarding Advisory Services and Fees

Navigoe does not represent, warrant, or imply that the services or methods of analysis used by Navigoe can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections.

Advice offered by Navigoe may involve investments in mutual funds. Clients are hereby advised that all fees paid to Navigoe for investment supervisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders, as described in each fund's prospectus. These fees will generally include a management fee and other fund expenses. Further, transaction charges may be applicable when purchasing and selling securities. Navigoe does not share in any portion of the brokerage fees and/or transaction charges imposed by the broker-dealer/custodian holding the client funds or securities. Clients should review all fees charged by mutual funds, Navigoe, and others to fully understand the total amount of fees to be paid by the client.

Clients may also incur "account termination fees" upon the transfer of an account from one brokerage firm (broker-dealer/custodian) to another. These account termination fees are believed to range generally from \$0 to \$200 at present, but at times may be much higher. Clients should contact their custodians (brokerage firms, banks or trust companies, etc.) to determine the amount of account termination fees which may be charged and deducted from their accounts for any existing accounts which may be transferred.

Such charges, fees and commissions are exclusive of and in addition to the firm's fee, and the firm does not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that the firm considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

The vast majority of clients pay Navigoe's fees based upon a percentage of the assets advised upon. This is a very common form of compensation for registered investment supervisory firms and avoids the multiple inherent conflicts of interest associated with commission-based compensation (Navigoe does not accept commission-based compensation of any nature, nor does Navigoe accept 12b-1 fees).

Asset-advised-upon percentage method of compensation can still at times lead to conflicts of interest between our firm and our client as to the advice we provide. For example, conflicts of interest may arise relating to the following financial decisions in life: incur or pay down debt; gift funds to charities or to individuals; purchases of a (larger) home or cars or other non-investment assets; the purchase of a lifetime immediate annuity; expenditures of funds for travel or other activities; investment in private equity investments (private real estate ventures, closely held businesses, etc.),

and the amount of funds to place in non-managed cash reserve accounts. Navigoe's goal is that the firm's advice to the client remains at all times in the client's best interest, disregarding any impact of the decision upon Navigoe.

## Termination

The client may terminate any new agreement without assessment of fees by providing written notice of such cancellation to Navigoe within five (5) business days of the date of signing the agreement. Thereafter, either party may terminate the agreement upon notice in writing to the other party. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, with the refund calculations based pro rata to the date of termination. Upon the termination of the agreement, Navigoe will not possess any obligation to recommend or take any action with regard to the securities, cash, or other investments in a client's account.

Wealth Management services will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. The agreement for Financial Consulting will be terminated in accordance with the Financial Planning and Consulting Agreement.

Navigoe believes that the charges and fees offered within its program are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources. A client could invest in mutual funds directly, without the services of Navigoe. In that case, the client would not receive the services provided by Navigoe which are designed, among other things, to assist the client in determining which investments are most appropriate to each client's financial condition and objectives, undertake a disciplined approach to portfolio rebalancing while taking into account the tax ramifications of same, and to avoid ad hoc emotional reactions to shorter-term market events. Also, some of the funds used by the firm may not be available to the client directly without the use of an investment adviser granted access to such funds.

Navigoe's relationship with each client is non-exclusive; in other words, Navigoe provides investment supervisory services and financial planning services to multiple clients. Navigoe seeks to avoid situations in which one client's interest may conflict with the interest of another of its clients. However, one circumstance which could arise is a sudden sharp downturn in the values of one or more stock asset classes, thereby triggering (under adopted investment policies with the vast majority of Navigoe's clients) the need to rebalance the investment portfolios following the close of any business (trading) day. In this instance, Navigoe seeks to rebalance each client's investment portfolio on a timely basis, keeping in mind that most mutual fund trades occur at the end of a trading day. In determining which client portfolios to attend to first, Navigoe ranks clients by the amount of assets under advisement as of the last quarterly period from highest to lowest, and generally proceed to rebalance portfolios accordingly.

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

Item 6 is not applicable to Navigoe. Navigoe does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Such acceptance or management would pose a significant conflict of interest to our clients because performance-based fees may provide an incentive to make investment decisions that pose excessive or inappropriate risk to the client's financial situation. Navigoe considers avoidance of such conflict a paramount policy in maintaining our fiduciary duty to our clients.

