

**Item 1 – Cover Page**

**BROCHURE FOR**

**ADVANTUS CAPITAL MANAGEMENT INC.  
401 NORTH ROBERT STREET  
ST. PAUL, MN 55101**

**FIRM BROCHURE DATED AS OF APRIL 27, 2012  
PART 2A OF FORM ADV**

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This brochure provides information about the qualifications and business practices of Advantus Capital Management, Inc. If you have questions about the contents of this brochure, please contact us at 651-665-4814 or at vicki.bailey@advantuscapital.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 Advantus Capital Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration of an Investment Adviser does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

The following is a summary of the material changes to this brochure since Advantus' annual update dated March 30, 2011.

1. Advantus is offering a new investment strategy, Strategic Dividend Income. This is described in Item 8 under Equity Strategies. Strategic Dividend Income is an equity strategy that invests in dividend paying stocks with the goal of delivering above average income with volatility below that of the broader market as measured by the S&P 500.
2. Advantus made changes to Items 4, 5, 8 and 10 to make clear that its commercial mortgage whole loan services are not advisory services.

Advantus may further provide other ongoing disclosure information about material changes as necessary. Advantus will provide you with a new brochure as necessary based on material changes or new information at any time without charge.

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#### **Item 4 – Advisory Business**

Advantus has been in business since 1984. Advantus was formerly known as MIMLIC Asset Management, Inc. Securian Financial Group owns 100 percent of Advantus. Securian Financial Group is 100 percent owned by Securian Holding Company, Inc. and Securian Holding Company is owned by Minnesota Mutual Companies, Inc.

Advantus offers discretionary and non-discretionary management of assets for registered investment companies, insurance companies and other institutional investors primarily with respect to:

- Fixed income investments including, but not limited to, government, mortgage-backed (including government or government agency mortgage loan pools or private mortgage loan pools, collateralized mortgage obligations, commercial mortgage-backed securities, mortgage pass-throughs and stripped mortgage-backed securities), asset-backed, corporate, and derivative securities
- Real estate equity securities including investments in real estate investment trusts, real estate operating companies and real estate related companies
- Equity securities that track indices such as the S&P 500 Index
- Equity securities that focus on higher dividend yields
- Alternative assets, including mezzanine debt, venture capital, distressed debt and private equity
- Selection of sub-advisers to manage other asset types
- Private placement investments

Advantus specializes in the investment types noted above. In addition to the advisory services provided above, Advantus originates and services commercial mortgage whole loans for clients. Advantus also may act as a loan servicing agent for commercial mortgage whole loans arranged by Advantus. Advantus does not consider its whole loan origination or servicing activities to be advisory services.

Advantus tailors its advisory services to the particular needs of its clients, taking into account the goals of each client. Advantus accepts limited mandates from clients in particular asset classes identified or mandates limited by criteria such as duration, industry or credit quality. Some clients may limit the discretionary authority of Advantus, and may impose restrictions on investing in certain securities or types of securities. For example, certain clients impose sales restrictions limiting losses that can be taken by Advantus without discussion with the client.

Advantus does not participate in wrap fee programs.

The amount of client assets Advantus managed as of December 31, 2011 was \$23,626,160,705. The breakdown between discretionary and non-discretionary assets was:

- Discretionary: \$21,265,975,318
- Non-Discretionary: \$2,360,185,387

## Item 5 – Fees and Compensation

Advantus is paid based on assets under management (“AUM”). Our fee schedules may provide for “breakpoints” at which the percentage is reduced if AUM exceeds certain agreed upon amounts. Typically fees are paid quarterly in arrears and are based on the market value of the assets as of the end of each quarter as determined by Advantus in accordance with Advantus’ valuation policies and procedures. Advantus may charge a fixed fee or a minimum fee. Our fees are negotiable, and are generally paid according to the following schedule:

### Fee Schedule:

#### I. For Discretionary Institutional (Non-Insurance Company Accounts) of the following types:

1. Real Estate Securities (minimum size \$10,000,000)

First \$25 Million	.70%
Next \$25 Million	.65%
Next \$50 Million	.60%
Over \$100 Million	Negotiable
2. Index 500 (minimum size \$20,000,000)

First \$100 Million	.10%
Over \$100 Million	Negotiable
3. Strategic Dividend Income (minimum size \$10,000,000)

First \$25 Million	.70%
Next \$25 Million	.65%
Next \$50 Million	.60%
Over \$100 Million	Negotiable
4. Full Duration Fixed Income (minimum size \$20,000,000)

First \$25 Million	.35%
Next \$75 Million	.25%
Over \$100 Million	.20%
5. Core Plus Fixed Income (minimum size \$20,000,000)

