

ASB Capital Management LLC

Form ADV Part 2 Brochure

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This brochure provides information about the qualifications and business practices of ASB Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at 240-497-5000 or pduncan@asbcm.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.

ITEM 2: SUMMARY OF MATERIAL CHANGES

There have been no material changes in ASB Capital Management LLC ADV Part 2 since September 18, 2013.

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ITEM 4: ADVISORY BUSINESS

ASB Capital Management LLC (“ASBCM”) was originally established in 1983, and is a Maryland registered limited liability company with its primary place of business in Bethesda, MD. ASBCM is owned by Chevy Chase Trust Holdings, Inc., and is affiliated with Chevy Chase Trust Company (“CCTC”). ASBCM provides investment management services to large individual and institutional clients that include Taft-Hartley plans, pension and retirement programs, endowments and foundations, corporations and other types of accounts. ASBCM also provides advisory services to collective investment funds and limited partnerships. ASBCM’s fees for such services are negotiated based on a standard fee schedule. ASBCM’s assets under management excluding commitments to fund for December 31, 2013 were valued at \$ 16,700,405,753..

ASBCM’s advisory services encompass discretionary and non-discretionary investment advice for strategies in equities, fixed-income securities and real estate investments. In addition, ASBCM offers advice through consultations on mortgage-backed and related types of securities, money market instruments, equity securities and real estate investment trusts. ASBCM is organized into two separate divisions: ASB Investment Management (“ASBIM”) and ASB Real Estate Investments (“ASBRE”)

ASB Investment Management Division:

The role of ASBIM is to provide investment management services to large individual and institutional clients that include Taft-Hartley plans, pension and retirement programs, separate accounts, endowments and foundations, corporations and other types of accounts. ASBIM also provides advisory services to collective investment funds.

ASBIM works closely with clients to develop an investment program designed to meet their unique needs and objectives. The setting of portfolio goals and parameters is the collective effort of the client and portfolio manager and may involve assessment of the following factors: regulatory requirements, particularly ERISA guidelines; risk tolerance, return requirements, legal constraints, capital preservation; asset/liability flows; income production; liquidity requirements; and reporting structure and standards for measuring performance both as to time and relevant indices or comparisons. The client's objectives are documented, and a compatible management strategy is implemented. These account guidelines and restrictions not only provide a reference for the day-to-day management but are also essential to the review of the account by the Portfolio Review Committee and by the client. Account guidelines and restrictions are updated periodically to reflect any changes in a client's needs and a corresponding investment strategy shift is initiated, if required. When ASBCM is hired as the adviser to a collective fund, the collective fund’s governing document will be the guiding document for investment guidelines instead of the investment policy statements of the collective fund’s participants.

ASB Real Estate Investments Division:

The role of ASBRE is to provide real estate investment management services to large individual and institutional clients that include Taft-Hartley plans, pension and retirement programs, endowments and foundations, corporations and other types of accounts. ASBRE’s advisory services primarily encompass discretionary advice for strategies in real estate investments. ASBRE also provides advisory services to a collective investment fund, The ASB Allegiance Real Estate Fund. ASBCM,

through an indirect subsidiary, is General Partner to the ASB Allegiance Real Estate Fund Limited Partnership. All assets of the ASB Allegiance Real Estate Fund collective investment fund are invested in the ASB Allegiance Real Estate Fund Limited Partnership.

ASBRE works closely with clients to develop an investment program designed to meet their unique needs and objectives. The setting of portfolio goals and parameters is the collective effort of the client and portfolio manager and may involve assessment of the following factors: regulatory requirements, particularly ERISA guidelines; risk tolerance, return requirements, legal constraints, capital preservation; asset/liability flows; income production; liquidity requirements; and reporting structure and standards for measuring performance both as to time and relevant indices or comparisons.

The client's objectives are documented and a compatible management strategy is implemented. These account guidelines not only provide a reference for the day-to-day management but are also essential to the review of the account by the Real Estate Investment Advisory Committee ("REIAC") and regular client performance review meetings. Account guidelines are updated periodically to reflect any changes in a client's needs and a corresponding investment strategy shift is initiated, if required.

ITEM 5: FEES & COMPENSATION

ASBCM's advisory fees are generally based on a percentage of the assets under management as provided in the client's investment management agreement. ASBCM will invoice clients on a monthly or quarterly basis in arrears. If a client is invested in a limited partnership or a client has granted custody of assets to at CCTC, the client may choose to have the investment management fees deducted from their account. Asset-based fees are based on the following basic fee schedule, subject to negotiation and variation which takes into account such circumstances as ASBCM may consider appropriate.

