



PENTEGRA INVESTORS, INC.
FIRM BROCHURE FOR INSTITUTIONAL SERVICES

MARCH 31, 2017

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This Brochure provides information about the qualifications and business practices of Pentegra Investors, Inc. (in this Brochure, we refer to Pentegra Investors, Inc. as ***Pentegra Investors*** or the ***Firm***). If you have any questions about the contents of this Brochure, please contact:

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The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or any other securities regulator or authority.

Pentegra Investors is registered as an investment adviser with the United States Securities and Exchange Commission and has made notice filings in those states where its activities require it to do so. Certain of its supervised persons have been registered or licensed as investment adviser representatives in the states where their activities require them to be so registered or licensed. Registration or licensing does not imply that either the Firm or its representatives have any certain level of skill or training.

Public information about Pentegra Investors and some of the individuals associated with Pentegra Investors is available through the website of the United States Securities and Exchange Commission, which may be accessed at: www.adviserinfo.sec.gov

Item 2 - Material Changes

Within this section, Pentegra Investors must identify and summarize any material changes made to its Form ADV Part 2A (the “Brochure”) since its last annual update. There have been no such changes to the Brochure since the last annual update.

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Item 4 - Advisory Business

A. Description of the Firm

1. Background

Pentegra Investors is part of a complex of companies known today as ***Pentegra Retirement Services*** or simply ***Pentegra***. Pentegra was founded in 1943 by the formation of *Pentegra Defined Benefit Plan for Financial Institutions (Pentegra Plan)*, a tax-qualified, defined-benefit retirement plan created for employees of the Federal Home Loan Bank System. Pentegra Plan is currently a multiple-employer, defined-benefit retirement plan that offers retirement plans for employers primarily in the banking and credit union markets. It offers most of its services through its wholly owned subsidiary, Pentegra Services, Inc., (***Pentegra Services***), a for-profit Delaware Corporation. In the years since its formation, Pentegra Plan has expanded its services and offerings and currently offers a range of financial services through Pentegra Services and its subsidiaries.

2. Pentegra Investors

Pentegra Investors (formerly *Retirement System Investors, Inc.*) was incorporated in Delaware in 1989 and has been registered as an investment adviser with the United States Securities and Exchange Commission since August 1990. Pentegra Investors has been offering investment advisory services to clients since that date. In 2008, Pentegra Investors was acquired by Pentegra Services as part of an acquisition by Pentegra of a group of companies from Retirement System Group Inc., an unaffiliated firm that had been offering retirement plans and related services in some of the same markets as Pentegra. Through the acquisition, Pentegra Services also acquired a registered broker-dealer, Pentegra Distributors, Inc.; a Maine non-depository trust company, Pentegra Trust Company; a New York insurance agency, Pentegra Insurance Agency, among other entities. The addition of the regulated companies expanded the services that Pentegra Services could offer to its clients.

B. Types of Services

This Brochure describes the services that Pentegra Investors offers to institutional clients. Pentegra Investors also offers some services to retail clients. If you are interested in those services you should contact the individuals listed on the cover of this Brochure.

1. Asset Management Services

Pentegra Investors offers ongoing management of assets for retirement plans and for other institutional clients. Assets are managed in both pooled accounts, such as collective investment trusts, for a group of clients or directly in separately managed accounts. Investments for some clients may be limited to registered investment company securities (***mutual funds***) or interests in collective investment trusts, exchange traded funds

(*ETF's*) or other pooled investments. Investments for other clients may include all types of securities, such as equities, fixed income, and bonds. Where clients give Pentegra Investors discretion to implement the purchases and sales of securities, Pentegra Investors places orders directly with broker-dealers for the transactions it recommends. Pentegra Investors will also manage assets for clients on a nondiscretionary basis. Under those arrangements, the client must approve each transaction before Pentegra Investors will place an order to execute the transaction or for some clients, Pentegra Investors may recommend the transaction and the client directs the execution of the transaction.