First \$25 Million	.40%
Next \$75 Million	.30%
Over \$100 Million	.25%
6. Intermediate Duration Fixed Income (minimum size \$20,000,000)

First \$25 Million	.35%
Next \$75 Million	.25%
Over \$100 Million	.20%

7. Mortgage Securities (minimum size \$20,000,000)
 

First \$25 Million	.35%
Next \$75 Million	.25%
Over \$100 Million	.20%
  
8. High Yield Mortgage (minimum size \$20,000,000)
 

First \$25 Million	.60%
Next \$75 Million	.50%
Over \$100 Million	.40%
  
9. Short Duration (minimum size \$20,000,000)
 

First \$50 Million	.25%
Next \$50 Million	.20%
Over \$100 Million	.15%
  
10. Long Duration (minimum size \$25,000,000)
 

First \$25 Million	.35%
Next \$75 Million	.25%
Over \$100 Million	.20%
  
- II. For Non-Affiliated Insurance Company Core Clients
 

First \$25 Million	.25%
Over \$25 Million	Negotiable
  
- III. For Non-Affiliated Insurance Company Private Placement and Non-Core Clients
 

First \$50 Million	.20%
Over \$50 Million	Negotiable

Advantus' fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by clients. Clients may also incur certain charges imposed by custodians, brokers, and other third parties such as transfer taxes, wire transfer and electronic fund fees, underlying fund fees and expenses, and other fees and taxes on brokerage accounts and securities transactions. Item 12 further describes the factors that Advantus considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Each client selects its own custodian. Custodial fees charged by the client's custodian are paid directly by the client to the custodian and such fees are negotiated between the client and its selected custodian. If Advantus is authorized to invest client assets in mutual funds or ETFs, these funds and ETFs may have additional fees associated with the management of those assets. These mutual funds and ETFs are not managed by Advantus and any fees and expenses charged by these funds or ETFs are reflected in the valuation of such assets.

Advantus does not deduct fees from clients' assets. Advantus does not permit clients to pay fees in advance.

Neither Advantus nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset based sales charges or service fees from the sale of mutual funds. Certain sales associates may receive a commission on sales based on the dollar amount of new assets under management for new and existing clients. Portfolio managers may receive revenue sharing as part of their compensation based on assets they manage.

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

At the present time, Advantus does not have any clients with performance based fees.

#### **Item 7 – Types of Clients**

Advantus manages assets for institutional investors such as insurance companies, pension plans, public funds, union plans, commingled investment vehicles, foundations, endowments, corporations and other legal entities, and registered investment companies. Advantus also acts as a sub-adviser for registered investment companies. Advantus has established minimum account sizes for the strategies it manages, as set forth in Item 5.

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

##### **ADVANTUS METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

The foundation of the methods of analysis for all Advantus strategies is based on proprietary research generated by our internal research team. Critical to this method is the belief that a bottom-up, fundamental research process is the most effective way to create the foundation for consistent, reliable and long-term results.

The success of each Advantus strategy requires the ability to rapidly evaluate and capitalize on investment opportunities available in the market. This is achieved through an environment of open architecture and communication among all investment professionals including portfolio management, research, trading and client service. The constant assessment of relative value across sectors and securities creates an ongoing dialogue, enabling an immediate response to opportunities as they arise. These relative value assessments involve a thorough understanding of the risks inherent in the investments made by each strategy's team.

Advantus' significant investment strategies can broadly be separated into Fixed Income Strategies, Equity Strategies and Insurance Strategies. Within the Fixed Income category, we manage several strategies designed to meet the specific needs of insurance companies. The Fixed Income Strategies include Full Duration, Money Market, Core Plus, Mortgage Securities, Short Duration, High Yield Mortgage, Intermediate Duration, Long Duration, Insurance Core and Insurance Private Placement. The Equity Strategies include Equity Index, Real Estate Securities, Strategic Dividend Income and Alternative Assets.

Investing in any of our strategies involves risk of loss that clients should be prepared to bear.

## **FIXED INCOME STRATEGIES**

The Fixed Income Strategies involve the active management of security selection, portfolio duration, structure, quality, and sector allocation. The Fixed Income Strategies distinguish themselves by utilizing proprietary fundamental research, particularly at the security level. Our fundamental analysis incorporates business cycle analysis and macro economic and market assessment.

Investment opportunities are identified in conjunction with the research teams, which analyze the securities through rigorous fundamental bottom-up research. Advantus begins by analyzing the credit quality and cash flow characteristics of candidate securities, paying particular attention to the business model and industry dynamics for companies.