The basic fee schedule is as follows:

- I. Balanced and Equity Accounts**
Individually Managed
.75% of the first \$5 million
.50% of the next \$10 million
.30% on the balance
- II. Fixed Income (Active/Long Duration/Intermediate Duration)**
Individually Managed
.50% of the first \$10 million
.35% on next \$10 million
.25% or negotiable on balance
- III. Fixed Income (Active/Short Duration – less than one year)**
Individually Managed
.25% on first \$10 million
.20% on next \$10 million
.15% or negotiable on balance

IV. Fixed Income (Passive/Long Duration-Index)

.15% on first \$50 million
.10% or negotiable on balance

V. Pooled Investment Funds

ASB Allegiance Real Estate Fund

1.25% (125 basis points) on the first \$5 million
1.00% (100 basis points) on the next \$10 million
0.90% (90 basis points) on the next \$60 million
0.75% (75 basis points) on the balance (over \$75 million)

AFL-CIO Equity Index Fund

IBEW Equity Index Fund

0.015% on the balance.

ASB Focused Core Fixed Income Fund

0.20% on balance

VI. Individually Managed Real Estate Portfolios

All fees for individually managed Real Estate portfolios are negotiated on a client by client basis.

Clients will also pay brokerage expenses related to the buying and selling of securities in their account. Brokerage expenses are netted into the cost of the transaction. If a client holds comingled investment instruments such as mutual funds, exchange-traded funds, collective investment funds, limited partnerships or investment trusts, the client may pay operating fees and other fees charged directly by the comingled investment, which will reduce the return on that instrument. In cases where ASB Capital Management does not custody assets, client may have to pay custodial charges to another institution.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Performance-based compensation arrangements may be offered on a negotiated basis, subject to compliance with Rule 205-3 of the Investment Adviser's Act of 1940 (Advisers Act) and other applicable laws and regulations. This type of fee arrangement may create an incentive for ASBCM to make investments that are riskier and more speculative than would be the case in the absence of a performance fee.

ITEM 7: TYPES OF CLIENTS

ASBCM provides investment management and reporting services to large individual and institutional clients that include Taft-Hartley plans, pension and retirement programs, separate accounts, endowments and foundations, corporations and other types of accounts. ASBCM also provides advisory services to collective investment funds and limited partnerships.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis:

ASB Investment Management Division:

ASBIM conducts investment research using information developed by Wall Street “Street” brokerage houses and research firms. Street research consists of publications, industry reports, sector analysis, company analysis, economic announcements and consultations, special reports and other services made available to ASBIM.

Internal research is performed by ASBIM’s analysts and portfolio managers. These individuals analyze investment opportunities by reviewing the following types of documents: (1) SEC filings - 10K’s, 10Q, and prospectuses; (2) company publications - annual reports, quarterly reports, and press releases; (3) company visits and telephone communications; (4) financial reporting services - Moody’s and Standard & Poor’s; (5) on-line computer statistical services providing historical data; (6) quantitative computer models and (7) pool performance data for MBS, ABS and CMB’s. Internal research is used in conjunction with Street research to inform investment decisions.

ASB Real Estate Investments Division:

ASBRE conducts investment research to assess market fundamentals, rental rates, sales comparables, discount and capitalization rates, employment growth, household formation, general inflation, new construction starts, tenant demand, market obsolescence, and other micro and macro-economic statistics and trends gathered from both fundamental research performed by ASBRE’s in-house staff as well as contracted research from a variety of local, regional, and national firms including Reis, Inc., Property Portfolio and Research (PPR), Cushman Wakefield, CBRE, Trammell Crow Company, Marcus & Millichap, Holliday Fenoglio Fowler, RERC, the Weitzman Group, and others.

Investment Strategies:

ASB Investment Management Division:

ASBIM works closely with clients to develop an investment program designed to meet their unique needs and objectives. The setting of portfolio goals and parameters is the collective effort of the client and portfolio manager and may involve assessment of the following factors: regulatory requirements, particularly ERISA guidelines; risk tolerance, return requirements, legal constraints, capital preservation; asset/liability flows; income production; liquidity requirements; and reporting structure and standards for measuring performance both as to time and relevant indices or comparisons. The client’s objectives are documented, and a compatible management strategy is implemented. These account guidelines and restrictions not only provide a reference for the day-to-day management but are also essential to the review of the account by the Portfolio Review Committee and by the client. Account guidelines and restrictions are updated periodically to reflect any changes in a client’s needs and a corresponding investment strategy shift is initiated, if required. When ASBCM is hired as the adviser to a collective fund, the collective fund’s governing document will be the guiding document for investment guidelines instead of the investment policy statements of the collective fund’s participants.

