



PANAGORA

This brochure provides information about the qualifications and business practices of PanAgora Asset Management. If you have any questions about the contents of this brochure, please contact us at 1-617-439-6300 or complianceofficer@panagora.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 PanAgora is also available on the SEC's website at www.adviserinfo.sec.gov.

The status of registered investment advisor does not imply a level of skill or training.

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Item 2 -- Material Changes

None

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Item 4 -- Advisory Business

Introduction to PanAgora

PanAgora (the “Adviser”) is a Delaware corporation that maintains its headquarters and investment advisory operations in Boston, Massachusetts. Organized in 1985 and incorporated in 1989, PanAgora is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). PanAgora is also registered as a Commodity Pool Operator (CPO) and Commodity Trading Advisor (“CTA”) with the Commodity Futures Trading Commission (the “CFTC”). All voting interests in PanAgora Asset Management, Inc. are currently owned by two corporate entities. All of the voting stock of the Adviser is indirectly owned by Power Financial Corporation (through a series of subsidiaries, including Great West Lifeco Inc. and Putnam Investments, LLC) and by the Nippon Life Insurance Company (NLI) of Japan. In addition, certain PanAgora employees own non-voting interests in the Adviser. Assuming all employee stock and options are issued and exercised, up to 20% of the economic interest in the Adviser would be owned by PanAgora employees.

PanAgora is the sponsor and investment manager for certain private unregistered investment pools including funds organized under a U.S. tax-qualified Group Trust, a number of on-shore private funds organized as limited liability companies (“LLCs”), and an offshore private fund organized as a Cayman exempted company (Ltd). PanAgora is also pursuing opportunities to establish additional private funds for U.S. defined contribution plans and Australian super-annuation funds.

PanAgora employs active, multi-alpha, absolute return and risk efficient strategies. PanAgora uses multiple uncorrelated alpha sources to exploit market inefficiencies across a spectrum of asset classes, strategies, and risk ranges for the benefit of clients. PanAgora’s investment philosophy is based on the belief that significant inefficiencies exist in the global capital markets, and that a structured investment process offers the best way to exploit these inefficiencies.

PanAgora’s structured process merges traditional investment theory with quantitative techniques — investment theory and portfolio manager experience serve as a foundation for all investment strategies, while quantitative techniques verify, refine, and apply those ideas to the portfolio management process.

The PanAgora investment process strives to deliver “Efficient Beta” for asset allocation.

PanAgora’s capabilities span all markets with a platform that allows a high degree of customization. Please see Item 8 for further information about PanAgora’s investment strategies.

PanAgora works directly with its clients to help them determine the most appropriate investment program for them using PanAgora’s various investment tools. To the extent a client retains PanAgora to provide investment advisory services for a separately managed account, the client may impose specific investment restrictions on that account with respect to investing in securities or certain types of securities.

PanAgora’s assets under management are approximately \$22.4 billion as of December 31, 2011. As of that date, approximately \$21.6 billion is managed on a discretionary basis and approximately \$800 million is managed on a non-discretionary basis.

Item 5 -- Fees and Compensation

PanAgora will be delivering this brochure only to “qualified purchasers” as defined in section 2(a)(51)(A) of the Investment Company Act of 1940.

The Adviser’s compensation for its investment advisory services is negotiable and is generally based on the market value (or notional value, when applicable) of a client’s account at specified month/quarter ends. Most of the Adviser’s clients are billed by the Adviser for fees incurred; certain clients (i.e. certain private accounts and the PanAgora Group Trust established pursuant to an Agreement of Trust dated December 31, 1992 with Boston Safe Deposit and Trust Company (n/k/a The Bank of New York Mellon)) have directed the Adviser to deduct fees from the client’s account. The Adviser works with its clients to determine the most appropriate method of payment.

Client accounts also incur custody, brokerage and other transactions fees. The PanAgora Group Trust also incurs custody and brokerage fees, and participants in such trust will incur their own transaction costs. Please see Item 12 for more information about the Adviser’s brokerage practices.

For billing purposes, the market values of clients’ accounts generally will be determined using an independent third party service provider, unless the Adviser and the client agree on an alternative source.

