

Form ADV Part 2A

American Capital AGNC Management, LLC
2 Bethesda Metro Center
14th Floor
Bethesda, MD 20814
(301) 968-9300
IR@AGNC.com
www.agnc.com

February 16, 2012

This brochure provides information about the qualifications and business practices of American Capital AGNC Management, LLC (“AGNC Manager”). If you have any questions about the contents of this brochure, please contact us at (301) 968-9300 or IR@agnc.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 AGNC Manager also is available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC as an investment adviser does not imply that AGNC Manager or any of its officers or employees possess a particular level of skill or training.

Table of Contents

	<u>Page</u>
Advisory Business	1
Fees and Compensation	3
Performance-Based Fees and Side-by-Side Management	4
Types of Clients	6
Methods of Analysis, Investment Strategies and Risk of Loss	7
Disciplinary Information	10
Other Financial Industry Activities and Affiliations	11
Code of Ethics, Participation or Interest in Client Transaction and Personal Trading	12
Brokerage Practices	14
Review of Accounts	15
Client Referrals and Other Compensation	16
Custody	17
Investment Decision	18
Voting Client Securities	19
Financial Information	20

ADVISORY BUSINESS [Item 4]

American Capital AGNC Management, LLC (“AGNC Manager”) is a Delaware limited liability company, which is wholly owned by American Capital Mortgage Management, LLC, which is, in turn, wholly owned by American Capital, LLC. American Capital, LLC is a wholly owned portfolio company of American Capital, Ltd., a closed-end, nondiversified investment company, which has filed an election to be regulated as a business development company under the Investment Company Act of 1940 (“1940 Act”). American Capital, Ltd. is one of the largest business development companies in the industry and is traded on The NASDAQ Global Select Market under the symbol “ACAS.”

American Capital, Ltd. formed AGNC Manager in 2008 to manage American Capital Agency Investment Corp., a public real estate investment trust (“REIT”).

AGNC Manager provides investment management, administrative and other advisory services to American Capital Agency Investment Corp. (“AGNC”), a publicly-traded mortgage REIT, which commenced operations in May 2008 and invests in a leveraged portfolio of residential mortgage backed securities and collateralized mortgage obligations for which the principal and interest payments are guaranteed by a U.S. Government agency or a U.S. Government-sponsored entity. As part of its management duties, AGNC Manager may employ hedging techniques designed to reduce the risks of adverse movements in interest rates and credit spreads with respect to AGNC’s investments. AGNC is traded on The NASDAQ Global Select Market under the symbol “AGNC.”

American Capital Mortgage Management, LLC (“MTGE Manager”), a Delaware limited liability company and a sister company of AGNC Manager, is also wholly owned by American Capital Mortgage Investment, LLC. MTGE Manager is separately registered with the Securities and Exchange Commission (“SEC”) as an investment adviser. MTGE Manager is the external investment manager of American Capital Mortgage Corp. (“MTGE”), a publicly-traded mortgage REIT established in 2011, which invests primarily on a leveraged basis in agency mortgage investments, non agency mortgage investments and other mortgage-related investments. MTGE is traded on The NASDAQ Global Select Market under the symbol “MTGE.”

AGNC Manager manages the investments of AGNC according to its investment management agreement with AGNC and consistent with AGNC’s investment objective and strategy. AGNC Manager has discretionary trading authorization. AGNC’s investments are subject to certain restrictions and limitations set forth in AGNC’s prospectus, such as prohibitions on investing in certain types of assets, prohibitions on investments that would cause AGNC to fail to qualify as a REIT for federal income tax purposes, and prohibitions on investments that would cause AGNC to be regulated as an investment company under the 1940 Act, among others.

Investors and prospective investors in AGNC should refer to the prospectus and related agreements and other governing documents for AGNC for complete information. Prior performance is not necessarily indicative of future results, and there is no assurance that AGNC's investment objectives will be achieved.

AGNC Manager does not participate in any wrap fee programs.

As of December 31, 2011, AGNC Manager managed \$57,972,297,000 of assets of AGNC on a discretionary basis.

FEES AND COMPENSATION [Item 5]

Pursuant to the terms of its management agreement with AGNC, AGNC Manager earns a base management fee equal to 1/12 of 1.25% of AGNC's month-end stockholders' equity, adjusted to exclude the effect of any unrealized gains or losses included in either retained earnings or other comprehensive income (loss), each as computed in accordance with U.S. generally accepted accounting principles ("GAAP"). The management fee is payable monthly in arrears. AGNC Manager was formed by American Capital, Ltd., and the terms of its management agreement with AGNC, including the fees payable under it, were not negotiated on an arm's-length basis, and its terms may not be as favorable to AGNC as if it was negotiated with an unaffiliated party.