Actively Managed Equity

ASBIM provides equity management through a combination of the strategies outlined below:

Large Cap Core Equity

ASB Large Cap Core Equity's goal is to outperform the S&P 500 Index return while mitigating investment risk. ASBIM seeks long-term capital appreciation by investing in a well-diversified portfolio of high quality, industry-leading large capitalization domestic stocks with excellent or improving fundamentals relative to their given sector and the S&P 500 Index.

Large Cap Core Value

The ASB Large Cap Value's goal to outperform its benchmark, the Russell 1000 Value Index while mitigating risk by employing a rigorous fundamental process to determine macroeconomic conditions, company fundamentals, and risk review with a bias towards companies trading at a discounted valuation. The Composite invests solely in companies traded in the United States with market capitalizations greater than \$3.5 billion at the time of purchase.

Large Cap Core Growth

The ASB Large Cap Growth Composite seeks to outperform its benchmark, the Russell 1000 Growth Index with less risk by employing a rigorous fundamental process to determine macroeconomic conditions, company fundamentals, and risk review with a bias towards companies exhibiting strong growth characteristics. The Composite invests solely in companies traded in the United States with market capitalizations greater than \$3.5 billion at the time of purchase.

Passively Managed Equity

ASBIM provides investment management services to certain clients for passively managed accounts and collective funds. The objective of this style of management is to provide investment returns nearly identical to those of the Standard & Poor's 500 Index. This is achieved by full replication of the benchmark index by the funds: security positions are added, deleted, or amended in the accounts as warranted by changes in the composition of the benchmark.

Fixed Income

ASBIM provides active fixed income management through a combination of the strategies outlined below:

Focused Core: The Focused Core Fixed Income Fund is a collective investment fund in which CCTC is the trustee and ASBIM has been retained as the investment manager. This investment strategy focuses on spread products like investment-grade corporate bonds and mortgage-backed securities. The strategy employs a 50/50 baseline allocation between credit instruments and mortgage instruments. The style seeks to match the broad characteristics of the Barclays Credit and Barclays Mortgage Indices, but actively manage the individual issues and industry weights within each sector. Relative value considerations determine the replacement of credit instruments with appropriate commercial backed securities and vice versa. This style tends to be yield curve neutral.

Total Return Strategy: This investment strategy focuses on spread products like investment-grade corporate bonds and mortgage-backed securities. This style employs the active management discipline of the Focus Core style, but employs a more flexible approach to asset allocation, including a more frequent consideration of government issued securities.

Intermediate Strategy: This investment style relies on a concentration of spread products like corporate bonds and asset-backed securities. The effective maturity for eligible securities is 3 to 5 years.

Individually Managed Accounts:

Although ASBIM readily provides its clients with the above listed investment strategies, ASBIM will also provide alternative investment strategies for those clients who request that their accounts be individually managed differently from the model portfolios.

ASB Real Estate Investments Division:

Real Estate

ASBRE provides investment portfolios for clients to invest in commercial real estate properties on a pooled and individually managed basis. ASBRE invests in real property through the acquisition of both equity and debt interests on behalf of its clients. Such investments may include, but are not limited to, the following: (i) equity interests or equity participation in improved or unimproved real property, either in the form of direct ownership, with or without leaseback provisions of such real property, or in the form of stock, closely held or publicly traded, stock purchase warrants, or other forms of interest in the entity owning or developing such real property; (ii) loans or debt obligations secured by mortgages on, or other interests in, real property, whether for the purpose of acquiring, improving or otherwise developing such real property; (iii), mortgages on the fee, leasehold or other interest in real property, installment sales contracts, sale and leasebacks or any combinations of the foregoing, for the purpose of providing long-term or intermediate-term financing of improved or unimproved real property; (iv) leases or rental agreements providing income or profits from real property; and (v) interests in (a) limited partnerships, (b) limited liability companies or (c) collective investment funds which invest in real estate and/or real estate related investments. Cash awaiting investment in real estate assets is invested in money market mutual funds or other suitable investment-grade short-term investments.

Pooled Investment Vehicles

ASBRE is advisor to the ASB Allegiance Real Estate Fund (“the Fund”), a collective investment fund. CCTC, an affiliate, acts as trustee and custodian to the Fund and participation in the Fund is limited to qualified plans. The Fund invests all client assets in interests in the ASB Allegiance Real Estate Fund LP (“the Limited Partnership”). ASBCM, through an indirect subsidiary, is a General Partner to the Limited Partnership. ASBRE offers interests in the Limited Partnership to accredited investors. The Limited Partnership’s strategy is to make direct real estate investments in premium-quality, income-producing properties, which are diversified by property type, location, and lease exposures. The Limited Partnership seeks to invest in high-quality, union-constructed, income-producing properties which are diversified by property type, location, and lease exposures.