If any advisory relationship terminates on other than the end of the specified period (e.g., monthly/quarterly) used to determine the market value of the account for the purposes of calculating compensation, fees will be prorated and an adjustment made by the Adviser. If a fee has been paid in advance, the advisory fees will be prorated and a reimbursement will be made by the Adviser to the client.

Item 6 -- Performance Fees and Side by Side Management

Special fee arrangements may be negotiated with some clients. The Adviser may from time to time enter into performance based fee arrangements with certain clients in accordance with the conditions and requirements of Reg. §275.205-3 under the Advisers Act. While such performance fee arrangements will be negotiated with each client and thus the terms vary, they typically provide for a management fee comprised of a base fee plus a performance fee. Base fees are billed periodically (monthly or quarterly) and are calculated by determining the average market value of the portfolio over the defined period and multiplying that by the effective fee stipulated in the investment advisory agreement. Performance fees are based on the portfolio return for the relevant period (annual) relative to a designated market or customized index return. If a portfolio outperforms the designated benchmark, a portion of that outperformance, as stipulated in the investment advisory agreement, will be paid to the Adviser as a performance fee. The performance fee will be equal to the outperformance of the portfolio multiplied by the stipulated performance participation rate multiplied by the average market value of the portfolio (over the measurement period). The Adviser may face conflicts of interest in advising accounts that are charged a base fee and accounts that are charged a performance fee, including having an incentive to favor accounts charged a performance fee when allocating investment opportunities. PanAgora has implemented a policy, as described below, to address this conflict.

Certain investments may be appropriate for more than one client advised by the Adviser. Investment decisions for each client are made with a view to achieving each client's investment objectives and after consideration of such factors as current holdings, availability of cash for investment and the size of the client's investments generally. A particular security may be bought or sold by the Adviser for only one client or in different amounts and at different times for more than one but less than all clients.

In order to ensure that all clients are treated equitably, regardless of the fee being paid to the Adviser, the Adviser has instituted an allocation policy and procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. The Adviser maintains an allocation policy to mitigate the risk posed by incentive-based compensation arrangements. Please see Item 12 for more information about the Adviser's allocation practices.

Potential conflicts of interest may also arise where the Adviser takes opposing investment positions in the same security for different clients. For example, a particular investment may be bought by the Adviser for one or more clients while at the same time the Adviser is selling the investment for one or more other clients. The Adviser may also cause certain clients to engage in short sales of an investment owned or being purchased by certain other clients. Such conflicts of interest are mitigated by the fact that, as a quantitative asset manager, clients' assets are managed pursuant to a model-driven strategy developed by the Adviser in advance. Each account is assigned a trading group at the account's inception. With respect to any such account, the relative attractiveness of securities is determined daily by the model and the applicable trading group. The Adviser's investment personnel determine the timing and amount of purchases and sales. Trades for each trading group are made based upon a pre-determined trading schedule created by the investment team. The account's assignment to a trading group and the trading group's trading schedule are subject to change only if approved by the Compliance Officer.

Because the Adviser has a pre-determined trading schedule in which each trading group may make trades (generally 1-2 times a month) and because of the Adviser's trading techniques, a short equity position could be established by the model or the trading technique before an active long position in a 'long-only' account is closed.

The Adviser believes that this practice should not have a materially adverse effect on the performance of any client's account as there is no systematic bias as to which account (long only or long/short) trades at any particular time. The Adviser reviews all purchase and sale decisions so that, as of the date of the decision, the transaction is in compliance with its Short Sales Policy for Equity Short Sales.

Item 7 -- Types of Clients

PanAgora provides investment advice to Investment Companies, Trusts, estates, or other charitable organizations, pension and profit sharing plans, State or municipal government entities, high net worth individuals and corporations or business entities other than those previously listed. Each of the Adviser's clients is a "qualified purchaser" as defined in section 2(a)(51) (A) of the Investment Company Act of 1940.

Although PanAgora does not have an absolute minimum investment size for clients, based on its fee schedules, PanAgora generally requires an advisory account at or shortly after commencement to have, depending on the product, minimum assets of \$20 million, and generally requires discretionary investment authority over the account. Exceptions to these policies may be made in certain cases in the discretion of PanAgora.

