



## Form ADV Part 2A Disclosure Brochure

### Item 1 – Cover Page

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Date of Brochure: March 2022

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 Investment Services, LLC (also referred to as NFIS 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 Investment Services, LLC. If you have any questions about the contents of this brochure, please contact us at 877-221-8108 or [NFISoperations@navyfederal.org](mailto:NFISoperations@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 Investment Services, LLC is also available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (go to the website, select “investment adviser firm” and type in our firm name or our CRD number which is 138459). Results will provide you both Part 1 and 2 of our Form ADV.***

NFIS 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 retain us or to continue to maintain a mutually beneficial relationship.

## Item 2 – Material Changes

Effective January 1, 2022 the firm name was changed from Navy Federal Brokerage Services, LLC to Navy Federal Investment Services, LLC

Effective March 2022, NFIS added new fund strategist portfolio managers: Frontier Asset Management, Fidelity, and BlackRock (non-ESG portfolios).

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## **Item 4 – Advisory Business**

NFIS is wholly owned by Navy Federal Financial Group, which is a wholly owned subsidiary of Navy Federal Credit Union. NFIS began operations in September 2005. NFIS' principal business activity includes acting as a dual registered investment advisory firm and broker-dealer. NFIS offers advisory clients portfolio management services for a fee. These services (known as "advisory services") are offered through investment adviser representatives ("IARs") of NFIS. Currently, all IARs are also registered with the firm's affiliated broker/dealer, Navy Federal Investment Services, LLC. NFIS clients may also be clients of the broker/dealer, dependent upon the products and services the client has selected.

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

The following pages list the programs offered by NFIS. In these programs, NFIS has discretionary authority to retain and terminate Third-Party Portfolio Managers who will be responsible for the portfolio management through discretionary asset allocation programs. An NFIS investment advisory representative meets with a potential client to discuss financial objectives, needs, risk tolerances, and financial status. The investment advisor representative will assist the client in determining the suitability and selection of the particular Program that will be used as well as the suitability of the model(s) selected within the program. The selected Third-Party Portfolio Manager will recommend a portfolio allocation with a specific investment recommendation. If the allocation is accepted by the client, the Third-Party Portfolio Manager is given discretionary authority to select and change portfolios as necessary.

### **NFIS Advisory Program**

The NFIS Advisory Program is a program sponsored by NFIS, 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, the NFIS Advisory Program provides clients with account 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 NFIS Advisory Program, NFIS has the discretionary authority to retain and terminate Third-Party Portfolio Managers. The Third-Party Portfolio Manager shall act as the portfolio manager for accounts managed through the NFIS Advisory Program. The Third-Party Portfolio Manager shall have the full authority to supervise and direct the investment of monies contributed by the client to the NFIS 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 Third-Party Portfolio Manager shall have unlimited investment discretion with respect to any changes to investments in the NFIS 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 NFIS Advisory Program portfolios. The Third-Party Portfolio Manager will have full authority to supervise and direct the investment of monies contributed by clients to the NFIS 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 NFIS investment adviser representative of any such modifications. The Third-Party Portfolio Manager, in its discretion and within the terms of the NFIS Advisory Program agreement executed between NFIS and the client, utilizes model portfolios to achieve the objectives of the various portfolio options offered under the NFIS Advisory Program. NFIS has no discretionary authority to select the investments in these NFIS Advisory Program accounts, but will have discretion to select the Funds to be liquidated if necessary to cover a debit balance in relation to the monthly 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 NFIS Advisory Program accounts shall be initiated by the Third-Party Portfolio Manager. Clients participating in the NFIS Advisory Program will receive the Third-Party Portfolio Manager's disclosure document in addition to NFIS'

brochure. Clients should review the Third-Party Portfolio Manager's disclosure document for more information on the Third-Party Portfolio Manager.

NFIS shall be responsible for, among other things: (1) determining client suitability for the NFIS 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. NFIS' IARs shall communicate to clients the investments or separate account managers recommended by the Third-Party Portfolio Manager. NFIS will have discretionary authority to retain and terminate the Third-Party Portfolio Manager.

NFIS offers programs through the Envestnet Platform and recommends various Third-Party Portfolio Managers through the platform. Envestnet includes wholly owned subsidiaries and the alternate names of Envestnet Asset Management Inc., (an unaffiliated registered investment advisor ) Envestnet | PMC, Portfolio Management Consultants, and Envestnet Portfolio Solutions, Inc. (an unaffiliated registered investment advisor) and all herein shall be referred to Envestnet in this document.

**Envestnet Programs.** – The following portfolio options are currently offered through Envestnet under the NFIS Advisory Program.

**NFFG 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. Envestnet acts as the portfolio manager, objectively managing the portfolio in line with the client's investment objective. Envestnet, as the registered investment advisor, provides ongoing investment monitoring and rebalancing.

**NFFG ETF** – The NFFG ETF account is a 100% exchange traded fund (ETF) based managed account whereby Envestnet acts as the portfolio manager, objectively managing the portfolio in line with the client's investment objective. The portfolios use exchange-traded funds (ETFs) designed to closely track the performance of a market index. Envestnet, as the registered investment advisor, provides ongoing investment monitoring and rebalancing.

**NFFG 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. Envestnet acts as the portfolio manager, objectively managing the portfolio in line with the client's investment objective. Envestnet, as the registered investment advisor provides ongoing investment monitoring and rebalancing.

**ActivePassive Portfolios** – The Envestnet ActivePassive Funds are the building blocks used to create the ActivePassive Portfolios. The Third-Party Portfolio Manager Envestnet aims to enhance value to client portfolios through careful combinations of these funds, which feature both actively managed and passive (index-based) investments.