Under the terms of the management agreement, AGNC Manager is entitled to a termination fee in the event of the non-renewal of the management agreement with AGNC without cause or a material breach of the agreement by AGNC equal to three times the average annual management fee earned by AGNC Manager during the prior 24-month period immediately preceding the most recently completed month prior to the effective date of termination.

Additionally, AGNC Manager is entitled to reimbursement from AGNC for all of its operating expenses, including fees, costs and expenses directly related to the purchase and sale of its investments, taxes, fees of auditors and counsel, insurance, litigation expenses, custodial expenses and any extraordinary expenses. AGNC's prospectus contains complete information on the expenses payable by AGNC.

AGNC Manager has entered into an administrative services agreement with American Capital, Ltd. to provide AGNC Manager with additional investment advisory and administrative services, as well as access to its employees, infrastructure, business relationships, management expertise and capital raising capabilities. American Capital, Ltd. charges AGNC Manager a fee based on allocation of costs for such services.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT [Item 6]

AGNC Manager does not charge performance-based fees.

MTGE and AGNC make similar investments with respect to agency securities generally. Such investments are generally not limited in supply or otherwise of scarce opportunity. However, in the event that MTGE and AGNC do make overlapping investments, the parent company of MTGE Manager and AGNC Manager has adopted an investment allocation policy specific to agency whole pool and non-whole pool securities to govern such situations. To mitigate potential conflicts of interest, investment opportunities are allocated between MTGE and AGNC in accordance with the investment allocation policy and consistent with fiduciary duties, equitable allocation, compliance with the 1940 Act and corresponding investment mandates.

AGNC Manager maintains an investment committee which follows consistent processes for investment decisions. The investment committee is comprised of senior officers and seeks to facilitate the detection and avoidance of potential conflicts of interest throughout the investment process as well as during the time a portfolio investment is held.

The value of some of AGNC's investments may not be readily determinable. The fair value of such investments are measured quarterly, in accordance with guidance set forth in FASB Accounting Standards Codification, or ASC, Topic 820, Fair Value Measurements and Disclosures. The fair value at which AGNC's assets may be recorded may not be an indication of their realizable value. Ultimate realization of the value of an asset depends to a great extent on economic and other conditions that are beyond the control of AGNC Manager, AGNC or its Board. Further, fair value is only an estimate based on good faith judgment of the price at which an investment can be sold since market prices of investments can only be determined by negotiation between a willing buyer and seller. If AGNC were to liquidate a particular asset, the realized value may be more than or less than the amount at which such asset is valued. Accordingly, the value of AGNC's common stock could be adversely affected by the determinations regarding the fair value of its investments, whether in the applicable period or in the future. Additionally, such valuations may fluctuate over short periods of time.

In certain cases, AGNC Manager's determination of the fair value of AGNC's investments will include inputs provided by third-party dealers and pricing services. Valuations of certain investments in which AGNC may invest are often difficult to obtain or unreliable. In general, dealers and pricing services heavily disclaim their valuations. Dealers may claim to furnish valuations only as an accommodation and without special compensation, and so they may disclaim any and all liability for any direct, incidental, or consequential damages arising out of any inaccuracy or incompleteness in valuations, including any act of negligence or breach of any warranty. Depending on the complexity and illiquidity of a security, valuations of the same security can vary substantially from one dealer or pricing service to another. Therefore, AGNC's results of operations for a given period could be adversely affected if the determinations regarding the fair market

value of these investments are materially different than the values that AGNC ultimately realizes upon their disposal. The valuation process has been particularly challenging recently as market events have made valuations of certain assets more difficult, unpredictable and volatile.

TYPES OF CLIENTS [Item 7]

AGNC Manager provides investment advice to AGNC, a publicly traded REIT. AGNC does not have suitability or net worth qualifications.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

[Item 8]

The following is a summary of the investment strategies and methods of analysis employed by AGNC Manager with respect to its management of AGNC and the material risks applicable to an investment in AGNC. **Specific descriptions of such strategies, methods and risks are included in AGNC's prospectus and should be reviewed carefully.**

Methods of Analysis and Investment Strategies

AGNC earns income primarily from investing in residential mortgage pass-through securities and collateralized mortgage obligations on a leveraged basis. These investments consist of securities for which the principal and interest payments are guaranteed by government sponsored entities such as the Federal National Mortgage Association, or Fannie Mae, and the Federal Home Loan Mortgage Corporation, or Freddie Mac, or by a U.S. Government agency such as the Government National Mortgage Association, or Ginnie Mae.