Individually Managed

ASBRE also provides separately managed real estate investment strategies for select clients who request that their accounts be individually managed.

Risks of Loss

Risk is inherent in all investing. There is no assurance that a client's account will meet its investment objectives. The value of a client's investments, as well as the amount of return a client may receive on an investment, may fluctuate significantly. A client may lose part or all of their investment or the investment may not perform as well as other similar investments. A client's account at ASBCM is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency, entity or person. A client should consider how ASBCM's investment strategies fit into an overall investment program.

The following is a summary description of certain risks of investing in ASBCM's strategies.

Active Management Risk: Investments are subject to the risk that ASBCM's judgments about the attractiveness, value, or potential appreciation of a client's investments may prove to be incorrect. If the investments selected and strategies employed fail to produce the intended results, a client's returns could underperform other investments with similar objectives and investment strategies.

Significant Equity and Fixed Income Risks:

Market conditions and issuer risk: The prices of, and the income generated by, the common stocks, bonds and other securities held in a client's portfolio may decline due to market conditions and other factors, including those directly involving the issuers of securities held by the fund. The value of a security can go up or down more than the market as a whole and can perform differently from the performance of the market as a whole. A client's portfolio may experience a substantial or complete loss on an individual security.

Investing in equity: Stocks generally fluctuate in value more than bonds and may decline significantly over short periods. The value of a client's portfolio that invests in equity may decline due to general market conditions or because of factors that affect a particular industry or market sector.

Investing in fixed income: Rising interest rates will generally cause the prices of bonds and other debt securities to fall. In addition, falling interest rates may cause an issuer to redeem, "call" or refinance a security before its stated maturity, which may result in the portfolio having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities may be subject to greater price fluctuations than shorter maturity debt securities.

Asset allocation risk (balanced accounts only): The level of risk in a client's portfolio will directly correspond to the risks of the underlying asset classes which comprise the portfolio. The client and the portfolio manager agree to asset allocation targets as part of determining the client's investment objective. However, market price fluctuations may bring a client's portfolio outside of the asset allocation targets. Decisions by the portfolio manager as to the timing of reallocation of client assets among the various asset classes could cause client's portfolio to underperform other client portfolios with similar investment objectives.

Significant Real Estate Risks:

Property risk: Asset management in real estate funds entails all the risks that are associated with ownership of real estate. These risks include, among others, declines in the value of real estate, negative changes in the climate for real estate, risks related to general and local economic conditions, decreases in property revenues, increases in prevailing interest rates, property taxes and operating expenses, changes in zoning laws and costs resulting from the clean-up of environmental problems.

Liquidity risk: Investors may not be able to sell their investment in real estate in a timely manner. Real estate investments are inherently less liquid than exchange-traded securities. Even in pooled investment vehicles, clients may not be able to sell their investments in a timely manner. This potential inability to sell real estate investments at a time of the client's choosing exposes the client to potential losses if the investment declines during the period of illiquidity.

Valuation risk: Judgment plays a greater role in pricing real estate than it does for securities having more active markets. Independent appraisers and the investment adviser may value real estate at a price different than the price that could be achieved during a sale of the asset. In addition, some real estate is more illiquid than other real estate. These assets may be more difficult to dispose of at the price at which the investment adviser is valuing them. Because the valuation of real estate does not occur daily, the value of real estate investments may change at different rates compared to investments in different asset classes.

Ground-up development risk: Investment in ground-up development real estate carries heightened probability of adverse events such as, but not limited to, entitlement problems, cost-overruns, unexpected environmental cleanup costs, delayed leasing and property stabilization. Each of these factors has the potential to negatively impact the value of the client's investment.

ITEM 9: DISCIPLINARY INFORMATION

Not Applicable.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

ASBCM is a subsidiary of Chevy Chase Trust Holdings, Inc., and affiliated with CCTC. ASBCM has been hired by CCTC to provide investment advice to collective funds for which CCTC serves as trustee. Investment officers at CCTC and ASBCM support each other and several employees are dual employees of both CCTC and ASBCM. Additionally, CCTC provides support services, such as accounting and information technology, to ASBCM.

Conflicts of interests between the affiliates are mitigated by the fact that CCTC and ASBCM have different product offerings and target clients. CCTC's investment management services target high net worth individuals and smaller institutions. Its equity and fixed income strategies are tailored to the tax and liquidity needs typically experienced by this clientele. ASBCM's investment services in equity, fixed income and real estate are tailored to institutional clients. Its equity, fixed income and real estate strategies tend to fit within a particular style and focus on outperforming established indexes. The sale distribution channels, investment strategies and trade execution process for each company occur independently of one another.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

All ASBCM employees, officers, directors and consultants with access to ASBCM's recommended investments ("Access Persons") have a fiduciary duty under state and federal securities laws to act in the best interest of ASBCM's clients. An integral part of this duty is the avoidance of conflicts of interest. Therefore, ASBCM Access Persons may not use their position, or information they learn at ASBCM, to create a conflict, or the appearance of a conflict, between their personal interests and those of any client. ASBCM maintains a Code of Ethics, adopted pursuant to SEC Rule 204A-1, that includes a Personal Securities Transaction Policy, an Insider Trading Policy, and other matters related to conduct. A copy of the Code of Ethics is available upon request.