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

Investing in securities involves risk of loss that clients should be prepared to bear.

PanAgora employs a quantitative analysis method in the management of its clients' portfolios. PanAgora uses quantitative stock research which applies concepts of fundamental valuation and security selection via computer models. All of the Adviser's investment strategies share a quantitative foundation and disciplined implementation. In turn, each strategy has unique characteristics which reflect the Adviser's understanding of the varied nature of different investment markets and asset classes. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

PanAgora also employs fundamental, technical and cyclical analysis.

Fundamental analysis attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) in order to determine if the company is underpriced or overpriced. However, fundamental analysis does not attempt to anticipate market movements. A risk in using fundamental analysis is that the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security.

Conversely, technical analysis evaluates past market movements and applies that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movements. Technical analysis does not consider the underlying financial condition of a company. This presents the risk in that a poorly-managed or financially unsound company may under perform regardless of market movement.

Similarly, cyclical analysis measures the movements of a particular security against the overall market in an attempt to predict the price movement of the security. This approach bears the risk that the security's price movement may not be correlated with the movement of the overall market.

PanAgora may sell securities short. When engaging in the short sale of securities, PanAgora will sell borrowed securities with the intent of repurchasing them at a lower price before returning them to the lender. A portfolio that engages in short sales may incur losses if the securities appreciate in value prior to repurchase. Also, such portfolios may experience greater volatility due to potential leverage. The loss involved in a short position is theoretically unlimited.

Active strategies are based on models which combine fundamental analysis and quantitative techniques (including regression analysis). Buy and sell decisions are based on the rigorous implementation of the models' recommended allocations. Individual portfolios are adjusted for the client's return objective, risk tolerance and investment guidelines. Active strategies may involve frequent trading, which may affect investment performance, through increased brokerage and other transaction costs and taxes. Client portfolios managed according to passive index strategies are constructed using a combination of index replication and/or stratified sampling.

Item 9 -- Disciplinary Information

None

Item 10 -- Other Financial Industry Activities and Affiliations

PanAgora is registered with the SEC as an investment adviser under the Advisers Act. PanAgora is also registered as a Commodity Pool Operator (CPO) and Commodity Trading Advisor (“CTA”) with the Commodity Futures Trading Commission (the “CFTC”). Power Financial, through its subsidiaries Great West Life and Putnam, maintains an 80% voting interest in PanAgora, and Nippon Life Insurance Company (“NLI”) owns the remaining 20% voting interest in PanAgora. Nissay Asset Management Corporation, a subsidiary of NLI, distributes PanAgora-advised products in Japan. PanAgora has established an equity ownership plan for its senior executives that allows for an up to 20% economic interest in the firm to be awarded to such executives.

In addition, PanAgora’s indirect parent company, Power Financial, owns insurance, investment management, brokerage and other financial businesses with which PanAgora may engage in business activities, such as by providing subadvisory services to Power Financial affiliates’ portfolios, seeking to include PanAgora fund products on affiliates’ distribution platforms, or partnering in the design and promotion of packaged retirement solutions.

Information Barrier with Affiliates

The investment management and trading functions at other investment firms in the Power Family group and PanAgora are autonomous and operate separately from each other. These functions include all decision-making on what, how and when to buy, sell or hold in client portfolios and the trading related to implementation of these decisions. This policy is intended to permit the investment management and trading functions of each firm to operate without regard to or interference from the other. PanAgora believes this separation is in the best interest of clients of the firms as operating independently permits each firm to pursue the investment objectives of its respective clients without regard to limitations resulting from investment activities of the other. To support this policy PanAgora has adopted certain procedures, including a portfolio information barrier between PanAgora and the other affiliated investment firms.

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

The Adviser maintains a Code of Ethics, which applies to all employees of the Adviser, that regulates the personal securities trading activities of these employees and the trading activity of certain family members and entities (such as corporations, trusts, or partnerships) that employees may be deemed to control or influence. A copy of the Adviser's Code of Ethics will be provided to any of its advisory clients or prospective clients on request by contacting the Adviser at 617-439-6300 or via email to complianceofficer@panagora.com.