2. Consulting and Educational Services

Pentegra Services offers bundled services to its retirement plan clients that often include ongoing advice, education and consulting services to plan sponsors and/or participants. Where those services involve advice about securities, the services are provided by Pentegra Investors. The services of Pentegra Investors may include providing advice to plan sponsors and or plan beneficiaries about the securities that are used to fund the retirement plans, assisting plan participants with evaluating and selecting appropriate funding options under their retirement plans and providing individual advice to plan participants seeking assistance with their investment and retirement alternatives.

C. Tailoring Services to Needs of clients

1. Retirement Plans

For all retirement plan assets, before beginning the management of the plan assets, Pentegra Investors evaluates any restrictions on investments or strategies for the plan, any restrictions communicated to it or known to be imposed by ERISA and any risk levels, asset requirements or other guidelines that are imposed by the plan sponsor or investment committee. Based on its review, Pentegra Investors will recommend the management of the plan assets in a pool or separate account that Pentegra Investors believes will meet the requirements of the plan. Pentegra Investors reviews those requirements at least annually with the plan sponsor, trustees and/or investment committee, as directed by the plan sponsor.

2. Other Institutional Clients

The management of assets for other institutional clients is individualized for each client. At the time Pentegra Investors enters into a contract with a client, and regularly thereafter, Pentegra Investors obtains information from the client concerning the investment guidelines, objectives, risk tolerance levels, financial requirements, investment restrictions, asset and liability structure and any specific requests or needs of the client. Pentegra Investors then recommends the type of structure – pooled investments or separate accounts and the types of securities for that client. Whatever the structure, Pentegra Investors continues to monitor the needs of the client to assure that the investments continue to meet the requirements of the client.

3. All Management Services

All asset management services provided by Pentegra Investors are documented by a written agreement between Pentegra Investors and the client, describing the services to be provided and the guidelines that must be followed, restrictions or other conditions involved in managing the assets.

D. Wrap Fee Programs

Pentegra Investors does not offer a wrap fee program.

E. Assets under Management

As of December 31, 2016, Pentegra Investors had \$10,028,078,706 in assets under management, of which \$6,559,944,836 was being managed on a discretionary basis and \$3,468,133,870 was being managed on a non-discretionary basis.

Item 5 - Fees and Compensation

A. Fees Charged

1. Negotiability

All fees are negotiable depending on the type of services, the type of client, the size of an account, the relationship of the client to Pentegra Investors, the nature of the services to be performed, the number of related accounts being managed, the percentage of client holdings in fixed income assets and/or the length of time the account has been under management by Pentegra Investors. As described above, Pentegra Investors documents all of its services with a written agreement that describes the services to be provided and the fees to be charged for those services. For some services other than asset management services, the services may be part of a single contract that provides for a group of services for the client, only a part of which are provided by Pentegra Investors (*bundled contracts*). See Subsection 3, below.

2. Asset Management Fees

a. Fee Schedule

The following is the basic fee schedule for assets being managed by Pentegra Investors. As noted above, the fees are negotiable and may vary from the following based on the factors noted above. Generally, absent other factors, the following fee schedule describes the maximum fees that Pentegra Investors would charge for the size of the account. All fees below are the annual rate charged based on the value of the assets at the end of the preceding period.

Up to \$10,000,000	.80%
Next \$15,000,000	.35%

Over \$25,000,000	.30%
Over \$50,000,000	.25%
Over \$100,000,000	.20%

b. Determination of Value of Assets

The above fees are calculated on the value of the securities managed by Pentegra Investors on a periodic basis. Pentegra Investors relies on the value of the assets reported by the custodian of the assets to calculate its fees. If the custodian does not provide the values, Pentegra Investors will attempt to obtain a value from a third party pricing agent.

c. Minimum

Pentegra Investors does not have a minimum fee or minimum account size; however, Pentegra Investors may decline to accept a client if the amount of assets to be managed is not large enough to allow Pentegra Investors to manage them effectively.

d. Determination of Value for Asset-Based Fees

For purposes of calculating asset-based fees, Pentegra Investors determines the value of the assets based on the fair market value of securities in the account as of the last day of the preceding period. Pentegra Investors determines the value of the securities based on prices provided by the account custodian or other sources that Pentegra Investors deems reliable. Although it is never part of a strategy used for retirement plans, if a client were to use margin in its account, fees are based on the gross market value of the securities in the account, without consideration of any liabilities against those securities resulting from the margin.