**Strategist Portfolios** – The NFIS Strategist Portfolios offers mutual fund and exchange-traded fund (ETF) solutions that offer individual investors an actively managed portfolio comprised of carefully selected mutual funds and/or ETFs.

## **Current Third-Party Portfolio Manager Offerings:**

### **BlackRock Investment Management, LLC.**

BlackRock Investment Management, LLC ("BlackRock") is an investment management firm that provides diversified investment management to institutional clients, intermediary and individual investors through various investment vehicles. Investment management services primarily consist of the management of equity, fixed income, multi-asset class, alternative investment, and cash management products. BlackRock offers its investment products in a variety of vehicles, including open-end and closed-end mutual funds, iShares® exchange traded funds ("ETFs"), collective investment trusts and separate accounts.

We offer BlackRock ESG and non-ESG portfolios. The Target Allocation ESG Models are all-in-one, core portfolios with an extensive focus on companies that exhibit positive Environmental, Social, and Governance (ESG) characteristics. The portfolios are built with iShares ETFs with risk profiles ranging from moderate to aggressive.

### **Brinker Capital, Inc.**

Brinker Capital is an investment management firm that provides customized investment products and services and offers a variety of asset allocation strategies, each targeting a specific investment objective, for both taxable and tax-exempt accounts. The strategies provide different balances of risk and reward depending on a client's risk tolerance and time horizon and are designed to offer consistent, competitive performance while seeking to achieve attractive risk-adjusted returns over the long term. Brinker Capital monitors the performance of each fund and investment strategy and updates and modifies these strategies based on market conditions and Brinker's investment outlook.

### **Fidelity Institutional Wealth Adviser, LLC**

Fidelity Investments ("Fidelity") was perhaps best known historically as a mutual fund company. Today, it operates multiple business lines, including investment management and advisory, banking and trust, and insurance. As a wholly-owned, indirect subsidiary of Fidelity Investments, Fidelity Institutional Asset Management ("FIAM") offers traditional long-only equity, fixed income, asset allocation, and other customized investment solutions, including the Target Allocation Portfolios.

The firm's Alpha Model provides fund recommendations. The process employs regression analysis of the previous nine months of daily net returns of all active and passive Fidelity proprietary mutual funds in order to attribute the proportion of each fund's return to systematic return and nonsystematic returns, or alpha. The alpha that is estimated in this analysis is used to rank funds relative to peers, and this ranking becomes an input in the fund selection process. The portfolio construction process uses optimization techniques that consider both the allocation guidance and the fund rankings to create a portfolio that balances relative portfolio risk exposures with capturing expected alpha

### **Frontier Asset Management, LLC**

Frontier Asset Management, LLC ("Frontier") is an independent investment advisory firm, registered with the SEC, and is majority owned and controlled by Frontier's management team. Frontier's core business is providing investment management to the clients of independent financial advisors around the country. With a heavy emphasis on internal research, Frontier is an industry leader in

investment manager due diligence, asset allocation, and portfolio construction.

Frontier offers a wide range of investment strategies, each managed within a specified framework of return objectives and limits on risk. Frontier's investment strategies are intended for long-term investors.

### **Goldman, Sachs & Co.**

Goldman, Sachs & Co. (GS&Co.), founded in 1869, is the principal United States broker-dealer subsidiary of The Goldman Sachs Group, Inc. In May of 1981, GS&Co. became a registered investment adviser under the Investment Advisers Act of 1940. Goldman Sachs is organized into four business segments: (i) Investment Banking; (ii) Institutional Client Services; (iii) Investing & Lending; and (iv) Investment Management.

GS&Co.'s dynamic asset allocation approach combines strategic, long-term views with tactical tilts to create a diversified strategy that seeks to balance risk and return while navigating changing markets. MAPs seek diversification by strategically allocating to a variety of asset classes and sub-asset classes for each risk profile.

### ***Members Trust Company***

Members Trust Company is organized as a national trust company that is owned by a consortium of credit unions and related organizations located throughout the U.S. Members Trust Company provides fee-based investment management and trust services. The service offerings of Members Trust Company include managed ETF portfolios and managed mutual fund portfolios, as well as customized managed account solutions.

Navy Federal Financial Group, the parent company of NFIS, owns a portion (currently less than 10%) of Members Trust Company and the COO of NFIS serves as a member of the Board of Directors of Members Trust Company. The relationship between Navy Federal Financial Group, NFIS, and Members Trust Company creates a material conflict of interest. NFIS 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. Further, Financial Advisors with NFIS are not incentivized or given any additional compensation for using Members Trust Company portfolios.

Members Trust Company uses a conservative investment philosophy. In making portfolio decisions, Members Trust Company maintains a disciplined approach that is intended to manage downside risks. Members Trust Company provides active management utilizing passive ETFs to gain broad-based market exposures thereby mitigating company specific risk. ETFs provide portfolio managers greater flexibility and efficiency in maintaining and readjusting portfolio allocations across asset classes than individual bonds, stocks or mutual funds. Other benefits of ETFs can include lower costs and increased liquidity and transparency. Portfolio options offered by Members Trust Company for the NFIS Advisory Program are based on long-term risk and return characteristics while incorporating Modern Portfolio Theory along with other portfolio design tools.

**Members Trust Company, Third-Party Portfolio Manager Referral Program** – NFIS refers certain clients to Members Trust Company, and Navy Federal Financial Group receives an ongoing solicitor fee if such clients still maintain assets under the management of Members Trust Company. NFIS has a conflict of interest given that Navy Federal Financial Group, the parent company of NFIS owns a portion (less than 10%) of Members Trust Company and the COO of NFIS is a member of the board of directors of Members Trust Company. Please refer to Item 10.C.2 for additional details.