Advantus' analysis focuses on identifying the catalyst that is likely to narrow spreads or improve the credit quality of a security relative to its respective universe of securities. Advantus evaluates such opportunities across sectors and time.

### **Fixed Income Strategies involve the following material risks:**

- **Interest Rate Risk** – the risk that the strategy may lose some value in a debt security, asset-backed or mortgage-backed security (or an underlying obligor) or other fixed income obligation (“fixed income obligation”) due to changes in market interest rates. Generally, when interest rates rise, the value of a fixed income obligation decreases. Conversely, when interest rates decline, the value of a fixed income obligation generally increases. Longer fixed income obligations are generally more sensitive to interest rate changes.
- **Credit Risk** – the risk that the strategy may lose some or all of its value, including both principal and interest, because an issuer of a fixed income obligation will not make payments on the security or obligation when due.
- **Sector Risk** – the risk that the securities in a specific industry or sector of the market can periodically perform differently than the overall market.
- **Prepayment Risk** – the risk that prepayments of fixed income obligations occur more rapidly than expected, causing the strategy to reinvest the proceeds in other securities with generally lower interest rates and the risk that prepayments occur more slowly, causing lower reinvestment proceeds for the strategy.

### ***Full Duration***

The Full Duration Strategy focuses on investment grade debt securities. These securities include U.S. Treasury and agency securities, corporate bonds, mortgage-backed securities and asset-backed securities and municipal bonds. “Mortgage-backed securities” include, among other security types, government or government agency mortgage loan pools or private mortgage loan pools, collateralized mortgage obligations, commercial mortgage-backed securities, mortgage pass-throughs and stripped mortgage-backed securities. “Asset-backed securities” are securities secured by various pools of consumer loans including but not limited to credit cards, automobiles and manufactured housing. This style typically has an average duration between 3.5 and 5.5 years. Fixed income futures are used to manage duration for this strategy.



### ***Money Market***

The Money Market Strategy invests in short-term commercial paper, government securities including agency securities and asset-backed securities that are rated A-1/P-1. It may also invest a small percentage of assets in similar securities with a rating no less than A-2/P-2. Accounts in this strategy which are subject to Rule 2a-7 are managed in accordance with all of the requirements of Rule 2a-7. The average days to maturity ranges from 30 to 60 days.

### ***Core Plus***

The Core Plus Strategy focuses on U.S. Treasury and agency securities, corporate bonds, mortgage-backed securities and asset-backed securities. This style is similar to the Full Duration Strategy except that it typically invests in a higher percentage of below investment grade securities. This style typically has an average duration between 4 and 6 years. Fixed income futures are used to manage duration for this strategy.

### ***Mortgage Securities***

The Mortgage Securities Strategy focuses primarily on investment grade mortgage-backed securities and typically invests at least 80% of its total assets in mortgage-backed securities. This strategy typically invests in a higher proportion of asset backed securities compared to other competing funds, which may invest exclusively in government guaranteed mortgages. The style typically has an average duration of between 0 and 5 years. Fixed income futures are used to manage duration for the strategy.

### ***Short Duration***

The Short Duration Strategy focuses primarily on U.S. Government and agency securities, and investment grade corporate bonds, asset-backed securities and mortgage-backed securities. This style typically has an average duration of approximately one year.

### ***High Yield Mortgage***

The High Yield Mortgage Strategy focuses on mortgage-backed securities and asset-backed securities trading at higher yields. This strategy has similarities to the Mortgage Securities Strategy except that the majority of its investments will from time to time consist of non-investment grade securities. Fixed income futures are used to manage duration for the strategy.

### ***Intermediate Duration***

The Intermediate Duration Strategy focuses on primarily investment grade U.S. Treasury and agency securities and corporate bonds, mortgage-backed securities and asset-backed securities. This style is similar to the Full Duration Strategy except it invests in a lesser percentage of mortgage-backed and asset-backed securities than the Full Duration Strategy and typically has an average duration between 3 and 4.5 years. This style also differs from the Full Duration Strategy in that it only invests in securities rated A- or better. Fixed income futures are used to manage duration for the strategy.

### ***Long Duration***

The Long Duration Strategy focuses on U.S. Government, corporate bonds and taxable municipal securities with maturities typically greater than 10 years. This style typically has an average duration between 9.5 and 16 years. Fixed income futures are used to manage duration for the strategy.

### ***Insurance Core***

The Insurance Core Strategy is a bottom-up, value-oriented, fixed income investment strategy for insurance company clients and is tailored to each client's needs. The style involves the active management of security selection, quality, yield, portfolio duration and structure with a focus on broad diversification and principal preservation. Duration is managed consistent with client objectives. The strategy also has a top-down component that evaluates sector and industry weightings and relative value. The bias is to hold the security over the long term and emphasize investment income.