3. Fees for Education and Consulting Services

For some services, the fees of Pentegra Investors may be part of a bundled contract providing for a number of retirement plan services. In those circumstances, the client is charged a flat fee for all of the services. Those fees are negotiated separately for each client and are based on all the services to be provided, including any to be provided by Pentegra Investors. Where education and consulting services are billed separately, the fees for those services generally range from \$2,000 to \$15,000 per project, depending on the number of participants, the extent of the education or training, the Pentegra personnel involved and the topics to be discussed.

B. Payment of Fees

1. Payment of Asset Management Fees

All asset based fees are payable either monthly, quarterly or semi-annually, depending on the needs of the client. All fees are due within 30 days following the last day of the billing period. All fees for management of retirement plan assets are billed by separate

invoice to the plan and paid directly by the sponsor. If both the client and Pentegra Investors agree, the fees due to Pentegra Investors for managing non-retirement plan assets may be deducted from client assets and paid to Pentegra Investors by the custodian of the assets. In that case, the custodian of the assets must provide quarterly reports to the client indicating the amount of fees deducted from the account that are payable to Pentegra Investors and how the fees were calculated.

2. Payment of Fees for Education and Consulting Services

The terms of payment for education and consulting services are negotiated for each project. Fees may be payable (i) at the end of a project, (ii) in advance or (iii) periodically over the term of a project. If fees are paid in advance, any unearned fees would be refunded within 30 days after the consulting relationship ends, if the relationship ends before all fees have been earned.

C. Other Fees Paid by Clients

1. Service Fees

Pentegra Investors reserves the right to charge fees for services it may provide that are in addition to the ordinary services involved in managing a client's account. For example, Pentegra Investors may charge extra for providing additional copies of account statements or providing statements at other times than those ordinarily provided to clients.

2. Investments in Mutual Funds

Clients investing in securities of investment companies, such as mutual funds should be aware that funds charge management and administration fees to their shareholders. Those fees are charged to shareholders in the funds on a *prorata* basis and are in addition to the fees charged by Pentegra Investors.

3. Brokerage and other Costs

The fees of Pentegra Investors are in addition to transaction costs, custodial costs or other costs that are charged by the fund companies holding mutual fund shares or by other custodians, such as broker-dealers who hold client assets. Clients are responsible for paying all such fees and costs incurred in connection with implementing any strategies that Pentegra Investors recommends in managing client assets. See Item 12.

D. Advance Payments and Refunds

1. Proration of Fees

Pentegra Investors does not ordinarily collect payment for its advisory fees in advance. If it were to do so and its services began or ended at a time other than the beginning or end of a billing period, Pentegra Investors would *prorate* its fees based on the number of days during the billing period that Pentegra Investors actually provided services. When such

a contract ends, Pentegra Investors will refund any balance due to the client within 30 days after the date the contract ends.

2. Limit on Advance Payments

Under no circumstances does Pentegra Investors accept more than \$1,200 in fees per client, that would be payable more than six (6) months in advance.

E. Compensation for Sales of Securities

Neither Pentegra Investors nor any supervised person or related person accepts any compensation for transactions in securities for clients. See Item 12, below.

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

Pentegra Investors does not charge fees for management services that are based on a share of capital gains on, or capital appreciation of the assets of a client (*performance-based fees*).