## **Item 7 – Types of Clients**

Navigoe offers personalized investment supervisory services to high net worth individuals, individuals, business owners and pension and profit sharing plans. Client relationships vary in scope and length of service.

### **Required Minimum Client Accounts**

Navigoe generally requires a minimum quarterly fee of \$2,500 for wealth management services. However, Navigoe, in its sole discretion, may reduce its minimum quarterly fee and/or charge a lesser wealth management fee for bundled and unbundled services based upon certain criteria (i.e. anticipated future earning capacity, or additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client.

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

Before designing investment plans for clients, Navigoe will evaluate the client's current investments to determine whether the client's goals harmonize with the client's financial objectives. In designing investment plans for clients, Navigoe relies upon the information supplied by the client and client's other professional advisors. Such information may pertain to the client's financial situation, estate planning, tax planning, risk management, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk. Navigoe will design and propose a portfolio to help clients attain the client's financial goals.

This information will become the basis for the strategic asset allocation plan which Navigoe believes will best meet the client's stated personal financial goals. The strategic asset allocation provides for investments in those asset classes which Navigoe believes will possess attractive combinations of return, risk, and correlation over the long term.

When Navigoe invests client assets, asset allocation techniques are used which include stocks and bonds of varying characteristics and from both the United States and foreign markets. Navigoe invests for the long term and expects that not all investments in a given portfolio will perform in unison with other assets in the same portfolio. Navigoe manages money for the clients' downside protection, in addition to upside gain. Navigoe does not systematically re-balance the portfolio on a calendar basis, but monitors each portfolio's asset allocation and will make adjustments where appropriate. Navigoe's portfolio management decisions are made considering only the assets being managed and not with regards to other investments the client may hold.

Navigoe may also provide advice on any type of investment held in a client's portfolio at the inception of the advisory relationship. Navigoe will explore other investment options at the client's request. Additionally, Navigoe reserves the right to advise clients on any other type of investment that it deems appropriate based on the client's stated goals and objectives.

Navigoe may utilize a fundamental analysis approach. A fundamental approach to investment analysis includes such factors as economic conditions, earnings, industry outlook, political conditions (as they relate to the investment), historical data, price/earnings ratios, dividends, general level of interest rates, company management and tax benefits. Sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources that the firm may use include Dimensional Fund Advisors, Morningstar mutual fund information, Morningstar stock information, and other information available on the internet.

## **Investment Strategies**

The primary investment strategy used on client accounts is asset allocation based on a body of research referred to as Modern Portfolio Theory; many of the contributors have been awarded the Nobel Prize in Economics. Navigoe develops a diversified investment portfolio by mixing different assets in varying proportions depending on the client's goals and current economic climate. The primary purpose of asset allocation is to reduce the risk in the portfolio, while maintaining or enhancing the rate of return of the portfolio. Portfolios are globally diversified to control the risk associated with traditional markets. Asset Allocation software is used to help determine the risk and reward of the expected rate of return for any portfolio.

Each client receives investment advice regarding their portfolio based upon his or her:

- Time Horizon
- Risk Tolerance
- Expected Rate of Return
- Financial Goals

The investment vehicles used to invest in the various asset classes are mutual funds. The mutual funds provide:

- Professional Management
- Diversification
- Flexibility
- Liquidity

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

Navigoe's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Navigoe must have access to current/new market information. Navigoe has no control over the distribution rate of market information. An accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.



Investment advice is offered in relation to equities, corporate bonds, commercial paper, bank deposits, municipal securities, U.S. Government Securities, institutional and retail mutual funds, exchange traded funds (ETFs), variable annuities, variable life insurance, limited partnership and investment trusts. Navigoe will not provide advice for commodity futures. Non-securities advice is offered in relation to estate planning strategies, retirement planning strategies, life insurance, annuity contracts, and long term care insurance.

Navigoe may provide advice on other partnership interests, including equipment leases, tax credit programs, and managed portfolios of debt and equity securities. Please note that private investment funds generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in each funds' offering documents, which will be provided to each client for review and consideration. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that the client is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Navigoe's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

Interest-rate Risk: The risk that investment returns will be affected by changes in the level of interest rates. When interest rates increase, the prices and values of bonds decrease. When interest rates decrease, the prices and values of bonds increase.

Market Risk: The risk that investment returns will be affected by changes in the overall level of the stock market. When the stock market as a whole increases or decreases virtually all stocks are affected to some degree.