The strategy focuses primarily on investment grade debt securities which include U.S. and Canadian government obligations, municipal obligations, corporate bonds (including private placements which are discussed in more detail in the following section), mortgage-backed securities and asset-backed securities.

Advantus manages portfolios within this strategy on both a discretionary and non-discretionary basis. The Insurance Core Strategy involves the same risks as the Fixed Income Strategies listed above (Credit Risk, Interest Rate Risk, Prepayment Risk and Sector Risk).

### ***Insurance Private Placement***

The Insurance Private Placement Strategy invests primarily in investment-grade U.S. and foreign private placement securities that are almost exclusively U.S. dollar denominated for discretionary and non-discretionary insurance company clients. A private placement security is not registered under federal or state securities laws and can only be purchased or sold in a transaction exempt from registration. Private placements are offered to a limited number of potential investors who meet certain eligibility criteria to enable the transaction to qualify under securities law registration exemptions. Private placement securities are most often corporate bonds, but investments can also be made in other security types including, but not limited to, project finance, credit tenant leases and leveraged leases. In selecting securities for this strategy, Advantus seeks the best relative value that the private placement market has to offer, generally preferring fixed rate, current pay bonds.

Advantus analyzes competing securities within an industry to determine if the offering exhibits relative value over public securities of comparable companies. Other factors analyzed include financial strength, management experience, leadership position, covenants, structure, assets offered as security for the obligation, and seniority of the issue. Because of the illiquidity associated with private placement securities, the strategy is more suitable to a buy and hold style.

In addition to the risks for Fixed Income Strategies (Credit Risk, Interest Rate Risk, Prepayment Risk and Sector Risk) discussed above, the Insurance Private Placement Strategy involves the following material risk:

- Liquidity Risk – the risk that a client may be unable to sell or have a less timely sale because of a limited buyer base for these assets.

## **EQUITY STRATEGIES**

The Advantus Equity Strategies include the Equity Index, Real Estate Securities and Strategic Dividend Income Strategies, which invest primarily in public securities, and the Alternative Assets Strategy, which invests primarily in non-public securities..

### ***Equity Index***

The Equity Index Strategy invests its assets in all of the common stocks included in a designated benchmark index. These indices consist of stocks chosen for certain characteristics including market size, liquidity and industry group representation. The strategy attempts to achieve a 100% correlation with the designated index by holding all names of the index at index weight. Index futures are used to equitize shareholder activity and minimize turnover.

#### **The Equity Index Strategy involves the following material risks:**

- Market Risk – the risk that equity securities are subject to adverse trends in equity markets.
- Sector Risk – the risk that the securities of companies within specific industries or sectors of the economy can periodically perform differently than the overall market.
- Company Risk – the risk that an investment in the strategy may perform differently from the overall market or from other companies.
- Index Performance Risk – the risk that the strategy’s ability to replicate the performance of the designated index may be affected by, among other things, changes in securities markets, the manner in which the index is calculated and the amount and timing of cash flows into and out of a client’s account.

### ***Real Estate Securities***

The Real Estate Securities Strategy invests primarily in common and preferred stock of public REITs and real estate related securities. The strategy also utilizes covered calls, seeking additional income. The strategy will, on occasion, use levered ETFs of real estate securities to increase or decrease market exposure. The strategy may also invest in foreign securities. Analysis is comprised of both quantitative and qualitative aspects.

The strategy invests in real estate securities and real estate related securities. “Real estate securities” include securities issued by companies that receive at least 50% of their gross revenue from the leasing, construction, ownership, management, financing or sale of residential, commercial or industrial real estate. “Real estate related securities” include securities issued by companies primarily engaged in businesses that sell or offer products or services that are closely related to the real estate industry. The strategy does not invest directly in real estate.

Most of the strategy’s holdings consist of securities issued by Real Estate Investment Trusts (REITs) or Real Estate Operating Companies (REOCs) that are listed on a securities exchange or traded over-the-counter. The strategy may invest in securities of companies of any size capitalization. In selecting securities, Advantus considers factors such as a company’s financial condition, financial performance, quality of management, policies and strategies, real estate properties and competitive market condition.

#### **The Real Estate Securities Strategy involves the following material risks:**

- REIT/REIT-Related Sector Risk – the risk that the value of the strategy’s investments may decrease because of change in valuation of underlying real estate properties (because of factors related to leasing, construction, development, ownership, financing, repair or servicing), or the real estate market as a whole, or the loss of a REIT’s favorable tax treatment.