## **Morningstar Investment Management, LLC**

Morningstar Investment Management LLC is a registered investment adviser and subsidiary of Morningstar, Inc. Model portfolio construction and ongoing monitoring and maintenance of the model portfolios are provided by Morningstar Investment Management, in some cases on behalf of Morningstar Investment Services. The model portfolios made available on the Envestnet platform may be offered by Morningstar Investment Management or Morningstar Investment Services and include exclusively or some combination of no-load/load-waived open-end mutual funds, ETFs and common stocks.

## **Envestnet | Portfolio Management Consultants (“PMC”)**

Envestnet | Portfolio Management Consultants (PMC) is the portfolio consulting group of Envestnet and is the manager of a set of discretionary investment products. PMC builds asset allocation strategies of a variety of mutual fund and ETF asset managers. PMC provides overlay management of the portfolios and provides ongoing investment monitoring and rebalancing.

## **SEI Investments Management Corporation**

SEI Investment Management strategies invest across a range of SEI funds and fund managers to lessen the risk of manager concentration. Services are backed by SEI's research in behavioral finance, which supports blending tactical elements with strategic asset allocation in order to achieve greater diversification; available in both tax-managed and non-tax-managed versions.

## ***Unified Managed Accounts (UMAs)***

UMAs are offered by NFIS. A UMA account allows the layering of multiple Third-Party Portfolio Managers in one account for simplified account management and billing. Any of the above listed Third-Party Portfolio Managers can be combined with one another into a single UMA account.

## ***Private Wealth Consulting (PWC):***

PWC is for clients with \$1,000,000 + to invest. PWC includes a consultation with adviser and client to understand required return, risk tolerance, unique investment objectives and circumstances, current portfolio analysis across asset allocation and manager selection. Portfolio recommendations based on Envestnet | PMC's asset allocation and manager research output, with the ability to incorporate client specific tax and IMPACT (i.e. social) considerations.

PWC services have an increased platform fee as follows:

First \$10,000,000 15 basis points

Next \$15,000,000 12 basis points

Over \$25,000,000 10 basis points

## ***Financial Planning Services***

NFIS, through its IARs, prepare and provide financial plans to NFIS clients. NFIS IARs will obtain the necessary data from the client to create the financial plan. The financial plan may include asset allocation, goal analysis, insurance analysis, education planning, portfolio analysis, and risk tolerance analysis. The client may receive a written financial plan from the NFIS IAR. In some instances, the results of the financial plan may lead to an investment recommendation. The client is not required to implement the financial plan.

NFIS is not engaged in the practice of law or accounting and therefore does not offer legal or accounting advice as part of the financial planning process.



## ***Retirement Plans***

NFIS 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 NFIS Advisory Programs, as described above.

If you elect to utilize any of NFIS' Fiduciary Management Services then NFIS 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 NFIS 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 NFIS 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, NFIS 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.

NFIS 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 practical).

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 Investment Services 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 NFIS 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 NFIS, services will be terminated upon receipt of notice.

of termination 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 will likely reduce the value of the client's Navy Federal Investment Services account assets.

If services are terminated in the NFIS 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. NFIS has 30 days from the date of termination to deduct fees from the client's program account. Currently the termination fee is \$95.

### ***Specialization***

NFIS specializes in providing asset management services through the selection of Third-Party Portfolio Managers.

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

NFIS generally provides clients with advice regarding the selection of Third-Party Portfolio Managers. NFIS offers advice on the following types of securities:

- 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

NFIS 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, or interest in partnerships investing in real estate or oil and gas interests.

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

NFIS' 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 Investment Services, LLC***

In its capacity of holding discretionary authority to retain and terminate Third-Party Portfolio Managers of its portfolio management programs, NFIS has \$899,083,385.76 of assets under management as of March 29, 2022.

## **Item 5 – Fees and Compensation**

*This section provides details regarding the fees and compensation arrangements of NFIS' services.*

NFIS Advisory Program fees are calculated based on a percentage of assets under management and do not exceed 1.75% on an annualized basis for individual or institutional clients. NFIS 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 NFIS IAR will determine the exact fee of NFIS within the range described below under the NFIS Fee column for each Third-Party Portfolio Manager. Therefore, different clients participating in the same program may pay different fees. Effective as of June 2019, the IAR or Advisor fee is set per the schedule noted below. NFIS believes its fees are competitive with those fees charged by other investment advisers for comparable services; however, NFIS fees may be higher or lower than the fees charged by other investment advisers. In addition to the NFIS fees, there may be other charges assessed to NFIS accounts for certain activity, termination of accounts, or other such occurrences. The minimum amount to open a NFIS Advisory Program account will vary depending on the product and Third-Party Portfolio Manager selected; however, the typical minimum is \$50,000 per account. Please refer to Item 7 of this Brochure for the minimum account sizes.

Fees for advisory services provided through the Programs will be charged according to the following fee schedules that have been established by NFIS. However, advisory fees may be higher or lower than the fee schedules below depending on the client's unique circumstances:

New Accounts (Effective as of June 2019): The Advisor fee is set for new accounts and the Envestnet administrative fee was lowered which affected the Envestnet Bundled Fee as shown in the schedules below.