AGNC's principal objective is to preserve its net asset value while generating attractive risk-adjusted returns for distribution to stockholders through regular quarterly dividends from net interest income, which is the spread between the interest income earned on interest-earning assets and the interest costs of borrowings and hedging activities, and net realized gains and losses on our investments and other supplemental hedging activities. AGNC funds its investments through short-term borrowings structured as repurchase agreements.

While managing an investment portfolio consisting exclusively of agency securities (other than for hedging purposes) that seek to generate attractive, risk-adjusted returns, AC Agency's investment strategy is designed to:

- seek to generate attractive risk-adjusted returns;
- capitalize on discrepancies in the relative valuations in the agency securities market;
- manage financing, interest and prepayment rate risks;
- preserve net asset value;
- provide regular quarterly distributions;
- qualify as a REIT; and
- remain exempt from the requirements of the 1940 Act.

Material Risks

AGNC may not be able to execute successfully its investment, financing and hedging strategies as described in its prospectus, which could result in a loss of some or all of their investments. The results of their operations will depend on many factors, including, without limitation, the availability of attractively priced mortgage-related investments,

the level and volatility of interest rates, readily accessible financing for their proposed investment portfolios, conditions in the financial markets and the economy in general.

AGNC may experience significant short-term gains or losses and, consequently, greater earnings volatility as a result of its active portfolio management strategies. AGNC's strategy involves significant leverage, which increases the risk that it may incur substantial losses. Because of AGNC's significant leverage, it may incur substantial losses if its borrowing costs increase.

Market conditions have disrupted the historical relationship between interest rate changes and prepayment trends, which make it more difficult for AC Agency to analyze AGNC's investment portfolio. AGNC's success depends on AC Agency's ability to analyze the relationship of changing interest rates on prepayments of the mortgage loans that underlie AGNC's agency securities. Changes in interest rates and prepayments affect the market price of agency securities. As part of AGNC's overall portfolio risk management, AC Agency analyzes interest rate changes and prepayment trends separately and collectively to assess their effects on AGNC's investment portfolio. In conducting its analysis, AGNC depends on certain assumptions based upon historical trends with respect to the relationship between interest rates and prepayments under normal market conditions. The recent dislocations in the residential mortgage market and other developments have disrupted the relationship between the way that prepayment trends have historically responded to interest rate changes and, consequently, may negatively impact AC Agency's ability to (i) assess the market value of AGNC's investment portfolio, (ii) implement AGNC's hedging strategies and (iii) implement techniques to reduce AGNC's prepayment rate volatility, which could materially adversely affect its financial position and results of operations.

Continued adverse developments in the broader residential mortgage market may adversely affect the value of the agency securities in which AGNC invests. Since 2008, the residential mortgage market in the United States has experienced a variety of unprecedented difficulties and changed economic conditions, including defaults, credit losses and liquidity concerns. Many of these conditions are expected to continue in 2012 and beyond. Certain commercial banks, investment banks and insurance companies announced extensive losses from exposure to the residential mortgage market. These losses reduced financial industry capital, leading to reduced liquidity for some institutions. These factors have impacted investor perception of the risk associated with real estate related assets, including agency securities and other high-quality residential mortgage-backed securities ("RMBS") assets. As a result, values for RMBS assets, including some agency securities and other AAA-rated RMBS assets, have experienced a certain amount of volatility. Further increased volatility and deterioration in the broader residential mortgage and RMBS markets may adversely affect the performance and market value of AGNC's agency securities. AGNC invests exclusively in agency securities (other than for hedging purposes) and relies on its agency securities as collateral for its financings. Any decline in their value, or perceived market uncertainty about their value, would likely make it difficult for AGNC to obtain financing on

favorable terms or at all, or maintain its compliance with terms of any financing arrangements already in place.

Any credit ratings assigned to AGNC's investments will be subject to ongoing evaluations and revisions and there can be no assurance that those ratings will not be downgraded.

AC Agency's due diligence of potential investments may not reveal all of the potential liabilities associated with such investments and may not reveal other weaknesses in such investments, which could lead to investment losses.

The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U.S. Government, may adversely affect the agency mortgage portion of AGNC's business. If Fannie Mae or Freddie Mac were eliminated, or their structures were to change radically (i.e., limitation or removal of the guarantee obligation), or their market share reduced because of required price increases or lower limits on the loans they can guarantee, AGNC could be unable to acquire additional agency mortgage investments and AGNC's existing agency mortgage investments could be materially and adversely impacted.