Personal Securities Transaction Policy

Personal securities transactions create potential conflicts of interests. In general, Access Persons of ASBIM must pre-clear all equities, debt securities, options and futures purchases or sales with the ASBCM Compliance Officer, or their designee, before initiating any transaction for their personal accounts. Access Persons are prohibited from purchasing or selling for their personal accounts any securities which were purchased or sold for ASBIM's actively managed accounts for a period of 7 calendar days before, and for a period of 7 calendar days after, the same security is purchased or sold for any of ASBCM's client accounts. Furthermore, no Access Person may inappropriately indicate to other members of ASBCM, or any third party, which issues are under consideration for portfolio action. All trades purchased or sold for ASBCM clients will be maintained by the Compliance Officer on a Restricted List. A detailed description of the Personal Securities Transaction Policy is available upon request.

Exemptions from pre-clearance include:

1. the purchase or sale of a security where the issuer has a market capitalization of \$2.5 billion or more on the date of the transaction. The transaction cannot total more than \$25,000;
2. the purchase or sale of any security where the total transaction is under \$1,000;
3. a sale in an Access Person's Account that follows the sale of the same security in a CCTC's client account. When a program sale of a security takes place for client accounts over several days, an Access Person may not sell the same security in their own Account until the program sale has been completed;
4. accounts for which the individual has given full investment and management discretion to an asset manager are excluded from the provisions of the policy and procedure;
5. the purchase or sale of shares of registered open-end mutual funds and money market funds;
6. the purchase or sale of treasury bonds, treasury notes, treasury bills, U.S. Savings Bonds, and other instruments issued by the U.S. Government;
7. the purchase or sale of debt instrument issued by a banking institution, such as bankers' acceptances and bank certificates of deposit (Note that bonds issued by a banking institution must be pre-cleared);
8. the purchase or sale of commercial paper and other high-quality short-term debt instruments;
9. the purchase or sale of investment grade municipal bonds;

10. the purchase of up to 5 option contracts where the underlying security's issuer has a market capitalization of \$2.5 billion or more on the date of the transaction;
11. the purchase or sale of U.S. and foreign currency;
12. transactions effected pursuant to an automatic investment plan;
13. dividend reinvestment programs; and
14. exchange traded funds.

The ASBCM Compliance Officer will verify compliance with the pre-clearance process, and will resolve any discrepancies in an appropriate manner.

Annual Holdings Report

All ASBCM employees, officers, and directors are required to complete an annual holdings report of all reportable securities. These reports are submitted to the Chief Compliance Officer. The Chief Compliance Officer monitors the annual holding reports and will resolve any conflicts in an appropriate manner.

Insider Trading Policy

It is the policy of ASBCM to comply with the restrictions of 17 CFR 240.10b.5 (Rule 10b.5) and the Insider Trading and Securities Fraud Enforcement Act with regard to buying and selling securities. If any ASBCM personnel possesses material inside (non-public) information it should be brought to the attention of ASBCM's Insider Trading Officer. ASBCM's Insider Trading Officer shall direct the investment personnel to refrain from trading in or recommending the securities concerned while such information remains undisclosed to the investing public. Directors, officers, employees, consultants, public accountants, and attorneys of ASBCM are deemed to be insiders. Furthermore, all ASBCM directors, officers and employees are subject to ASBCM's Insider Trading Policy.

Privacy Policy

In order to protect the confidentiality of customers, ASBCM maintains a Privacy Policy that specifies the procedures used to secure sensitive customer information. All ASBCM employees and officers are required to receive annual privacy training. A Privacy Pledge summarizing ASBCM's policies regarding customer information is provided at the time of account opening. Customers receive annual updates to the Privacy Pledge.

ITEM 12: BROKERAGE PRACTICES (ASBIM DIVISION)

Selection Criteria for Brokers and Dealers

ASBIM generally has discretionary authority to manage its clients' accounts, which includes authority to determine, without specific client consent, the broker-dealer to be used in client securities transactions and the commission rate or price to be paid to such broker-dealer.