Reinvestment Rate Risk: The risk incurred when an investment's income is reinvested at a lower rate than the rate that existed at the time the original investment was made. This risk is most prevalent when interest rates fall.

Purchasing Power Risk (Inflation Risk): The risk that inflation will affect the return of an investment in real dollars. In other words, the amount of goods that one dollar will purchase decreases with time. Investments that have low returns, such as savings accounts, are not likely to keep up with inflation. Investments with fixed returns, such as bonds, will decrease in value because their purchasing value will decrease with inflation.

Business Risk: The risk associated with a particular industry or firm. These are factors that affect the industry or firm, but do not affect the whole market. They include government regulations, management competency, or local or regional economic factors.

Financial Risk: The risk associated with the mix of debt and equity used to finance a firm. The greater the financial leverage, the greater the financial risk.

Currency Risk (Exchange Rate Risk): The risk that a change in the value of a foreign currency relative to the U.S. dollar will negatively affect a U.S. investor's return.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

In general, cash equivalents provide liquidity with minimum income, and a return of principal with no capital appreciation. Cash equivalents are, however, subject to purchasing power risk.

Fixed income investments provide current income. Usually, the longer the maturity of the security, the higher the income it will generate. Also, with longer maturities, fixed income investments will have greater price volatility and greater opportunity for capital gains or capital losses. Fixed income investments are subject to interest rate risk, reinvestment rate risk, and purchasing power risk. In addition, foreign bonds would be subject to currency rate risk and junk bonds would be subject to business risk and financial risk.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Mutual fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

Equity investments are subject to greater volatility, thus providing a greater opportunity for capital gains, and a greater opportunity for capital losses. Equity investments offer little or no current income. Equity investments are subject to market risk and interest rate risk, while providing an opportunity to protect against purchasing power risk. Also, stock mutual funds, rather than individual equities, may limit the exposure to business risk and financial risk.

Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in

connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Different types of investments involve varying degrees of risk, and the client should not assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended by Navigoe) will be profitable or equal to any specific performance level(s).

## **Item 9 – Disciplinary Information**

Navigoe has no reportable legal or disciplinary events.

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

Neither Navigoe, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Navigoe, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

Navigoe does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person.

Navigoe is approved as a Trust Representative Office ("TRO") of National Advisors Trust Company FSB of Overland Park, Kansas. As a TRO, certified representatives of Navigoe are permitted to hold client meetings, offer educational seminars, provide informational brochures, fee schedules and other pre-approved marketing materials promoting Navigoe's access to trust, employee benefit, and other fiduciary services offered by National Advisors Trust Company.

National Advisors Trust does not share fees from client accounts, provide referral compensation, or pay revenue of any kind to Navigoe, its principal officers, and employees for its services as a Trust Representative Office.

As a TRO, Navigoe and its employees are not authorized to formally accept any client accounts, sign documents, hold client assets in custody, perform discretionary fiduciary duties (other than investment management of client account assets) or collect fees on behalf of National Advisors Trust Company. Navigoe may facilitate communications between the client and National Advisors Trust, transmit documents for review or signature, or counsel clients on the services provided by National Advisors Trust.

Scott A. Leonard is a less than 1% shareholder of National Advisors Trust. Navigoe may recommend or select other investment advisors for its clients.

## Item 11 – Code of Ethics

Navigoe has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading procedures, among other things. All supervised persons at Navigoe must acknowledge the terms of the Code of Ethics annually, or as amended.

Navigoe's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Eric Toya at (310) 697-0400 or [Eric@Navigoe.com](mailto:Eric@Navigoe.com).

Neither Navigoe nor any related person of Navigoe recommends, buys, sells for client accounts, securities in which Navigoe or any related person of Navigoe has a material financial interest.

Navigoe and/or representatives of Navigoe may buy or sell securities that are also recommended to clients. This practice may create a situation where Navigoe and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. In addition, Navigoe has policies in place to help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Navigoe's clients) and other potentially abusive practices.

Navigoe maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Navigoe or any person associated with Navigoe.

Navigoe has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Navigoe's "Access Persons". Navigoe's securities transaction policy requires that Access Persons of Navigoe must provide the Chief Compliance Officer with a written report of the current reportable securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer with a written report of the Access Person's current reportable securities holdings at least once each twelve (12) month period thereafter.

It is Navigoe's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Navigoe believes that such transactions would pose a significant conflict of interest to Navigoe's clients. Navigoe considers avoidance of such conflict a paramount policy in maintaining its fiduciary duty to its clients.