The above general summary is not a complete list of the risks and other important disclosures involved in investing in AGNC and is subject to the more complete and specific disclosures contained in AGNC's prospectus. Before making any investment, an investor should thoroughly review AGNC's prospectus and related materials with the investor's financial, legal and tax advisor to determine whether an investment in AGNC is suitable for the investor in light of the investor's investment objectives, financial circumstances and tax situation.

DISCIPLINARY INFORMATION [Item 9]

There are no legal or disciplinary events involving AGNC Manager or its management persons required to be disclosed pursuant to this Item 9.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS [Item 10]

Neither AGNC Manager nor any of its management persons is registered as a broker-dealer or a registered representative of a broker-dealer or is affiliated with any broker-dealer, bank or other financial services firm.

Neither AGNC Manager nor any of its management persons is registered as a registered futures commission merchant, commodity pool operator or commodity trading advisor.

As described in Item 4, AGNC Manager is indirectly wholly-owned by American Capital, Ltd. AGNC Manager provides investment advice to AGNC. As described in Item 5, American Capital, Ltd. has entered into a service agreement with AGNC Manager to provide it with additional asset management service support. Through these agreements, American Capital, Ltd. provides investment advisory and oversight services to AGNC Manager, as well as access to its employees, infrastructure, business relationships, management expertise and capital raising capabilities. Certain of the employees of the parent company of AGNC Manager provide services to both AGNC Manager and MTGE Manager. Thus, such personnel may have conflicts in allocating their time and services between MTGE and AGNC and may spend substantially all of their business time on one or the other.

As described in Item 6, AGNC Manager occasionally evaluates potential investment opportunities in agency securities, which are eligible investments for both AGNC and MTGE. Thus, the parent company of AGNC Manager and MTGE Manager has adopted a policy to ensure that such investment opportunities will, to the extent practicable, be allocated between AGNC and MTGE on a basis that over a period of time is fair and equitable to each fund, taking into account all relevant facts and circumstances.

AGNC Manager permits its principals, officers, employees and supervised persons (“Covered Persons”) to engage in personal securities transactions, subject to compliance with AGNC Manager’s Code of Ethics, as described in Item 11.

AGNC Manager does not recommend or select other third-party investment advisers for its clients. Except as described herein, AGNC Manager does not have other business relationships with other advisers that create a material conflict of interest.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING [Item 11]

AGNC Manager has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Advisers Act that includes formal personal trading policies and procedures, generally requiring, among other things, all Covered Persons and certain family members and other related persons to file with AGNC Manager’s Chief Compliance Officer certain reports concerning their personal securities holdings and transactions and, subject to certain exceptions, to obtain pre-clearance for purchasing and selling “covered securities.” All Covered Persons are also required to report any violations of the Code to AGNC Manager’s Chief Compliance Officer.

The Code provides that no Covered Person may, in breach of any fiduciary duty he or she owes to AGNC, engage directly or indirectly in any business investment in a manner detrimental to AGNC or use confidential information gained by reason of his or her employment by or affiliation with AGNC Manager in a manner detrimental to AGNC.

AGNC Manager and the Covered Persons owe a fiduciary duty of care, loyalty, honesty and good faith to AGNC. The Code further obligates each Covered Person to:

- Observe all laws and regulations
- Avoid conflicts of interest
- Maintain accurate and complete company records, and
- Protect confidential information

Any client or prospective client or investor or prospective investor in AGNC may obtain a copy of the Code upon request.

The Code includes policies and procedures concerning “inside information” that are designed to prevent the misuse of material, non-public information (“Inside Information”). Covered Persons are required to comply with the Code, including these policies, and may be asked to certify their compliance on a periodic basis. The Code prohibits AGNC Manager and Covered Persons from trading for AGNC or themselves, or recommending trading, in securities of AGNC while in possession of Inside Information about AGNC, and from disclosing such information to any person not entitled to receive it.

AGNC Manager permits its employees and other related persons to engage in personal securities transactions, subject to compliance with its Code. No such person shall purchase or sell, directly or indirectly, any covered security in which he or she has, or by reason of such transaction acquires, any direct or indirect beneficial ownership and that he or she knows or should have known at the time of such purchase or sale is being considered for purchase or sale by AGNC Manager or is being purchased or sold by AGNC Manager.

From time to time, AGNC Manager may cause AGNC to engage in “cross trades” via the purchase of a portfolio investment from or sale of a portfolio investment to MTGE, provided that the sale or purchase is consistent with AGNC Manager’s fiduciary obligations and otherwise complies with applicable law and AGNC Manager’s policies.