For all transactions, ASBIM considers the full range of quality of a broker's services, including, principally: execution capability, commission rates, value of research, available liquidity, responsiveness to ASBIM, trading expertise, access to underwritten offerings and secondary markets, reliability in executing trades and keeping records, reputation and integrity, financial

services offered, willingness and ability to commit capital, fairness in resolving disputes, ability to execute with a given order and other relevant factors within current market conditions. ASBIM considers the foregoing factors, which it expects to enhance the portfolio management capabilities of ASBIM, without demonstrating that such factors are of a direct benefit to its clients and without application of a rigid formula in selecting brokers to execute client trades.

Trading execution is examined on a quarterly basis by the ASBIM Portfolio Review Committee to ensure clients are receiving best execution.

Batch Transaction Policy

Investment allocation presents a risk that ASBIM may show preferences in which clients receive investment opportunities. It is ASBIM's policy that when combining orders of the same security for more than one account:

- a. The resulting benefits in price and broker-dealer charges are applied on a pro-rata or average basis to the accounts involved in the transaction if the entire order can be executed; or
- b. To pro-rate to each account its allocable share of the securities purchased or sold if the entire order cannot be executed.

Where purchase or sale orders of the same security cannot be combined, transactions will be made on a rotation basis.

“Soft Dollar” or Research/Execution Policy

“Soft Dollars” and brokerage research present a risk that ASBIM will not achieve best execution in placing trades by giving preference to brokers that provide ASBIM with “soft dollar” research or sell-side research. The selection of brokerage research services and soft dollar arrangements are made in consultation with the ASBIM Investments, the Chief Compliance Officer and executive management. The ASBIM Portfolio Review Committee oversees all brokerage research services and soft dollar arrangements on a monthly basis to ensure that all arrangements continue to be consistent with ASBIM's fiduciary duties (including its duty to obtain best execution for its clients) and applicable law.

Consistent with its policy and Section 28(e) of the Exchange Act, ASBIM may pay commissions to brokers at a level which may be higher than those charged by other qualified brokers, if ASBIM determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided by the executing broker viewed in terms of the specific transaction or ASBIM's overall responsibilities to its clients. Under these arrangements, ASBIM receives certain products, research and services that provide lawful and appropriate assistance in the performance of its investment decision-making responsibilities for clients. The products, research and services received by ASBIM may be in written, oral or online form and include proprietary research from the brokerage firm, third-party research contracted by the brokerage firm, research data on particular industries and companies, economic surveys, analysis and consultations, and certain hardware and software for ASBIM's local area network.

ASBIM does not typically negotiate “execution-only” commission rates; thus, clients may be deemed to be paying for other services, including research, with their commission dollars. Research may be used to service some or, in certain circumstances, all clients, subject to compliance with applicable law. Research may not necessarily be used by ASBIM in servicing the clients whose commission dollars paid for the research. Some clients direct ASBIM to use certain brokers (described above under “Client Directed Brokerage”); some clients may require ASBIM to effect trades through their custodial brokers; and some clients’ investment style results in minimal trading in their accounts. Such clients’ commission dollars are unavailable to pay for research received from other brokers, so those clients who grant ASBIM full discretion to select brokers are subsidizing the research provided to all clients.

Client-Directed Brokerage Transactions

Advisory clients may direct ASBIM to execute trades with a specific broker-dealer. Although ASBIM’s objective will be to seek the best price and execution for every transaction, the fact that ASBIM does not have flexibility in selecting a broker for a directed trade may have an impact on the execution price the directing client realizes and the directing client may not realize the same price or commission rate achieved for other clients. Furthermore, ASBIM retains in its sole and absolute discretion the right not to engage any securities broker-dealer to execute any transaction for the client if the use of the services of such broker-dealer would violate applicable law, regulation or a stated position of the Securities and Exchange Commission or other regulatory body, or if ASBIM determines that the use of such broker-dealer is inconsistent with its fiduciary duty to the client

ITEM 12: ASSET ALLOCATION AND VALUATION (ASBRE)

ASBRE Investment Allocation

There is a risk that ASBRE may show preference in allocating investment opportunities between clients. ASBRE manages this risk by establishing an allocation policy to treat clients impartially. ASBRE has established the Pipeline Allocation Committee (PAC) for the purpose of ensuring an objective process for equitable allocations of investment opportunities.

- The PAC will meet at least monthly or more frequently as needed to allocate new investments to the various portfolios managed by ASB. The applicable Investment Officer will present proposed investments at the next scheduled PAC meeting. PAC shall evaluate the suitability and feasibility of each investment for each respective portfolio. An allocation recommendation shall be made by the Chief Investment Officer of ASBRE before the proposed investment is submitted to REAIC for approval. An investment shall not be presented to REIAC unless the President of ASBRE has approved the allocation recommendation.
- ASBRE will consider the following factors, in order of their importance, in determining the allocation of the investment:
 - Client Investment Guidelines: When determining if an investment may be allocated to an account, ASBRE shall ensure that the investment does not violate any client-imposed guidelines. Client restrictions on the type of investment, the amount of leverage permitted, or other client-imposed investment criteria shall be given consideration in determining whether the account is eligible for allocation.