## Item 12 – Brokerage Practices

In the event the client requests that Navigoe recommend a broker dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Navigoe to use a specific broker-dealer/custodian), Navigoe generally recommends Charles Schwab & Co., Inc. (Schwab), TD Ameritrade Institutional, a division of TD Ameritrade, Inc. member FINRA/SEPC/NFA, an unaffiliated SEC-registered broker-dealer (TDA) and/or National Advisors Trust FSB (NAT). Prior to engaging Navigoe to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Navigoe setting forth the terms and conditions under which Navigoe shall manage the client's assets, and a separate custodial/clearing agreement with each designated custodian.

Factors that Navigoe considers in recommending Schwab, TDA and/or NAT (or any other broker-dealer/custodian to clients) include historical relationship with Navigoe, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Navigoe's clients shall comply with Navigoe's duty to obtain best execution, a client may pay a transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction. If this occurs, it is because Navigoe determines, in good faith, that the transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Navigoe will seek competitive rates, it may not necessarily obtain the lowest possible transaction rates for client account transactions. The brokerage commissions or transaction fees charged by the designated custodian are exclusive of, and in addition to, Navigoe's investment management fee. Navigoe's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

When beneficial to the client, transactions may be effected through broker-dealers with whom Navigoe or the client have entered into arrangements for prime brokerage clearing services (in which event, the client shall incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by Schwab, TDA and/or NAT).

### Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular custodian, Navigoe may receive from Schwab, TDA and/or NAT (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist Navigoe to better monitor and

service client accounts maintained at such institutions. Included within the support services that may be obtained by Navigoe may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Navigoe in furtherance of its investment supervisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist Navigoe in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Navigoe to manage and further develop its business enterprise.

Navigoe's clients do not pay more for investment transactions effected and/or assets maintained at Schwab, TDA and/or NAT as a result of this arrangement. There is no corresponding commitment made by Navigoe to Schwab, TDA, NAT or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

Navigoe's Chief Compliance Officer, Eric Toya, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

### **Aggregation of Client Trades**

To the extent that Navigoe provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Navigoe decides to purchase or sell the same securities for several clients at approximately the same time. Navigoe may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Navigoe's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Navigoe shall not receive any additional compensation or remuneration as a result of such aggregation.

Navigoe's employees are not registered representatives of Schwab, TDA or any other custodian/broker-dealer and do not receive any commissions or fees from recommending these services.

Navigoe is approved as a Trust Representative Office ("TRO") of National Advisors Trust FSB of Overland Park, Kansas. As a TRO, certified representatives of Navigoe are permitted to hold client meetings, offer educational seminars, provide informational



brochures, fee schedules and other pre-approved marketing materials promoting Navigoe access to trust, employee benefit, and other fiduciary services offered by National Advisors Trust.

Navigoe is authorized to use its designation as a TRO of National Advisors Trust on signage, business cards, and other marketing material promoting the investment advisory services offered by Navigoe. Any promotional materials or advertising must clearly specify that trustee and custodial services are provided by National Advisors Trust FSB, Overland Park, Kansas.

National Advisors Trust does not share fees from client accounts, provide referral compensation, or pay revenue of any kind to Navigoe, its principal officers, and employees for its services as a Trust Representative Office.

As a TRO, Navigoe and its employees are not authorized to formally accept any client accounts, sign documents, hold client assets in custody, perform discretionary fiduciary duties (other than investment management of client account assets) or collect fees on behalf of National Advisors Trust. Navigoe may facilitate communications between the client and National Advisors Trust, transmit documents for review or signature, or counsel clients on the services provided by National Advisors Trust.

### **Directed Brokerage**

Some clients may instruct Navigoe to use one or more particular brokers for the transactions in their accounts. Clients who may want to direct Navigoe to use a particular broker should understand that this may prevent Navigoe from effectively negotiating brokerage compensation on their behalf. This arrangement may also prevent Navigoe from obtaining the most favorable net price and execution. Thus, when directing brokerage business, clients should consider whether the commission expenses and execution, clearance and settlement capabilities that they will obtain through their broker are adequately favorable in comparison to those that Navigoe would otherwise obtain for its clients. Clients are encouraged to discuss available alternatives with their advisory representative.