Item 7 - Types of Clients

Pentegra Investors provides its institutional services primarily to qualified and nonqualified retirement plans, many of which are sponsored by financial institutions, such as banks or thrift institutions, but also include governmental entities, educational institutions and other plan sponsors. Pentegra Investors also offers its advisory services to other types of institutional investors.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis and Investment Strategies

Pentegra Investors manages assets using both active and passive management styles depending on the goals, risk tolerance and investment objectives of the client. When using a passive strategy, Pentegra Investors uses mutual funds, collective investment trusts and other funds that invest in different markets, asset classes and types of securities.

For pension plans that seek to meet their obligations for benefit payments through investments, the Firm uses liability driven strategies such as internally managed cash-flow matched portfolios and duration/immunization strategies. For endowments and charitable clients, seeking to invest for the long term, the Firm may use more total return maximization strategies. The Firm attempts to balance risk through investment in securities offering different risk levels, taking into consideration the opportunities and challenges in the market at any given time. The Firm does not use margin, uncovered options or high risk hedging strategies. Pentegra Investors primarily focuses on investments in Funds, long-term investment strategies and asset allocation across distinct asset classes to minimize risk.

Pentegra Investors evaluates the markets and the securities it recommends through the use of electronic research and analytical tools provided by unaffiliated sources such as Morningstar, Lipper and Zephyr. The Firm also relies on the following traditional sources of information:

- financial newspapers and magazines;
- annual reports, prospectuses;
- filings with the SEC;
- research materials prepared by others;
- company press releases; and
- corporate rating services.

Pentegra Investors supplements the third party resources with its own research.

Pentegra Investors selects Funds and monitors them on an ongoing basis using a combination of quantitative and qualitative analyses. The Firm reviews and synthesizes the following factors for each current and prospective Fund investment for its clients:

- investment style,
- consistency,
- expenses relative to peers,
- absolute and relative performance and risk,
- investment process and philosophy,
- investment professionals, and
- organizational structure.

B. Risks of Strategies Used

The strategies employed by Pentegra Investors for retirement plans and other clients with low risk tolerance are intended to be lower risk than other investments. Lower risk investments tend to also be lower return.

C. Risks of Securities

All investments are subject to market risks, risks related to the type of industry involved and other risks of investments. In general, Pentegra Investors does not use high risk investments in managing the assets of retirement plan clients.

Item 9 - Disciplinary Information

Neither Pentegra Investors nor any person having the power to exercise a controlling influence, directly or indirectly over the management of Pentegra Investors (***Management Person***) has been involved in any material legal or disciplinary proceedings. Regulatory authorities consider the following types of matters to be material proceedings:

A. Criminal or Civil Actions

1. The conviction of, pleading guilty to, pleading nolo contendere or no contest to, any criminal action;

2. being named in a criminal action that is currently pending;
3. being found in any action to have violated any investment-related statute or regulation; or
4. being the subject of any order, judgment or decree permanently or temporarily enjoining, or otherwise limiting, a person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

B. Administrative Proceedings

Involvement in any administrative proceeding before the U.S. Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority in which a person was:

1. found to have caused an investment-related business to lose its authorization to do business; or
2. found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
 - a. denying, suspending, or revoking the authorization of Pentegra Investors or any Management Person to act in an investment-related business;
 - b. barring or suspending Pentegra Investors or any Management Person from association with an investment-related business;
 - c. otherwise significantly limiting Pentegra Investors or any Management Person's investment-related activities; or
 - d. imposing a civil money penalty of more than \$2,500 on Pentegra Investors or any Management Person.

C. Action by Self-Regulatory Organizations

Involvement in any proceeding before any self-regulatory organization, such as the Financial Industry Regulatory Authority, in which the person was:

1. found to have caused an investment-related business to lose its authorization to do business; or
2. found to have been involved in a violation of the organization's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; or (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

Item 10 - Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration

Pentegra Investors is not registered as a broker-dealer; however, Pentegra Distributors, Inc. (***Pentegra Distributors***), a sister company, is registered as a broker-dealer with the United States Securities and Exchange Commission and is a member of FINRA. The President of Pentegra Distributors is registered as an investment adviser representative of Pentegra Investors in Connecticut and is responsible for the Firm's retail business. Pentegra Investors does not execute client transactions through Pentegra Distributors and does not use Pentegra Distributors as a custodian for client assets.