- Company Risk – the risk that an investment in the strategy may perform differently from the overall market or from other companies.
- Market Risk – the risk that equity securities are subject to adverse trends in equity markets.
- Limited Universe/Strategy Risk – the risk that an investment in the strategy may present greater volatility and underperform the market as a whole, due to the limited number of issuers of real estate and real estate related securities, than an investment in a portfolio of securities selected from a broader investment universe with a greater number of issuers.
- Trading Volume Risk – the risk that an investment could be reduced because the frequency and volume of trading of some securities in the strategy is less than may be typical of larger companies or companies outside this universe, making them subject to wider price fluctuations and less opportunities for trading.

### ***Strategic Dividend Income***

The Advantus Strategic Dividend Income Strategy primarily invests in dividend-paying common stocks, preferred stocks, convertible securities, and other equity-related securities. Typically, fifty percent or more of total assets will be invested in REITs, complemented with investments in securities in utilities, oil and gas, infrastructure, and other high-yielding components of the broader equity market. The strategy can use investments such as commodities (in the form of ETFs), Treasury inflation notes (and ETFs of TIPs), volatility ETFs, and volatility futures contracts to manage inflation and volatility risk. In addition, the strategy may write covered calls to increase income and reduce volatility. In selecting securities, Advantus considers factors such as a company's dividend payments, financial condition, financial performance, quality of management, policies and strategies, real estate properties and competitive market condition.

### **The Strategic Dividend Income Strategy involves the following material risks:**

- Market Risk – the risk that equity securities are subject to adverse trends in equity markets.
- Sector Risk – the risk that the securities of companies within specific industries or sectors of the economy can periodically perform differently than the overall market.
- Company Risk – the risk that an investment in the strategy may perform differently from the overall market or from other companies.
- Trading Volume Risk – the risk that an investment could be reduced because the frequency and volume of trading of some securities in the strategy is less than may be typical of larger companies or companies outside this universe, making them subject to wider price fluctuations and less opportunities for trading.
- Interest Rate Risk – the risk that the value of a security will decline due to an increase in market interest rates.
- Derivatives Risk – the risk that a derivative instrument performs differently than expected because of unforeseen market conditions or unexpected movements in the prices of underlying instruments, especially in unusual or extreme market conditions.

### ***Alternative Assets***

The Alternative Assets Strategy invests in limited partnership interests and member interests of limited partnerships, limited liability companies and other similar entities (“alternative assets”) which in turn invest or purchase interests in venture, buyout, mezzanine, distressed debt and hedge fund investments. The strategy focuses on the selection of general partners that manage these alternative equity assets.

Advantus maintains a diversified base of contacts within the general partner community and makes investments after assessing the general partner's track record and/or market expertise. The strategy is also focused on diversification on the basis of underlying company investments, sector, vintage (the year the initial funds for the alternative asset were raised) and general partner. The strategy also invests in fund of funds.

**The Alternative Assets Strategy involves the following material risks:**

- General Partner Selection Risk – the risk that the strategy will select a general partner that does not perform as expected or as well as other general partners managing similar alternative equity assets.
- Liquidity Risk – the risk that a client may be unable to sell or have a less timely sale because of restrictions on sales and transfers agreed to at the time of making the investment.
- Vintage Year Risk – the risk that the strategy may sustain greater losses because the strategy is not sufficiently diversified across vintage year and the risk that vintages held by the strategy will perform differently than the overall market.
- Capital Loss Risk – the risk that a client may incur greater losses because of the risky nature of the underlying investments and lack of viable exit strategies for particular investments of the partnership or fund.

**Item 9 – Disciplinary Information**

Advantus has no reportable disclosures regarding legal or disciplinary events.

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

Advantus is not registered nor does it have a pending application to register as a broker dealer. Certain management persons are registered as a registered representative of an affiliated broker dealer, Securian Financial Services. Advantus does not execute trades for clients or itself through Securian Financial Services.

Neither Advantus nor any its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of any of the foregoing entities.