- Portfolio Suitability: When reviewing each available account for allocation, ASBRE may remove an account from consideration if the potential investment is not suitable for the overall portfolio strategy of the account. Diversification considerations, such as asset holdings by type or geographic location, may indicate that a potential investment may not be appropriate for allocation. Other portfolio strategy considerations, such as the impact on leverage or the individual asset size relative to the account, may also be considered in determining if an account is a candidate for allocation.
- Previous Allocation History: If all other factors are substantially equal, the ASBRE shall allocate potential investments based on the previous allocation history of the eligible accounts. ASBRE will review the previous allocation history for each account eligible and determine the recent activity in each account. Then, the candidate account that has the oldest allocation shall be given preference in allocation.
- No active investment client, whether such client is discretionary or non-discretionary, shall be favored over any other client, and all clients will be allocated investments without prejudice in accordance with each client's approved investment objectives. If an investment is sourced by staff of a specific client and referred to ASB, that investment will be automatically allocated to that client, provided that ASBRE had not previously sourced the investment and the PAC had not already allocated it to a different client.
- Minutes shall be prepared for each meeting of the PAC.
- An Investments Pipeline Report will be prepared by the CIG and distributed to the Portfolio Managers and Committee Members.
- In addition to PAC, all allocation decisions shall be reviewed quarterly by the Pipeline Oversight Review Group. This group shall determine if the allocation decisions made by the PAC appear to be in compliance with this policy's criteria. Voting members of the Pipeline Oversight Review Group will include three members of ASB management that are not members of ASBRE. The Portfolio Managers and members of ASBRE will not be voting members of the Pipeline Oversight Review Group.

Real Estate Valuation

There is a risk that values reported to clients for their investments may not be received if the underlying real estate properties were sold at market. ASBRE has established the following valuation policies and practices to ensure that each real estate asset will be valued at its fair market value.

Appraisals

Unless otherwise specified by client guidelines, real estate investments receive an external opinion of value each quarter, with the exception of recently purchased investments which are valued at cost plus capital expenditures less liabilities, if any. A complete appraisal performed by a qualified independent appraiser must be performed within 12 months of the most recent appraisal; however, if the property is under contract or a binding letter of intent, no appraisal is necessary provided the sale occurs within 15 months of the last appraisal. An appraisal firm may not perform appraisals for more than three consecutive years on a specific property. Appraisal firms must be approved by the REAIC.

Relevant information is supplied to the independent appraiser, who carries out a full-scale on-site physical investigation of the property, a financial evaluation of the property's current and potential income and expenses, an analysis of comparable properties in the area, and an analysis of the market activity affecting the property's value. The Altus Group was engaged in 1Q 2011 as an independent appraisal management firm to oversee and administer the appraisal process for the Allegiance Real Estate Fund Limited Partnership. Each of the Limited Partnership's investments will be appraised by independent appraisal firms annually, with approximately 25% of the Limited Partnership's investments being appraised each quarter. The appraised values will be updated quarterly by the appraisal management firm based upon financial, leasing and capital market activity that impacts value. As such, each quarter, the Limited Partnership's investments receive a third-party opinion of value that is reflected in the Limited Partnership's NAV. We believe that this approach provides the transparency and objectivity that our institutional clients expect and we plan to continue this process going forward. If an asset is purchased mid-quarter, the investment will be valued at cost plus capital expenditures less liabilities if any, prior to its first appraisal.

The Limited Partnership's valuation and accounting policies are in accordance with the NCREIF – Real Estate Information Standards. The Limited Partnership's NAV will be determined as of the last day of each calendar quarter. All appraisal values are reviewed and approved by the Appraisal Committee, which is chaired by the President of ASBRE and whose members include the Managing Directors. The values are then submitted to the Appraisal Oversight Group, composed of the Chief Compliance Officer, General Counsel, and an ASB Board Member for review prior to setting the NAV of the Fund.

ITEM 13: REVIEW OF ACCOUNTS

ASB Investment Management Division:

When an account is opened, it is reviewed formally by the ASBIM Portfolio Review Committee to ensure that an investment program is designed to meet the individual needs of the client and that the agreed upon guidelines are in line with overall investment policy and have been fully documented. Once the account is operational, it is reviewed at least annually by the ASBIM Portfolio Review Committee to monitor the investment mix, performance, changes in client objectives, and other pertinent portfolio considerations. Performance review meetings are conducted with clients at least annually, but more often if requested. Written reports are presented as specified by contract.