B. Futures and Commodities Registration

Neither Pentegra Investors nor any Management Person is registered or has applied to be registered as a futures commission merchant commodity pool operator, a commodity trading advisor, or an associated person of any of those entities.

C. Arrangements with Related Persons

1. Pentegra Retirement Trust

Pentegra Investors manages the assets of Pentegra Retirement Trust (***Retirement Trust***), a New York common law trust that holds the assets for approximately 26 tax-qualified defined benefit retirement plans. A director of Pentegra Services serves as a Trustee of Retirement Trust. Pentegra Services, Inc., directly and through its subsidiaries, provides a number of services to the retirement plans that have assets invested in the Trust, such as administrative and recordkeeping services.

2. Pentegra Trust Company

Pentegra Trust Company, a sister company of Pentegra Investors, provides administrative services to the retail advisory program for which Pentegra Investors provides management services.

3. Other

Other than those relationships, neither Pentegra Investors nor any Management Person has any relationship or arrangement that is material to the Firm's advisory business or to its clients with any of their related persons. As used in this Brochure, a ***related person*** is any officer, director, employee, controlling person, person controlled by, or any person under common control with Pentegra Investors.

D. Recommendation of Investment Advisers

Pentegra Investors may recommend other investment advisers or investments managed by other investment advisers when Pentegra Investors believes it to be in the best interests of its clients. Pentegra Investors does not receive any fees for such referrals.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. Code of Ethics

Pentegra Investors has adopted a Code of Ethics (*Code*) that contains policies and procedures intended to avoid conflicts of interest with clients, to prevent insider trading and to maintain high ethical standards. The Code applies to all persons associated with Pentegra Investors who could have access to information about proposed securities transactions for clients or material information about any security (*Access Persons*). The Code contains policies and procedures reasonably designed to assure that the interests of clients always come before the interests of the Firm or its associated persons, and that no associated person trades any security when the Firm has any inside or proprietary information about the security. A copy of the Code is available upon request to Pentegra Investors at the address listed on the cover of this Brochure.

B. Conflicts in Transactions in Securities

Pentegra Investors does not recommend, buy or sell for clients any securities in which Pentegra Investors or any related person has a material financial interest, except that Pentegra Investors or a related person may invest in the same securities as clients. See Subsection C, below.

C. Conflicts in Investments in Securities

Pentegra Investors and/or its associated persons, may, from time to time, purchase or hold securities that Pentegra Investors recommends to clients or that Pentegra Investors has purchased or sold for clients. Associated persons are not authorized to effect personal transactions until transactions for clients have been completed; however, transactions in mutual funds are generally exempt from the prohibitions under the Code.

D. Conflicts in Contemporaneous Transactions

As noted above, the Code generally prohibits Pentegra Investors or any associated persons from buying or selling a security (other than mutual fund shares, which are generally exempt) at the same time as a client. The Code also prohibits Pentegra Investors or any related person from simultaneously buying a security while Pentegra Investors recommends that a client sell the same security or from simultaneously selling a security while Pentegra Investors recommends that a client purchase the security.

Item 12 - Brokerage Practices

A. Recommending Broker-Dealers

1. Research and Other Soft Dollar Benefits

Pentegra Investors has the authority under its advisory contracts to select the broker-dealers for execution of transactions for clients and Pentegra Investors generally has the authority to negotiate commissions with those brokers. Mutual funds are usually

purchased and sold through the fund distributor and prices are set by class of shares; however, Pentegra Investors attempts to negotiate for investments in no-load or the lowest load shares where available.