The Code of Ethics imposes limits on activities of employees of the Adviser where the activity may conflict with the interests of clients of the Adviser. These include certain personal trading restrictions, prohibitions against the buying and selling of any security while either the Adviser or the employee is in possession of material, non-public information (inside information) concerning the security or the issuer, and limits on the receipt and solicitation of gifts and on service as a fiduciary for a person or entity outside of the Adviser. As a condition of employment, every employee accepts the absolute obligation to comply with the letter and the spirit of the Code of Ethics. An Independent PanAgora Director will not be considered an Access Person so long as the member is not involved in making securities recommendations to PanAgora or Putnam clients; does not have access to nonpublic information regarding the purchase or sale of securities for any PanAgora or Putnam client; does not have access to nonpublic information regarding the portfolio holdings of any fund sponsored or advised by PanAgora or Putnam; and does not have access to securities recommendations to PanAgora or Putnam clients that are nonpublic. Each Independent PanAgora Director will certify in writing annually that he or she satisfies all aforementioned conditions.

Employees are required to provide confirmations and statements of personal securities transactions, including transactions of immediate family members and accounts over which the employee has investment discretion, to the Code of Ethics Officer. Employees may not buy or sell any security for their own account without clearing the proposed transaction in advance (certain securities are exempted from this pre-clearance requirement). In general, the Code of Ethics prohibits excessive personal trading by employees as well as the short selling of any security, whether or not it is held in a client portfolio (short selling against broad market indices and "against the box" are permitted). Access Persons (including Portfolio Managers) are defined as all employees of the Adviser.

Access Persons are subject to additional restrictions, including but not limited to the following: Access Persons may not sell a security at a profit within 60 calendar days of purchasing it or buy a security at a price below which he or she sold it within 60 calendar days. No Investment Professional may sell any security or related derivative security for his or her personal account until seven calendar days have passed since the most recent purchase of that security or related derivative security by any portfolio he or she manages. No Investment Professional may buy any security or related derivative security for his or her personal account until seven calendar days have passed since the most recent sale of that security or related derivative security by any portfolio he or she manages. No Investment Professional may sell out of his or her personal account any security or related derivative security that is held in any portfolio he or she manages unless he or she has received the written approval of an appropriate Director and the Code of Ethics Officer. No Investment Professional may cause a client to take action for the Portfolio Manager's own personal benefit.

The Adviser may impose sanctions for violations of the Code of Ethics. Sanctions may include bans on personal trading, reductions in salary increases or bonuses, disgorgement of trading profits, suspension of employment, and termination of employment.

Where appropriate, the Adviser may recommend to its clients that they invest in PanAgora Group Trust, a trust to which the Adviser serves as investment manager, or in other private investment vehicles exempt from registration under the Investment Company Act of 1940 pursuant to Section 3(c)(1) or 3(c)(7) thereof, for which the Adviser acts as an investment adviser and/or managing member/general partner.

The Adviser or a related person may recommend to clients to buy or sell securities that it buys or sells for itself at or about the same time, or in which the Adviser or a related person has a material financial interest. On occasion, the Adviser or the directors and officers of the Adviser may buy or sell securities or such investment products which are

recommended to its clients. However, no officer or director is permitted to do so (a) where such purchase or sale would affect the market price of such securities or investment products or (b) in anticipation of the effect of such recommendation on the market price. All employees of the Adviser are subject to its Code of Ethics, which addresses conflicts of interest which may arise in respect to the recommendation of securities. With respect to related persons of the Adviser other than its officers and directors, see “Participation or Interest of Certain Related Persons in Client Transactions” below in this section.

Participation or Interest of Certain Related Persons in Client Transactions

The shareholders of the Adviser are large diversified financial organizations. As a result, it is possible that related persons of the Adviser other than its officers and directors (as used under this heading “related persons”) may from time to time have the types of participation or interests in client transactions which are described in Item 11.