Investment Amount	Envestnet Fee	NFIS Platform Management Fee	Advisor Fee	Manager Fee
First \$250,000	0.08%	0.24%	0.75%	Varies
Next \$250,000	0.08%	0.22%	0.70%	Varies
Next \$500,000	0.07%	0.19%	0.65%	Varies
Next \$1M	0.06%	0.16%	0.60%	Varies
Over \$2M	0.05%	0.13%	0.50%	Varies

Unified Managed Accounts (UMA) follow the same fees by manager listed below to layer multiple Third-Party Portfolio Managers in one account. However, UMA accounts are subject to a minimum platform fee the greater of \$75 or 0.07%.

***Fee Schedule for NFIS Advisory Program Account with Third-Party Portfolio Manager Envestnet (Portfolio Management Consultants)  
NFFG Index Plus and CAM Index Plus***

Investment Amount	Envestnet Bundled Fee	NFIS Platform Management Fee	Advisor Fee	Total Fee
First \$250,000	0.32%	0.24%	0.75%	1.31%
Next \$250,000	0.30%	0.22%	0.70%	1.22%
Next \$500,000	0.26%	0.19%	0.65%	1.1%
Next \$1M	0.22%	0.16%	0.60%	0.98%
Over \$2M	0.18%	0.13%	0.50%	0.81%

\* The term "Bundled Fee" refers to the respective program management fee plus the Envestnet administrative fee. Envestnet or the third party manager may have a minimum fee. If that minimum fee is not met, the total client fee will not increase.

**Fee Schedule for NFIS Advisory Program Account with Third-Party Portfolio Manager Envestnet (Portfolio Management Consultants)  
NFFG Funds and CAM Mutual Funds**

Investment Amount	Envestnet Bundled Fee	NFIS Platform Management Fee	Advisor Fee	Total Fee
First \$250,000	0.32%	0.24%	0.75%	1.31%
Next \$250,000	0.30%	0.22%	0.70%	1.22%
Next \$500,000	0.26%	0.19%	0.65%	1.1%
Next \$1M	0.22%	0.16%	0.60%	0.98%
Over \$2M	0.18%	0.13%	0.50%	0.81%

\* The term "Bundled Fee" refers to the respective program management fee plus the Envestnet administrative fee. Envestnet or the third party manager may have a minimum fee. If that minimum fee is not met, the total client fee will not increase.

**Fee Schedule for NFIS Advisory Program Account with Third-Party Portfolio Manager Envestnet (Portfolio Management Consultants)  
NFFG ETF**

Investment Amount	Envestnet Bundled Fee	NFIS Platform Management Fee	Advisor Fee	Total Fee
First \$250,000	0.55%	0.24%	0.80%	1.59%
Next \$250,000	0.45%	0.22%	0.70%	1.37%
Next \$500,000	0.35%	0.19%	0.70%	1.24%
Next \$1M	0.30%	0.16%	0.65%	1.11%
Over \$2M	0.25%	0.13%	0.60%	0.98%

\* The term "Bundled Fee" refers to the respective program management fee plus the Envestnet administrative fee. Envestnet or the third party manager may have a minimum fee. If that minimum fee is not met, the total client fee will not increase.

**Fee Schedule for NFIS Advisory Program Account with Third-Party Portfolio Manager Members Trust Company**

Investment Amount	Envestnet Bundled Fee*	NFIS Platform Management Fee	Advisor Fee	Total Fee
First \$250,000	0.59%	0.24%	0.75%	1.58%
Next \$250,000	0.52%	0.22%	0.70%	1.44%
Next \$500,000	0.48%	0.19%	0.65%	1.32%
Next \$1M	0.44%	0.16%	0.60%	1.20%
Over \$2M	0.40%	0.13%	0.50%	1.03%

\* The term "Bundled Fee" refers to the respective program management fee plus the Envestnet administrative fee. Envestnet or the third party manager may have a minimum fee. If that minimum fee is not met, the total client fee will not increase.

**Fee Schedule for NFIS Advisory Program Account with Third-Party Portfolio Manager Envestnet (Portfolio Management Consultants) ActivePassive**

Investment Amount	Envestnet Bundled Fee*	NFIS Platform Management Fee	Navy Federal Investment Services Fee	Total Fee
\$150k	See Below Description	See Below Description	0.75%	0.75%
\$250k	See Below Description	See Below Description	0.75%	0.75%
\$500k	See Below Description	See Below Description	0.75%	0.75%
\$1M	See Below Description	See Below Description	0.75%	0.75%

The ActivePassive Portfolios Program includes the selection by Envestnet of ActivePassive Funds® for the Client's Program Account. Envestnet also acts as the Advisor for the ActivePassive Funds. Envestnet receives a management fee based on assets invested in the PMC Funds. Because the fund management fees differ, Envestnet's compensation may differ depending on the portfolio model applicable to Client's Program Account.

**Fee Schedule for NFIS Advisory Program Account with Third-Party Portfolio Manager by Brinker Capital (American Funds Portfolios)**

Investment Amount	Envestnet Bundled Fee*	NFIS Platform Management Fee	Advisor Fee	Total Fee
First \$250,000	0.59%	0.24%	0.75%	1.33%
Next \$250,000	0.57%	0.22%	0.70%	1.24%
Next \$500,000	0.53%	0.19%	0.65%	1.12%
Next \$1M	0.49%	0.16%	0.60%	1.00%
Over \$2M	0.45%	0.13%	0.50%	0.83%

\* The term "Bundled Fee" refers to the respective program management fee plus the Envestnet administrative fee. Envestnet or the third party manager may have a minimum fee. If that minimum fee is not met, the total client fee will not increase.