Advantus serves as adviser to each of the Portfolios of Advantus Series Fund, Inc. ("Fund"), a registered investment company whose shares are currently sold only to separate accounts of two affiliated life insurance companies, Minnesota Life Insurance Company ("Minnesota Life") and its subsidiary, Securian Life Insurance Company ("Securian Life"). The Fund will reorganize into the Securian Funds Trust, a Delaware statutory trust effective on May 1, 2012. These separate accounts, which issue Minnesota Life and Securian Life variable annuity and variable life insurance contracts ("Contracts"), invest in shares of the Fund only in accordance with instructions from the owners of the Contracts, who are also the Fund's beneficial owners. Shares of the Fund may, in the future, also be sold to separate accounts of other life insurance companies or to qualified plans. These affiliations create a conflict of interest which may cause Advantus to favor the Fund over other unaffiliated

accounts also managed by Advantus. Advantus seeks to manage these and other conflicts through its adoption and implementation of comprehensive written compliance policies and procedures, including its Code of Ethics as well as other policies such as Investment of Client Assets policy, GIPS policy, and Order Aggregation and Allocation policy. In addition, Advantus' activities with respect to the Advantus Series Fund, Inc. are overseen by various committees, including the Investment Policy Committee, GIPS Committee, Trading Committee and Internal Compliance Controls Committee. Further, the board of the Fund reviews information from the Adviser on many issues affecting the Fund and also receives reports from and discusses issues on a periodic basis with its chief compliance officer on these matters. The Fund board is advised by counsel to the Fund and the independent counsel to the independent directors.

Advantus is the sub-adviser to the Ivy VIP Real Estate Securities Portfolio, a portfolio managed by Waddell & Reed Investment Management Company, and the Ivy Bond Portfolio and Ivy Real Estate Securities Portfolio, portfolios managed by Ivy Investment Management Company. Advantus and its affiliates have other relationships with Waddell & Reed and Ivy which could create an incentive for Advantus to favor these accounts in managing investments. Advantus addresses these issues in the manner discussed above with respect to the Fund. In addition, the boards of these funds review information on a periodic and ongoing basis from Advantus and these funds review reports and discuss information with its chief compliance officer.

Minnesota Life and Securian Life, as well as other affiliated entities are under common ownership with Advantus. Many of these entities have hired Advantus to manage their assets. Advantus may have an incentive to favor its affiliates' accounts over its other client accounts. Advantus addresses these issues in the manner discussed above with respect to the Fund.

Advantus also originates commercial whole loans for Minnesota Life, and acts as servicing agent with respect to such loans. Clients of Advantus may participate alongside Minnesota Life in loans that are originated and serviced by Advantus, and Advantus may refer its clients to Minnesota Life to engage in such participation interests. Advantus receives no compensation of any kind from Minnesota Life for referring potential loan participants. When originating whole loans, Advantus considers whether a given loan is suitable for Minnesota Life, and does not consider whether a loan is suitable for participation by its clients or any other party. Advantus earns fees from Minnesota Life for origination and servicing activities provided with respect to whole loans, including from loans in which its clients may hold a participation interest. Minnesota Life is solely responsible for the payment of fees related to origination services. However, loan participants pay Advantus a servicing fee based on their pro rata portion of the outstanding principal of each loan. Loan participants will be given information concerning the borrower, the loan, and the underwriting process, and other information they may review to support their own decisions with respect to whether to participate in loans alongside Minnesota Life. Advantus does not recommend investment in loan participation interests to its clients, assess whether loan participation interests are suitable financial opportunities for its clients, or provide any other investment advice to its clients with respect to loans as a part of its advisory services. Each Advantus client made aware of whole loans originated by Advantus must represent to Advantus that it has made its own independent decision to participate in the whole loans and its own determinations as to whether such participation is appropriate or proper for it based upon its own judgment, and that it is not relying on any investment advice or recommendation from Advantus or Minnesota Life when entering into such participation.

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

Advantus has adopted a Code of Ethics that applies to all employees, officers and directors (“employees”). The Code sets forth the standards of ethical conduct, seeks to prevent improper activities through trading restrictions, and includes other obligations.

The fundamental ethical principles of the Code state that employees will:

- conduct themselves with integrity and distinction
- put the interests of clients first at all times
- owe a fiduciary duty to clients in the conduct of their personal security trades
- avoid conflicts of interest
- comply with all applicable Federal securities laws

The Code contains provisions regarding insider trading, gifts, and business entertainment. The Code prohibits use of material non-public information when completing personal trades and for trades made on behalf of clients. All employees have a continuing obligation to comply with the Code, must certify to compliance on an annual basis, and must report any Code violations by other employees to the chief compliance officer. If there are Code violations, a range of sanctions may be enforced. Advantus will provide a copy of our Code to a client or prospective client upon request.

### **Conflicts of Interest – General**

As part of its investment advisory services, Advantus has entered into Subscription, Participation and Servicing Agreements with MCM Funding 1997-1, Inc. and MCM Funding 1998-1, Inc., both of which are affiliates of Advantus. Under the MCM program, Advantus originated commercial mortgage whole loans which were participated out to Advantus clients. The MCM Funding vehicles are the legal owners of the mortgage notes, but 100 percent of the beneficial interests in such mortgage notes are owned by one affiliated and one non-affiliated client. Advantus services the loans for the participants for which it receives an annual servicing fee.