While the Adviser does not generally through the exercise of its discretion engage in transactions for its clients involving the types of participations or interests so described with related persons, when and as permitted by applicable law, such participation or interests may from time to time be established at the request of a client or when determined by the Adviser to be in the client’s best interests consistent with the Adviser’s duty of loyalty and fair dealing which it owes to its clients. In such cases, the Adviser will engage in such transactions to the extent permitted by, and in accordance with the requirements (including disclosure, client consent and reporting requirements) of, the laws and regulations applicable (e.g., the Employee Retirement Income Security Act of 1974 (“ERISA”), the Advisers Act, the 1940 Act, the Securities Exchange Act of 1934, state law as applied to trusts and government funds) in the particular situation in light of (a) the type of transaction (e.g., principal transactions, agency brokerage transactions, purchases in underwritings, open market purchases of securities issued by related persons), and (b) the nature of the client account (e.g., ERISA, non-ERISA, investment company). The Adviser does not exercise its discretion on behalf of its clients to engage in principal transactions nor place brokerage transactions with such related persons except as outlined above. Portfolio transaction decisions for its clients are made independently by the Adviser and are not based upon the interests of a related person. No client is required by the Adviser to enter into a relationship with a related person as a condition to the establishment or continuation of an advisory relationship.

In addition, it is possible from time to time that such participations or interests may be established independently by a related person without the knowledge of the Adviser pursuant to recommendations and arrangements independent of the services provided by Adviser and/or in situations where the Adviser is not exercising investment management discretion of a type that would give rise to the application of the policies and procedures described in the preceding paragraphs.

Item 12 -- Brokerage Practices

Selection of Broker Dealers

As a fiduciary, the Adviser has a duty to seek to achieve best execution for its clients' brokerage transactions. The Adviser is required to execute securities transactions for its clients such that the net proceeds to the client are the most favorable under the circumstances. The Adviser's policy is to select brokers or counterparties to execute client transactions in a manner that is consistent with the best interests of its clients and to employ a trading process that attempts to maximize the value of a client's portfolio within the client's stated investment objectives and constraints. In carrying out this duty, the Adviser considers the full range and quality of a broker's services in placing brokerage, including, among other factors, commission rates, financial responsibility, and responsiveness. In seeking to achieve best execution, the Adviser may not always obtain the lowest possible commission cost.

Consistent with section 28(e) of the Securities Exchange Act of 1934 and subject at all times to its duty to seek to achieve best execution, the Adviser may obtain brokerage or research products or services from broker-dealers in connection with placing securities transactions on behalf of clients through "soft dollar arrangements". This is a benefit to the Adviser since the Adviser would otherwise have to produce or pay for these services or products. Such products and services may include, but are not limited to, fundamental research reports (both third party and proprietary), technical and portfolio analyses, pricing services, economic forecasting and interest rate projections, historical and statistical securities information and computer software that assist the Adviser's investment management process. During the past fiscal year the Adviser obtained the following with client brokerage commissions: market and securities data and proprietary research. Certain of the brokerage or research products or services received with respect to commissions paid by certain accounts may benefit other accounts under the management of the Adviser. Broker-dealers who provide such services may receive a commission which is in excess of the amount of the commission another broker-dealer may have charged if in the judgment of the Adviser the higher commission is reasonable in relation to the value of the brokerage or research products or services rendered. The Adviser may have an incentive to select or recommend broker-dealers based on the Adviser's interest in receiving the research or other products or services which could differ from a client's interest in receiving most favorable execution. Soft dollar arrangements are reviewed, and will be reviewed periodically, to determine if the products or services are needed, whether such products or services provide legitimate assistance in the investment decision making process, and the reasonableness of the commissions paid in relation to the value of the products or services. In addition, in certain instances, the Adviser receives access to certain proprietary research tools from executing Broker / Dealers. However commissions paid to such Broker / Dealers are not in excess of the amounts other Broker / Dealer would charge for the same transaction. These benefits are used in the servicing of all client accounts, not just those that paid for the benefit.

If a client prohibits the Adviser's use of the client's brokerage to purchase legitimate research products or services or limits the Adviser to directed brokerage arrangements, the Adviser's clients who do not impose such prohibition or limitation may potentially pay higher commissions on their brokerage due to the Adviser's soft dollar arrangements compared to the commissions paid by clients who do have such prohibition or limitation. In these instances, clients without such prohibition or limitation may pay a commission which may be in excess of the amount of the commission paid by clients with such prohibition or limitation if in the judgment of the Adviser the higher commission is reasonable in relation to the value of the legitimate brokerage or research products or services rendered. The research paid for by such clients' commissions may nevertheless benefit clients who impose such prohibitions or direct the brokerage on their accounts.