**Fee Schedule for NFIS Advisory Program Account with Third-Party Portfolio Manager by Brinker Capital (Destinations Portfolios)**

Investment Amount	Envestnet Bundled Fee*	NFIS Platform Management Fee	Advisor Fee	Total Fee
First \$250,000	0.34%	0.24%	0.75%	1.33%
Next \$250,000	0.32%	0.22%	0.70%	1.24%
Next \$500,000	0.28%	0.19%	0.65%	1.12%
Next \$1M	0.24%	0.16%	0.60%	1.00%
Over \$2M	0.20%	0.13%	0.50%	0.83%

\* The term "Bundled Fee" refers to the respective program management fee plus the Envestnet administrative fee. Envestnet or the third party manager may have a minimum fee. If that minimum fee is not met, the total client fee will not increase.

**Fee Schedule for NFIS Advisory Program Account with Third-Party Portfolio Manager by BlackRock Investment Management LLC.**

<i>Investment Amount</i>	<i>Envestnet Bundled Fee*</i>	<i>NFIS Platform Management Fee</i>	<i>Advisor Fee</i>	<i>Total Fee</i>
<i>First \$250,000</i>	0.34%	0.24%	0.75%	1.33%
<i>Next \$250,000</i>	0.32%	0.22%	0.70%	1.24%
<i>Next \$500,000</i>	0.28%	0.19%	0.65%	1.12%
<i>Next \$1M</i>	0.24%	0.16%	0.60%	1.00%
<i>Over \$2M</i>	0.20%	0.13%	0.50%	0.83%

\* The term “Bundled Fee” refers to the respective program management fee plus the Envestnet administrative fee. Envestnet or the third party manager may have a minimum fee. If that minimum fee is not met, the total client fee will not increase.

**Fee Schedule for NFIS Advisory Program Account with Third-Party Portfolio Manager Fidelity Wealth Adviser, LLC**

<i>Investment Amount</i>	<i>Envestnet Bundled Fee*</i>	<i>NFIS Platform Management Fee</i>	<i>Advisor Fee</i>	<i>Total Fee</i>
<i>First \$250,000</i>	0.34%	0.24%	0.75%	1.33%
<i>Next \$250,000</i>	0.32%	0.22%	0.70%	1.24%
<i>Next \$500,000</i>	0.28%	0.19%	0.65%	1.12%
<i>Next \$1M</i>	0.24%	0.16%	0.60%	1.00%
<i>\$2M-5 M</i>	0.20%	0.13%	0.50%	0.83%

\* The term “Bundled Fee” refers to the respective program management fee plus the Envestnet administrative fee. Envestnet or the third party manager may have a minimum fee. If that minimum fee is not met, the total client fee will not increase.

**Fee Schedule for NFIS Advisory Program Account with Third-Party Portfolio Manager Morningstar Investment Management LLC**

<i>Investment Amount</i>	<i>Envestnet Bundled Fee*</i>	<i>NFIS Platform Management Fee</i>	<i>Advisor Fee</i>	<i>Total Fee</i>
<i>First \$250,000</i>	0.54%	0.24%	0.75%	1.53%
<i>Next \$250,000</i>	0.52%	0.22%	0.70%	1.44%
<i>Next \$500,000</i>	0.48%	0.19%	0.65%	1.32%
<i>Next \$1M</i>	0.44%	0.16%	0.60%	1.20%
<i>\$2M-5 M</i>	0.40%	0.13%	0.50%	1.03%

\* The term “Bundled Fee” refers to the respective program management fee plus the Envestnet administrative fee. Envestnet or the third party manager may have a minimum fee. If that minimum fee is not met, the total client fee will not increase.

**Fee Schedule for NFIS Advisory Program Account with Third Party Manager Envestnet (Portfolio Management Consultants) Impact Portfolios**

Investment Amount	Envestnet Bundled Fee*	NFIS Platform Management Fee	Advisor Fee	Total Fee
First \$250,000	0.55%	0.24%	0.75%	1.54%
Next \$250,000	0.53%	0.22%	0.70%	1.45%
Next \$500,000	0.48%	0.19%	0.65%	1.32%
Next \$1M	0.43%	0.16%	0.60%	1.19%
\$2M-5 M	0.38%	0.13%	0.50%	1.01%

\* The term “Bundled Fee” refers to the respective program management fee plus the Envestnet administrative fee. Envestnet or the third party manager may have a minimum fee. If that minimum fee is not met, the total client fee will not increase.

**Fee Schedule for NFIS Advisory Program Account with Third-Party Portfolio Manager Goldman, Sach’s and Co (Multi-Manager Fund Portfolios)**

Investment Amount	Envestnet Bundled Fee*	NFIS Platform Management Fee	Advisor Fee	Total Fee
First \$250,000	0.49%	0.24%	0.75%	1.48%
Next \$250,000	0.47%	0.22%	0.70%	1.39%
Next \$500,000	0.43%	0.19%	0.65%	1.27%
Next \$1M	0.39%	0.16%	0.60%	1.15%
Over \$2M	0.35%	0.13%	0.50%	0.98%

\* The term “Bundled Fee” refers to the respective program management fee plus the Envestnet administrative fee. Envestnet or the third party manager may have a minimum fee. If that minimum fee is not met, the total client fee will not increase.