Advantus may, from time to time, facilitate the purchase and sale of securities between two clients including any trade which might be determined to be a principal transaction. Any such transactions will be effected with full disclosure and client consent and only with the prior approval of the chief compliance officer as required by the Advantus cross trade procedures.

### **Conflicts of Interest – Investment Allocation**

Advantus and its affiliates, including any Advantus employees, may from time to time invest in the same securities that Advantus recommends to clients. Advantus may purchase such securities for its own account and its affiliated accounts in an aggregated order with clients. These transactions also may include trading in securities or other assets in a manner that differs from, or is inconsistent with, the advice given to clients. These transactions create a potential conflict of interest because Advantus may have an incentive to favor its own or its affiliated accounts over the client. For example, Advantus or Advantus associates may have an incentive to purchase or sell a security ahead of Advantus’ clients in order to receive more favorable pricing. Advantus has policies and procedures in place to mitigate these conflicts, including:

- a Code of Ethics requiring Advantus employees to put the interests of all clients first.
- an order aggregation and allocation policy providing that all public equity orders and orders for “scarce” or illiquid securities are aggregated and pre-allocated. This aggregation requirement applies to all public equity securities and all new issue fixed income public and private placement securities. Advantus does not require that secondary sales or purchases of fixed income securities be aggregated. These policies are monitored by the compliance department.
- an allocation policy providing for pro-rata allocation in the event that a full order is not received. All exceptions to the pro-rata allocation policy, except for rounding and to meet certain de minimis requirements, are reviewed and approved by the compliance department. Our overall compliance with the allocation policy is reviewed periodically by the compliance department and reported to the Trading Committee.
- a Trading Committee which receives reports of allocation and best execution on a regular basis.
- a GIPS Committee which reviews performance of accounts with similar strategies and reasons for dispersion among accounts.
- an Investment Policy Committee which reviews portfolios account strategy and risks of portfolios managed by the same portfolio manager at least annually.

### **Conflicts of Interest – Personal Trading**

Access Persons, as defined in our Code of Ethics, are required to provide initial and annual reports of holdings of reportable securities and quarterly reports of transactions involving reportable securities. Access Persons are required to pre-clear most securities trades, and such trades are subject to black-out periods during which personal trades cannot be made. Access Persons are not allowed to purchase a security for which there has been a client transaction within the last seven days. In addition, if there is an intra-day order pending at the time the Access Person is pre-clearing the trade, the trade will not be approved. Certain Access Persons transactions are monitored on a quarterly basis for front running and other activities that may affect client portfolios.

### **Item 12 – Brokerage Practices**

Advantus is responsible for determining what securities will be purchased and sold for certain clients and selecting the broker dealer to execute the transactions on behalf of such clients. Purchases and sales of securities for clients are made in accordance with the investment objectives, strategies and policies of each client. It is Advantus’ policy to seek best execution on behalf of its clients – that is, Advantus seeks to achieve the best overall qualitative execution for a client in a particular circumstance. “Best execution” is not synonymous with the lowest brokerage commission. Consequently, in a particular transaction a client may pay a brokerage commission in excess of that which another broker might have charged for executing the same transaction. Advantus has a best execution policy which describes practices used to seek best execution and outlines how execution is monitored. The results of execution review are reported to the Trading Committee for fixed income and public equity on a semi-annual basis.



In seeking to achieve best execution, Advantus considers the full range and quality of services a broker may provide, including (among other things), the value of research provided as well as execution capability, commission rate, financial responsibility and responsiveness.

## **PUBLIC EQUITY**

For public non-index equity transactions, Advantus sets target commissions for brokers on an annual basis primarily based on the following factors:

- Analyst outreach – effort by the brokerage firm’s research staff to add value through trade ideas, updates on management meetings or property tours, industry trends or analysis, technical market updates, as well as industry conferences organized by the brokerage firm.
- Sales coverage – comprehensive and timely notice of new and available research by the brokerage firm, access to the brokerage firm’s research and trading teams as made available to Advantus by the sales coverage person.
- Deal access – for new and secondary issuance deals, timely notice of allocation request deadlines, pre-deal conference calls, and color on the progress and/or the reception of the deal in the marketplace. Also, judgment of fair allocation relative to deal size, demand, etc.
- Bringing companies in – effort by the brokerage firm, who often organize management non-deal meetings and road shows to meet with shareholders, and to travel to Advantus for one-on-one meetings.
- Trader input regarding Trading Desk coverage can also be a consideration.