Pentegra Investors does not accept any research that consists of equipment, data or other services provided by a broker from a third party in exchange for directing a specified amount of transactions to the broker-dealer (a practice referred to as involving *soft dollars*). Pentegra Investors does not receive any commissions, trading fees or services from any broker-dealers in connection with using that broker-dealer for client transactions. Pentegra Investors may take advantage of research information and services provided by broker-dealers to their clients at no additional charge. Such information and services are often available from a number of broker-dealers and therefore, would not be a significant factor to Pentegra Investors in selecting a broker-dealer for execution of client transactions.

2. Brokerage for Client Referrals

In selecting a broker-dealer for client transactions, Pentegra Investors does not take into consideration any client referrals from that broker-dealer to Pentegra Investors or its related persons.

3. Directed Brokerage

Clients do not have the ability to direct that transactions be done through a specific broker-dealer designated by the client.

B. Aggregation and Allocation of Orders

1. Aggregating Orders

Pentegra Investors may aggregate or bunch trades of two or more different clients when placing an order if Pentegra Investors believes it to be in the best interests of its clients. Pentegra Investors has adopted procedures to assure that the securities and the transactions costs are allocated among the clients fairly.

2. Allocation of Trades

There may be occasions where Pentegra Investors is unable to purchase all the securities required to fill all the orders of its clients. Under those circumstances, Pentegra Investors must allocate the securities among the clients for which the securities were being purchased in a manner that is fair to all clients. Pentegra Investors has adopted procedures for allocating securities among its clients that are intended to treat each client equitably and to assure that the best interests of the clients are protected. Those procedures may include allocating based on size, prorating or other methods considered equitable by Pentegra Investors.

Item 13 - Review of Accounts

A. Regular Review

Pentegra Investors will report regularly to boards or investment committees of institutional investors. The portfolio managers monitor all client holdings on a continuous basis. At least quarterly, Pentegra Investors monitors investment performance to assure that client assets are performing in line with the client's guidelines and policies.

B. Factors Triggering Extra Reviews

Pentegra Investors might conduct an immediate review if any of the following should occur:

- significant changes in market or economic conditions affecting client holdings;
- significant withdrawals from or additions to assets under management for a given client;
- if, for other reasons, the Firm believes it necessary or advisable to do so; or
- if requested by a client.

C. Reports to Clients

Each client receives reports, at least quarterly, from the custodian of the client assets or the Fund sponsor or manager. Those reports include all purchases and sales during the preceding period, withdrawals and additions to the assets, any fees deducted from the account and the value of the assets at the beginning and end of the period.

Item 14 - Client Referrals and Other Compensation

A. Economic Benefits for Providing Advice

With the exception of sub-advisers, no third party who is not a client of Pentegra Investors provides any economic benefit to Pentegra Investors for providing its advisory services to clients. The officers, employees and directors of Pentegra Investors provide services to other Pentegra companies. Their salaries are paid by Pentegra Services, Inc. and allocated to the various subsidiaries.

B. Payment for Referrals

Pentegra Investors does not pay any third party to refer institutional clients to Pentegra Investors. Pentegra does pay referral fees for some of its retail clients.

Item 15 - Custody

Neither Pentegra Investors nor any related party maintains custody of client assets.

Item 16 - Investment Discretion

Pentegra Investors is granted discretionary authority with respect to certain of its clients' accounts. Pentegra Investors will not exercise discretion unless a client has granted Pentegra Investors discretion, in writing, under the terms of the Firm's advisory contract. Clients may limit discretion or may enter into agreements with Pentegra Investors where the client does not grant discretion to Pentegra Investors.

Item 17 - Voting Client Securities

Pentegra Investors does not receive proxies or vote proxies for securities held in client accounts. Clients receive proxies and vote proxies directly or through the custodian of their securities. Fund companies generally send proxies directly to Fund shareholders or their custodian.

Item 18 - Financial Information

Pentegra Investors is not required to provide financial statements.

A. Prepayment of Fees

Pentegra Investors does not require prepayment of more than \$1,200 in fees per client, more than six months in advance.

B. Discretionary Authority/Custody

Pentegra Investors is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

C. Bankruptcy

Pentegra Investors has not been subject to a bankruptcy petition at any time during the past ten years.