**Fee Schedule for NFIS Advisory Program Account with Third-Party Portfolio Manager Goldman, Sach’s and Co. (ETF Model Portfolios)**

Investment Amount	Envestnet Bundled Fee*	NFIS Platform Management Fee	Advisor Fee	Total Fee
First \$250,000	0.34%	0.24%	0.75%	1.33%
Next \$250,000	0.32%	0.22%	0.70%	1.24%
Next \$500,000	0.28%	0.19%	0.65%	1.12%
Next \$1M	0.24%	0.16%	0.60%	1.00%
Over \$2M	0.20%	0.13%	0.50%	0.83%

\* The term “Bundled Fee” refers to the respective program management fee plus the Envestnet administrative fee. Envestnet or the third party manager may have a minimum fee. If that minimum fee is not met, the total client fee will not increase.

**Fee Schedule for NFIS Advisory Program Account with Third-Party Portfolio Manager SEI**

Investment Amount	Envestnet Bundled Fee*	NFIS Platform Management Fee	Advisor Fee	Total Fee
First \$250,000	0.34%	0.24%	0.75%	1.33%
Next \$250,000	0.32%	0.22%	0.70%	1.24%
Next \$500,000	0.28%	0.19%	0.65%	1.12%
Next \$1M	0.24%	0.16%	0.60%	1.00%
Over \$2M	0.20%	0.13%	0.50%	0.83%

\* The term “Bundled Fee” refers to the respective program management fee plus the Envestnet administrative fee. Envestnet or the third party manager may have a minimum fee. If that minimum fee is not met, the total client fee will not increase.

## ***Fee Schedule for NFIS Advisory Program Unified Managed Accounts and Separately Managed Accounts***

### ***Institutional Pricing***

NFIS 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 NFIS and the Third-Party Portfolio Manager chosen to manage the institutional account(s).

### ***How Fees Are Charged***

Depending upon the advisory program and Third-Party Portfolio Manager selected, fees are charged to an account in advance on a monthly basis. Upon termination of an advisory program for an account billed in advance, NFIS will refund any prepaid but unearned fees.

NFIS Advisory Program accounts are charged a Program Fee in advance on a monthly basis using the average daily balance from the previous month. The fee for the initial calendar month (or part thereof) in which a client participates in the NFIS Advisory Program is calculated on the day after the initial placement of the client’s Program Assets and are debited the first day of the new month after assets are placed in the Program. The initial Program Fee for any partial calendar month is appropriately pro-rated based on the number of calendar days in the partial month. Thereafter, the Program Fee is calculated and billed monthly in advance based on a percentage of the average daily fair market value of assets in the Program Account during the prior month. The Program Fee for each month 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 month. If there is a deposit over \$25,000 made during the month that 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. The broker that provides custodial services for the Program Assets will determine fair market value for the purpose of calculating the fee. Upon termination of an NFIS Advisory Program account and withdrawal of the client’s assets from the Program, NFIS 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, NFIS 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 NFIS 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 may pay directly to third parties, whether a security is being purchased, sold, or held in the client's account(s) under management by NFIS. Fees are charged by the broker-dealer/custodian. NFIS 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 IAR does not receive any portion of the fees listed below, including 12b-1 or shareholder servicing fees.

Currently, the below fees are not being charged or passed on to the client:

- annual custodial and IRA fees,
- statement fees,
- confirmations
- inactivity fees
- Short term redemption fees
- Ticket charges

The fees that the client will be charged if applicable include:

- 12b-1 fees (However, these fees are credited back to the client account as received)
- Shareholder services fees (Fees received by NFIS are credited back to the client account)
- Exchange fees
- SEC fees
- Internal expenses charged by Mutual Funds (MF) or Exchange Traded Funds (ETFs)

#### Money Movement and Transfer Cost Fees

- Overnight Check (\$12)
- Returned Checks/Stop Pay/ACH Rejects/Wire (\$25)
- Termination Fees and Outgoing Transfer Fees (\$125)

#### ***Other Compensation***

The compensation to the IAR may vary by the Third-Party Portfolio Manager chosen, as indicated in the fee schedules above. Recommendations will be made in the best interest of the client and not based on the potential compensation to be received.

Certain of our IARs are also registered representatives of NFIS, a securities broker-dealer. Clients may work with the investment adviser representative in the representative's separate capacity as a registered representative of NFIS. 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 commission may create 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.

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 NFIS. 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 NFIS as the broker/dealer. Prior to effecting any such transactions, the client is required to enter into a new account agreement with NFIS. The commissions charged by NFIS may be higher or lower than those charged by other broker/dealers. In addition, NFIS may also receive additional ongoing 12b-1 fees or shareholder services fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. The amount of a Mutual Fund's 12b-1 fees is described in the Mutual Fund's Prospectus under fund expenses and is also reflected on the Mutual Fund's financial statements. Any 12b-1 received from the client's account will be credited back to the client's account as received. Shareholder services fees received by NFIS from the client's account will be credited back to the client's account.

Less expensive share classes of the same mutual fund may be available to the investor outside of the NFIS Advisory Program or through a different Third-Party Portfolio Manager in the NFIS Advisory Program. The Third-Party Portfolio Manager may not be utilizing the lowest share class available. To address this conflict, NFIS will monitor Third-Party Portfolio Manager share class selection on a quarterly basis. NFIS will likely identify instances where a share class conversion from the higher to lower expense share class is warranted and will initiate such conversion. Further, the representative may offer different share classes of the same mutual fund in a brokerage account outside of the NFIS Advisory Program. The IAR does not have the ability to choose different share classes of the mutual funds in the Third-Party Portfolio Manager strategies. However, there may be a financial incentive to recommend one advisory program over another or a brokerage account over an advisory account or vice versa. A recommendation for a NFIS advisory account will only be made if it is in the best interest of the client and not based on the financial incentive received.

Certain IARs of NFIS are licensed insurance representatives of various companies under NFIS. 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.