## Item 13 – Review of Accounts

For those clients to whom Navigoe provides investment management supervisory services, account reviews will be conducted on an ongoing basis by Navigoe's Principals and/or Associated Persons. All investment supervisory clients are advised that it remains their responsibility to advise Navigoe in writing of any changes in the client's investment objectives and/or financial situation, or if they wish to impose any reasonable restrictions on Navigoe's discretionary management services. All clients (in person or electronically) are encouraged to review investment objectives and account performance with Navigoe on an annual basis.

Navigoe may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event such as a market correction, large deposits or withdrawals from an account, substantial changes in the value of a client's portfolio, change in the client's investment objectives and client request.

### Reports to Clients

The account custodian provides trade confirmation and statements to clients on at least a quarterly basis. For those clients to whom Navigoe provides investment supervisory services, they will generally receive performance reports for each quarter, and investment tax reports on an annual basis, unless otherwise agreed to with the client. Reports typically include summaries of client portfolio performance, investment holdings and account values. Additional reports are available and will be provided on an ad hoc basis.

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

As reference in Item 12 above, Navigoe may receive an indirect economic benefit from Schwab, TDA and/or NAT. Navigoe, without cost (and/or at a discount) may receive support services and/or products from Schwab, TDA, and/or NAT.

Navigoe periodically receives client referrals from websites where they may be listed. In no case will the client pay any additional fees to Navigoe for services if the referral comes from any of these listings.

Navigoe may also employ/engage solicitors to whom it will pay cash or a portion of the fees paid by the client referred to the firm by those solicitors. All solicitors who refer clients will comply with the requirements of the jurisdiction where they operate. When applicable, the solicitor will be licensed as investment advisors or notice filed in the applicable jurisdiction.

## Item 15 – Custody

It is Navigoe's policy to not accept custody of a client's securities. In other words, Navigoe is not granted access to the clients' accounts which would enable Navigoe to withdraw or transfer or otherwise move funds or cash from any client account to Navigoe's accounts or the account of any third party (other than for purposes of fee deductions, as explained below). This is for the safety of the clients' assets.

However, with a client's consent, Navigoe may be provided with the authority to seek deduction of Navigoe's fees from a client's accounts; this process generally is more efficient for both the client and the investment adviser. The account custodian does not verify the accuracy of Navigoe's advisory fee calculation.

All Navigoe clients receive account statements directly from qualified custodians, such as a bank or broker dealer that maintains those assets. The client should carefully review these account statements, and compare them to the quarterly or other reports provided by Navigoe. Statements provided by Navigoe may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Navigoe urges all clients to compare statements in order to ensure that all account transactions, including deductions to pay advisory fees, remain proper, and to contact Eric Toya, Chief Compliance Officer with any questions.

## Item 16 – Investment Discretion

Navigoe typically receives discretionary authority from the client at the beginning of an advisory relationship to select the identity and amount of securities to be bought or sold. Prior to Navigoe assuming discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, granting Navigoe full authority to buy, sell, or otherwise effect investment transactions. In addition, any investment discretion is obtained in writing through a limited power of attorney signed by the client prior. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Discretionary authority allows Navigoe to perform trades in the client's account without further approval from the client. This includes decisions on the following:

- Securities purchased or sold
- The amount of securities to be purchased or sold

Once the portfolio is constructed, Navigoe provides ongoing supervision and re-balancing of the portfolio as changes in market conditions and client circumstances may require.

Navigoe seeks to undertake a minimal amount of trading in client accounts, in order to keep transaction fees, other expenses, and tax consequences associated with trading to minimal levels.

Clients who engage Navigoe on a discretionary basis may, at any time, impose restrictions, in writing, on Navigoe's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Navigoe's use of margin, etc.).

NOTE: When determining whether to engage Navigoe on a discretionary or non-discretionary basis, please note that trades for discretionary clients may be placed ahead of non-discretionary clients.

**Item 17 – Voting Client Securities**

Navigoe will not vote proxies on behalf of advisory clients' accounts. Although, on rare occasions and only at the client's request, Navigoe may offer clients advice regarding corporate actions and the exercise of proxy voting rights.

Clients will receive their proxies or other solicitations directly from their broker-dealer/custodian.

**Item 18 – Financial Information**

Navigoe does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance. Navigoe accepts limited forms of discretion over clients' accounts, as described in Item 16 of this brochure. Navigoe is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Navigoe has never been the subject of a bankruptcy proceeding.