The ASBIM Portfolio Review Committee is comprised of the following professionals:

Paul R. Duncan
Shepard Burr
Marty McLaughlin
Kevin Moore

Michael Stafford
Ron Perrone
Jamie Weisman

ASB Real Estate Investments Division:

The REIAC was formed by ASBRE to review all real estate investment recommendations for the separately managed accounts. REIAC is responsible for the review of investment properties on an annual basis, review proposals made by ASBRE regarding the acquisition, disposition, development or change in financial structure of properties, and review any lines of credit held or proposed by ASBRE for the Fund. Other clients may specify separate approval and oversight procedures in their contracts with ASBRE.

The REIAC is comprised of the following professionals:

Walter R. Fatzinger, Jr., Chairman
Robert Bellinger
Phillip Caraci
Joyce Frater
Martin Krall
Thomas McCormick
F. Joseph Moravec
Philip J. Mudd
B. Francis Saul, III
Peter Welber

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

ASBCM may enter into written agreements with unaffiliated third parties under which ASBCM compensates the respective party for referrals that result in the opening of a new account. ASBIM has entered into such a contract with a firm that provides administrative and consulting services to insurance companies. ASBIM has agreed to split the investment management fees with this firm for clients under this arrangement. Specifics of the shared fee arrangement are provided to prospective clients. ASBIM has also entered into written agreements with persons to act as finders on behalf of ASBIM, and has agreed to pay these persons a percentage of fees during the first five years of a client relationship. The finder is responsible for disclosing the specifics of the compensation to prospective clients. ASBCM's payment of referral fees will not increase ASBCM's fees above the published fee schedule, and all referral payments will comply with applicable federal and state laws including the Investment Adviser's Act Rule 206(4)-3.

Additionally, ASBIM provides the ASB Large Cap Core Equity model to several investment platforms and receives a fee equal to a percentage of the assets under management for this service. Accounts on these platforms are investment adviser clients of the platform's sponsor, not ASBIM. ASBIM is compensated for providing the advice to the platform's sponsor. ASBIM has a trade rotation policy to ensure that clients and platforms are treated in an impartial manner when model trades are conducted.

No referral arrangements have been made with third parties for distribution or fee sharing for funds managed within ASBRE.

ITEM 15: CUSTODY

ASBCM is responsible for the custody of certain client assets. Specifically, ASBCM's subsidiary ASB Allegiance Real Estate Partners GP, LLC is the general partner for the Limited Partnership,

and as such is deemed to have custody of the Limited Partnership's assets. Therefore, ASBCM has retained Wells Fargo Bank, NA to physically hold these assets, and Capital One Bank, NA and State Street, NA will provide the Limited Partnership with cash management services. ASBCM has engaged Deloitte & Touche LLP to conduct annual audits of the Limited Partnership's financial statements in accordance with generally accepted accounting principles.

For all separately managed accounts, ASBCM has a reasonable belief that its client assets are held at qualified custodians. Clients should receive and carefully review their statements from their qualified custodians. Qualified custodians should generate client statements at least quarterly. For select clients, ASBCM may provide routine custom reports to clients. Clients should carefully review this information against the statements from their qualified custodian.

CCTC has custody of certain ASBCM client assets and is trustee on all of the collective funds managed by ASBCM. CCTC has given ASBCM an internal control report regarding the institutional custody services it provides for ASBCM clients. A copy of this internal control report is available to shared clients of ASBCM and CCTC.

ITEM 16: INVESTMENT DISCRETION

ASBCM typically manages accounts on a discretionary basis. Clients will provide ASBCM with full discretion of the assets in their account(s) by signing ASBCM's Investment Management Agreement for Discretionary Accounts.

ITEM 17: VOTING CLIENT SECURITIES

Under Rule 206(4)-6 of the Investment Advisers Act of 1940, ASBCM is a fiduciary that owes each of its clients a duty of care and loyalty with respect to all services undertaken on the client's behalf, including proxy voting. Therefore, ASBCM has an obligation to vote proxies solely in the best interest of its clients. To ensure that this obligation is fulfilled, all votes for ASBCM's clients will generally follow the voting guidelines for the AFL-CIO guidelines. Broadridge Financial Solutions also votes the ballots and documents all voting activity. Clients may request a copy of ASBCM's proxy voting policies and procedures, as well as how their proxies were voted by contacting Paul Duncan at 240-482-2990.

If ASBCM is not authorized by the client to vote proxies, the client will receive their proxies or other solicitations directly from their custodian or a transfer agent.

ITEM 18: FINANCIAL INFORMATION

Not Applicable. ASBCM does not require prepayment of client fees.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not Applicable.