Additionally, please refer to Item 10 – Other Financial Industry Activities and Affiliations for information about certain business relationships and compensation arrangements of NFIS and its supervised persons.

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

Neither NFIS 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

NFIS generally provides investment advice to members of Navy Federal Credit Union, individual persons, trusts and institutions. There are minimum initial investment amounts for advisory accounts, which range from \$50,000 to \$100,000 depending on the portfolio management program and Third-Party Portfolio Manager that is chosen.

<u>Program</u>	<u>Minimum Account Size</u>
BlackRock Investment Management, LLC	\$50,000
Brinker Capital	\$50,000
CLS Investment, LLC	\$50,000
Fidelity Wealth Adviser	\$50,000
Frontier Asset Management	\$50,000
Goldman, Sachs and Co.	\$50,000
Members Trust	\$50,000
Morningstar Investment Management, LLC	\$50,000
NFFG ETF	\$50,000
NFFG Tax Sensitive	\$100,000
NFFG Mutual Fund Model	\$50,000
NFFG Index Plus	\$50,000
ActivePassive Portfolios	\$50,000
SEI Investment Management	\$50,000
Unified Managed Account (UMA)	\$150,000
Private Wealth Consulting (PWC)	\$1,000,000

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

- A. NFIS typically provides its advisory services through wrap accounts and utilizes independent third party portfolio managers (Third-Party Portfolio Managers) to manage the assets of the wrap accounts. NFIS has an investment committee that conducts due diligence and selects Third-Party Portfolio Managers. At least annually, a due diligence review will be performed from both a compliance and performance perspective to determine that the Third-Party Portfolio Managers utilized in the portfolio programs are still an appropriate fit for the portfolio management programs sponsored by NFIS. The investment committee will also review each Third-Party Portfolio Manager'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 Third-Party Portfolio Managers utilized in the portfolio management programs. The investment committee will be responsible for determining if a Third-Party Portfolio Manager should be replaced due to poor performance or concerns of non-compliance with regulatory requirements.

NFIS 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 NFIS 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, there will be varying degrees of risk depending on the different types of investments. 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, NFIS is unable to represent, guarantee, or even imply that its services and methods of analysis or other unaffiliated Third-Party Portfolio Manager 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 NFIS' investment management programs or other unaffiliated Third-Party Portfolio Manager.

- 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 ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.
- Management Risk – 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. NFIS provides its advisory services through wrap accounts and utilizes independent Third-Party Portfolio Managers to manage the assets of the wrap accounts. Wrap accounts managed by Third-Party Portfolio Managers generally consist of Mutual Funds and/or 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 (e.g., health care). There are also balanced funds that incorporate all asset classes.

Mutual funds 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 repaying interest and principal in a timely manner. 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 (e.g., capital gains, income), but their risk tolerance level (i.e., conservative, aggressive, balanced) as well. 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 NFIS' brochure because there are no legal or disciplinary events listed at Item 9 of the Form ADV Part 2 instructions that are material to NFIS' business or the integrity of NFIS' management.

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

- A. The management, certain support staff, and the IARs of NFIS are registered with Navy Federal Investment 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 NFIS 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. NFIS is also a registered broker/dealer. NFIS is a wholly owned subsidiary of Navy Federal Financial Group and may serve the same clients. Please refer to Item 12. Brokerage Practices for more details about how NFIS may utilize its brokerage services with respect to the client's advisory services.

2. The parent company of Navy Federal Investment Services is Navy Federal Financial Group. Navy Federal Financial Group owns a less than 10% share of Members Trust Company, and the COO of NFIS and Navy Federal Financial Group is a member of the board of directors for Members Trust Company. NFIS refers clients to Members Trust Company as a Third-Party Portfolio Manager and through its parent company, Navy Federal Financial Group; Navy Federal Financial Group continues to receive an ongoing solicitor fee from Members Trust Company for such clients with assets under management by Members Trust Company. The relationship between Navy Federal Financial Group, NFIS, and Members Trust Company creates a material conflict of interest. NFIS 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. NFIS is a wholly owned subsidiary of Navy Federal Financial Group, LLC which is a wholly owned subsidiary of Navy Federal Credit Union. NFIS primarily serves members of Navy Federal Credit Union.
  4. NFIS' parent company, Navy Federal Financial Group, is also a licensed insurance agency and may be paid a portion of the insurance commissions received by CUNA Mutual Group for AD&D, life and long-term care insurance that are placed with members of Navy Federal Credit Union. Further, Navy Federal Financial Group receives a referral fee for Navy Federal Credit Union members that are referred to the insurance services provided by Navy Mutual Aid Association. Additionally, Navy Federal Financial Group has joint ventures that involve Champion Title, named Navy Federal Title Services, LLC, Navy Federal Escrow and Settlement, Inc., and Navy Federal Title Services of California. Navy Federal Financial Group receives a portion of Title Service and Escrow and Settlement fees that are placed with Navy Federal Title Services, Navy Federal Escrow and Settlement, Navy Federal Title Services of California, and members of Navy Federal Credit Union.
  5. NFIS 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 NFIS. NFIS 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 NFIS. CUSO Financial is not affiliated with NFIS. NFIS addresses security of account information and privacy within this relationship through due diligence reviews and financial audits.
- D. NFIS recommends various Third-Party Portfolio Managers for each of its programs. As of the date of this brochure, the Third-Party Portfolio Managers available on the NFIS platform are the following:
- Investnet Platform:
1. BlackRock Investment Management, LLC
  2. Brinker Capital, Inc.
  3. CLS Investment, LLC
  4. Investnet/PMC
  5. Goldman, Sachs & Co.
  6. Members Trust Company
  7. Morningstar Investment Management, LLC
  8. OBS Financial Services, Inc.
  9. SEI Investments Management Corporation

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

### ***Code of Ethics Summary***

NFIS 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. NFIS 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. NFIS has the responsibility to make sure that the interests of all clients are placed ahead of NFIS' 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. NFIS 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 NFIS' Code of Ethics. However, if the client wishes to review NFIS' 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 NFIS may buy or sell securities that are also recommended to clients. In order to minimize this conflict of interest, NFIS only recommends and purchases securities which, generally, are widely held and publicly traded.