The Adviser may recommend futures commission merchants (FCMs) to clients for financial futures trading. In doing so, the primary consideration in making recommendations is to seek to obtain best execution at the most favorable and reasonable commission rates. The Adviser attempts to achieve these results by choosing FCMs based on (1) their professional capabilities (including use of capital, clearance and settlement procedures), (2) the value and quality of their services, and (3) the comparative brokerage commission rates which they offer.

Clients may occasionally direct the Adviser to place brokerage with certain broker-dealers. Clients' directed brokerage arrangements may affect the manner in which the Adviser handles a client's account with respect to

negotiating commissions, the inclusion of the client in aggregated transactions with other clients, seeking to obtain best execution and generating soft dollar credits. A client who designates use of a particular broker-dealer should consider whether commission expenses, execution, and clearance and settlement capabilities, will be comparable to those otherwise obtainable by the client if it did not make such a designation. The Adviser will make an effort to obtain prices for a client's trades with directed brokerage comparable to those obtained for clients without directed brokerage arrangements. However trades for these directed brokerage accounts will generally occur after trades for accounts without directed brokerage. In those cases, trades will be prioritized among client accounts with directed brokerage in a fair and equitable manner. A client who designates use of a particular broker-dealer should understand that it may lose the possible advantage which non-designating clients derive from aggregation of orders for several clients as a single transaction for the purchase or sale of a particular security.

Trade Aggregation and Trade Allocation Policy

The Adviser has implemented a Trade Aggregation and Trade Allocation Policy (the "Policy") in order to ensure the fair and equitable treatment of clients with respect to aggregation and allocation of investment opportunities among different clients and different products and in order to ensure that proprietary trading by, and the financial interests of, the Adviser and its personnel are not favored over clients and client accounts.

The Adviser's policy is to aggregate trades for different client accounts if such aggregation is in the best interest of each participating client and the allocation of completed trades is made between participating accounts in a fair and equitable manner. A client trade may be aggregated with a trade by an affiliated account only if certain conditions are met. These conditions include: (i) aggregation is consistent with the Adviser's duty to obtain best execution; (ii) aggregation is not in conflict with the terms of the investment advisory contract of each participating client; and (iii) no advisory clients will be favored over any other client.

Executions of aggregated equity trades are allocated pro rata to the participating accounts based on order size (i.e., each client shall be allocated that percentage of the executed order that its order size bears to the total size of the order). Allocated amounts may be rounded to reflect market practices for lot sizes. All accounts generally receive the average price obtained. Execution costs for aggregated equity trades will be allocated pro rata to the participating accounts based, in part, on order size, and trades for client accounts of less than a certain number of shares may receive varying allocations intended to reduce the administrative cost on the Adviser and the client's custodian bank. The Adviser's policy is not to participate in initial public offerings, but it may purchase or sell securities which were the subject of such offering on the secondary market.

Trades in fixed income securities may also be aggregated into a single order if, in the appropriate investment professional's opinion, there are benefits to the client accounts with respect to liquidity, timing and other factors. For fixed-income aggregated transactions, all accounts receive the same purchase price and any transaction costs are shared pro rata among participating accounts.

When PanAgora believes that the circumstances of a trade would cause inequitable allocations or otherwise would be unfair to the participating accounts, the Compliance Officer may authorize the use of alternative allocation methodologies. Such allocation methodology may be employed only when the Compliance Officer determines that it will result in a fair and equitable allocation for all participating accounts and is based upon objective criteria.

Item 13 -- Review of Accounts

Client portfolios are reviewed by investment personnel on a regular basis. The specific interval is a function of the particular investment strategy used for the portfolio, activity within the account (i.e., additions and withdrawals of funds) as well as economic or market events affecting the portfolio. The Adviser instructs its investment personnel to review the performance of the client portfolios and their conformity with the clients' respective investment objectives and policies. The Adviser employs approximately seventeen investment personnel who, acting together, conduct reviews of client portfolios. Such reviews are conducted by the chief investment officer, directors in investment teams (including portfolio managers), investment compliance officers, compliance managers and compliance associates. The Investment Committee also reviews all client portfolios on a monthly basis.