BROKERAGE PRACTICES [Item 12]

Trades in agency securities are typically made through broker-dealers that, acting as principal, charge markups, markdowns or other charges in connection with such trades. These broker-dealers do not charge commissions. Thus, it is obtaining or selling securities at the best price under the circumstances that defines AGNC Manager's objective in seeking best execution. AGNC Manager seeks best execution for AGNC's securities transactions by identifying appropriate broker-dealers through which to effect such transactions. In seeking best execution, AGNC Manager evaluates, on an ongoing basis, the prices that are available in the broker-dealer markets. AGNC Manager generally considers the following factors, among others, in selecting and approving broker-dealers that may compete for AGNC Manager's business: (i) quality of execution—accurate and timely execution, clearance and cooperation in resolving errors and disputes; (ii) reputation; (iii) reliability, both historically and as an ongoing matter; (iv) willingness to execute difficult transactions; (v) access to underwritten offerings of fixed income securities; (vi) nature of the security and availability of market makers; (vii) desired timing of transactions and size of trades; (viii) confidentiality of trading activity, particularly in less liquid sectors; (ix) market intelligence and knowledge regarding trading activity; (x) ability to settle trades; (xi) a salesperson's ability to harness his or her firm's resources to the benefit of AGNC; and (xii) research capabilities.

AGNC Manager may also use electronic trading systems to execute trades. These systems charge transaction fees that are included in the price of the security.

AGNC Manager does not participate in "soft dollar" arrangements under which AGNC Manager "pays up" (in the form of higher markups, markdowns or commissions charged AGNC fixed income trades) for research in connection with fixed income trades. AGNC Manager may, however, receive research (including proprietary research) from various broker-dealers through which it may execute trades where AGNC Manager's receipt of the research does not result in additional cost to AGNC. Research so obtained results in an economic benefit to AGNC Manager, and AGNC Manager does not account for the value of this research. AGNC Manager generally uses the research to assist it in its investment decision-making process, but this research may not be used for AGNC. AGNC Manager may have an incentive to select or recommend a broker-dealer based on AGNC Manager's interest in receiving the research or other products or services, rather than on AGNC's interest in receiving most favorable execution.

AGNC Manager does not participate in directed brokerage arrangements.

REVIEW OF ACCOUNTS [Item 13]

AGNC Manager monitors each investment of AGNC on an ongoing basis. In addition, AGNC Manager conducts periodic reviews in order to assess trends that may impact an individual investment's ability to generate cash, profitability, asset values, financing needs, potential liability and ability to service any debts.

AGNC Manager provides AGNC's Board of Directors with quarterly reports which typically include, among other information, holdings and transaction information, performance analysis, brokerage allocation, accounting data, portfolio reviews and distribution information. AGNC Manager also provides additional information or reports as requested by the board. AGNC's shareholders may obtain annual and quarterly reports as filed with the SEC and attend an annual shareholder meeting.

CLIENT REFERRALS AND OTHER COMPENSATION [Item 14]

AGNC Manager does not provide compensation for client referrals to any person who is not its supervised person.

CUSTODY [Item 15]

It is AGNC Manager's general policy to not have physical custody of any client assets.

To the extent that AGNC Manager might otherwise be deemed to have custody, AGNC Manager will operate on reliance upon the reporting requirement exemption in the Custody Rule with respect to AGNC by causing AGNC to distribute audited financial statements annually, prepared in accordance with GAAP, to shareholders no later than 120 days after the end of each fiscal year.

INVESTMENT DISCRETION [Item 16]

Subject to the investment objectives, policies and restrictions of AGNC as set forth in its prospectus, AGNC Manager has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold by AGNC, including the selection of, and commissions paid to, broker-dealers, if applicable.

VOTING CLIENT SECURITIES [Item 17]

AGNC typically does not hold public securities, and consequently AGNC Manager does not vote proxies on behalf of AGNC. To the extent AGNC holds voting securities, AGNC Manager has been delegated the authority to vote proxies regarding AGNC portfolio securities. To the extent that AGNC Manager does vote proxies, they will be voted in AGNC's best interests and according to AGNC Manager's policy. A copy of the proxy voting policy and/or record of how proxies, if any, have been voted are available to clients upon request.

FINANCIAL INFORMATION [Item 18]

AGNC Manager does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and, thus, has not included a balance sheet of its most recent fiscal year. AGNC Manager is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has AGNC Manager been the subject of a bankruptcy petition at any time during the past ten years.