## **Item 12 – Brokerage Practices**

For clients that wish to establish NFIS accounts managed by a Third-Party Portfolio Manager NFIS Services will require that accounts be established at Pershing, LLC. Pershing, LLC offers custody of securities, trade execution, clearance and settlement of transactions. NFIS recommends broker/dealers and custodians that NFIS believes will provide services in a manner and at a cost that will allow NFIS to meet its duty of best execution.

Although NFIS is not affiliated with Pershing, LLC, NFIS is an introducing broker-dealer and clears through Pershing, LLC. For all accounts sub-advised by Envestnet under the NFIS Advisory Program and other Third-Party Portfolio Managers, NFIS serves as the introducing broker-dealer on behalf of Pershing, LLC.

As part of its fiduciary duties to clients, NFIS 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 NFIS as introducing broker-dealer and/or the institutional platform of Pershing, LLC in and of itself creates a potential conflict of interest.

NFIS will periodically review 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 criterion will validate or invalidate a custodian, but rather, all criteria taken together will be used in evaluating the currently utilized custodian.

### ***Handling Trade Errors***

NFIS 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 NFIS 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 because 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 NFIS if the error was caused by NFIS. 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 Third-Party Portfolio Manager or Pershing, LLC will receive any trade correction gains; however, NFIS will never benefit or profit from trade errors.

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

Transactions implemented by NFIS and/or Third-Party Portfolio Managers 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 NFIS or Third-Party Portfolio Manager believes such action may prove advantageous to clients. When NFIS or Third-Party Portfolio Manager 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 NFIS or Third-Party Portfolio Manager determines to aggregate client orders for the purchase or sale of securities, including securities in which NFIS or Third-Party Portfolio Manager 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, NFIS or Third-Party Portfolio Manager does not receive any additional compensation or remuneration as a result of aggregation.

## **Item 13 – Review of Accounts**

The client's IAR will review the client's account on at least an annual basis; however, the client's IAR 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 supervisors, brokerage operations specialists or operations management staff review newly established accounts. NFIS also has an investment committee meeting on a quarterly basis. 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.

NFIS also conducts review of large cash balances in client accounts and the trading in the accounts. This review is to help ensure that the Third-Party Portfolio Manager is actively and adequately managing the account. Additionally, NFIS conducts a review of share class selection during the onboarding of the Third-Party Portfolio Managers and on a quarterly basis. NFIS will likely identify instances where a share class conversion from the higher to lower expense share class is warranted and will initiate such conversion.



NFIS and its IARs 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 provides quarterly performance reports to each NFIS Advisory Program account sub-advised by Envestnet and other Third-Party Portfolio Managers. To the extent that NFIS Envestnet, or another Third-Party Portfolio Manager 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**

NFIS refers clients to Members Trust 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.

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

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

## **Item 15 – Custody**

Pershing, LLC will be the qualified custodian for NFIS 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 NFIS, may in its capacity as a credit union, have custody of non-investment advisory assets of the clients of NFIS. Navy Federal Credit Union does not hold assets subject to the investment advisory services of NFIS.

## **Item 16 – Investment Discretion**

The assets of a NFIS account shall be managed by Third-Party Portfolio Managers engaged by Navy Federal Investment Services, LLC. These Third-Party Portfolio Managers have investment discretion to make changes in the account, within the parameters of the selected portfolio model. In accordance with the initial Investment Allocation Proposal, NFIS shall engage or recommend Third-Party Portfolio Managers for clients. While NFIS will generally discuss changes with a client prior to making such changes, NFIS does retain discretionary authority to retain and terminate Third-Party Portfolio Managers on a client's behalf without first consulting with the client. For assets of an account managed by Third-Party Portfolio Managers, the client authorizes NFIS the discretionary authority to retain and terminate sub-advisers on behalf of the client and provide trading instructions, on behalf of the client to the Third-Party Portfolio Managers, broker-dealers and custodians for the client's NFIS Account. The client also authorizes NFIS to provide a copy of the client agreement to any Third-Party Portfolio Manager or broker-dealer through which transactions will be implemented on behalf of the client as evidence of NFIS, and/or the Third-Party Portfolio Manager's authority.

For the assets of an account sub-advised by Envestnet, Envestnet 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 and the Third-Party Portfolio Manager. 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), NFIS shall have full authority to supervise and direct the investment of the monies contributed by the client without prior consultation. Although NFIS shall have discretionary authority to retain or terminate Envestnet or any of the Third-Party Portfolio Managers, NFIS shall not have discretionary investment authority to make specific investments within the client's account.

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

### ***NFIS Proxy Policy***

NFIS does not vote proxies. Third-Party Portfolio Manager(s) selected by NFIS 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 Third-Party Portfolio Manager can be found in the Third-Party Portfolio Manager'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 NFIS' Brochure. NFIS does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. NFIS is not subject to a financial condition reasonably likely to impair its ability to meet contractual commitments. Finally, NFIS has not been the subject of a bankruptcy petition at any time.