Client portfolios are also reviewed at least monthly by operations associates for the purpose of reconciling the Adviser's account records with those of the clients' respective custodians. The Adviser employs approximately eleven operations associates for this purpose. The number of portfolios for which each associate is responsible for such reconciliation reviews ranges from nine to twenty-one, depending on the relative complexity of the accounts. Where data is available the operations associate will reconcile custody cash and security share positions on a daily basis to the custodian.

With respect to private accounts, clients are provided with monthly and quarterly written reports which contain (1) a portfolio appraisal, (2) performance information, and upon request (3) a summary of transactions.

Participants in the private funds including the Group Trust receive monthly written account statements and annual audited financial statements.

Item 14 -- Client Referrals and Other Compensation

The Adviser has entered into a referral arrangement with one solicitor for purposes of soliciting exclusively non-U.S. clients. Such solicitor is not active and, to date, has not been paid any compensation by the Adviser.

Item 15 -- Custody

PanAgora separate account clients and funds typically maintain custody arrangements through independent qualified custodians. However, PanAgora may in some circumstances be deemed to have “custody” (as defined in Rule 206(4)-2 under the Advisers Act (the “Rule”)) of client securities and funds, even though it does not actually maintain client assets.

Advisory clients with respect to which PanAgora has been deemed to have “custody” will receive account statements, at least quarterly, for which PanAgora maintains funds or securities. PanAgora will also receive account statements from qualified custodians to determine that account transactions are proper. PanAgora urges clients to compare their advisory statements with the custodian statements on at least a quarterly basis. With regard to pooled investment vehicles for which PanAgora is deemed to have custody, PanAgora will provide annual audited financial statements to the pool participants in accordance with the Rule.

Item 16 -- Investment Discretion

PanAgora has discretionary authority as a sponsor and investment manager for certain private unregistered investment pools. PanAgora also receives discretionary authority from separate account clients at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. PanAgora typically receives discretionary authority, including a power of attorney, through an investment management or similar agreement between PanAgora and the applicable client. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Item 17 -- Voting Client Securities

Summary of Proxy Voting Guidelines and Procedures

At the inception of each client account, each client must elect to either retain all voting rights in respect of all client securities or grant the Adviser all such voting rights in respect of all client securities.

The Adviser has adopted written policies and procedures pursuant to Advisers Act Rule 206(4)-6 reasonably designed to ensure that it votes client securities in the best interest of clients. While retaining final authority to determine how each proxy is voted, the Adviser has reviewed and determined to follow in most instances the proxy voting policies and recommendations (the “Guidelines”) of Institutional Shareholder Services Inc. (“ISS”). ISS will track each proxy that the Adviser is authorized to vote on behalf of its clients and will make a recommendation to management of the Adviser as to how it would vote such proxy in accordance with the Guidelines. Unless otherwise directed by the Adviser, ISS will vote on such matters on the Adviser’s behalf in accordance with its recommendations. The Adviser may override specific recommendations or may modify the Guidelines in the future. The Adviser believes that the Guidelines will result in it voting proxies with a view to enhance the value of the securities held in a client’s account. The financial interest of its clients is the primary consideration in determining how proxies should be voted. Certain proxy voting proposals may raise conflicts between the interests of the Adviser’s clients and the interests of the Adviser and its employees. The Adviser’s Investment Committee and Compliance Department are responsible for seeking to identify proxy voting proposals that present a conflict of interest. If they identify such a proposal, they will decide whether it presents a material conflict of interest and review to ensure that the proxy is voted in the best interest of the client. In addition, the Adviser monitors ISS’ procedures to monitor its own conflicts of interest. Clients may obtain a copy of the Adviser’s proxy voting policies and procedures upon request. To obtain a copy of the Adviser’s proxy voting policy or proxy voting results for your account, please contact the Adviser at 617-439-6300 or by e-mail at complianceofficer@panagora.com.

Item 18 -- Financial Information

None