Commission targets are not hard targets, but are reflective of the services provided by each broker. They can be changed from time to time by the equity team. Targets may be adjusted because of a drop in research coverage, a personnel change in the research staff or sales coverage itself, a change in the quality of service provided, or any other unforeseen development within the brokerage firm. These targets are reviewed by the Trading Committee at least annually.

For indexed equity trades, there are no targets for trading but trades are done with a limited number of brokers and two ECNs. An ECN is used when equitizing cash by trading exchange traded funds and when trading additions or deletions to the index and share adjustment names when a broker’s services are not needed.

### ***Research and Other Soft Dollar Benefits***

Advantus may cause a client to pay a brokerage commission in excess of that which another broker might have charged for executing the same transaction if it determines that the commission paid was reasonable in relation to the value of the services provided by the broker. If Advantus generates “soft dollars” with respect to trades made on behalf of a client, Advantus will do so within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended. Advantus uses soft dollar benefits to service all of its clients’ accounts and not only those that generate the benefits. Because the brokerage and research benefit all accounts, soft dollar benefits are not proportionally allocated to clients that may generate different amounts of the soft dollar benefits. When Advantus uses client brokerage commissions to obtain research or other products or services, Advantus receives a benefit because it does not have to produce or pay for the research, products or services. As a result, Advantus may have an incentive to select or recommend a broker-dealer based on its interest in receiving the

research or other products or services, rather than on its clients' interest in receiving the most favorable execution.

Advantus sometimes pays more than the lowest possible commission to obtain broker provided research or ideas ("informal soft dollar arrangements"). This is often referred to as "paying up." This practice is also within the soft dollar parameters of Section 28(e).

The types of products provided are research used in managing the accounts, such as index changes, economic and investment strategy research, REIT industry news and research on housing and home builders.

Advantus addresses the potential conflicts of interest related to its use of soft dollars through a variety of processes and procedures. All formal soft dollar arrangements are reviewed and approved annually by the Trading Committee. The Trading Committee reviews execution on an ongoing basis. The Trading Committee reviews broker selection and approval.

The benefits from certain soft dollar arrangements such as index announcements and changes primarily benefits clients who generate those soft dollars. Other formal soft dollar arrangements, although focused on research which benefits the accounts which generate soft dollars, is used for the benefit of other client accounts as well. Advantus does not seek to allocate the benefits to client accounts proportionately to the soft dollar credits those accounts generate.

## **FIXED INCOME**

### ***New Issues***

New issue public fixed income securities are offered by one or more brokers and trades are done with broker(s) offering the transaction. New issue private placement transactions are brought by one or more investment bankers and the transactions are done with the banker offering the transaction.

### ***Secondary Fixed Income Transactions***

There is no target allocation for fixed income brokers. No commissions are charged for fixed income trades except for fixed income futures. All fixed income futures trades are done with one broker. There are no formal soft dollar arrangements for fixed income trades. In accordance with the Advantus best execution policy, Advantus considers the value of research provided by broker dealers in selecting a broker as well as the range and quality of a broker's services including research, execution capability, financial responsibility and responsiveness. Most trades, however, are put out for broker bid and are transacted with the broker with the best price.

Advantus does receive research from brokers, but there are no target allocations for fixed income brokerage. The receipt of broker provided research creates a conflict of interest as Advantus could allocate trades to brokers who provide their research to Advantus. This creates a conflict because Advantus does not have to produce or pay for this research. This creates an incentive to select or recommend a broker-dealer based on Advantus' interest in receiving the research rather than the client's interest in receiving most favorable execution.

Although fixed income secondary trades are generally put in competition with more than one broker and trades awarded based on best price, some trades occur without competitive bidding. These

situations include trades with brokers who have an idea for a new trade, a swap of an existing position for another position, trades involving less liquid securities where, in the professional judgment of the trader, putting dealers in competition may not lead to better execution or it is not practical or possible to put dealers in competition. Advantus also purchases securities offered to Advantus by broker dealers without putting broker dealers in competition.

### ***Brokerage for Client Referrals***

Advantus does not receive referrals of clients from any broker dealers.

### ***Directed Brokerage***

Advantus does permit clients to direct brokerage for equity transactions. Advantus seeks to have directed brokerage trades receive the same consideration and best execution as non-directed brokerage trades. Once the trade is executed by the broker dealer selected, Advantus instructs the executing broker to “step out” the commissions to the client designated broker on the same terms as the original trade. It is possible that there may be certain situations when a client directs brokerage that Advantus may not be able to use the step out process. This situation could result in a directed brokerage client not being able to participate in an aggregated trade which could affect the price at which the directed brokerage client’s transactions would be executed and also affect the commission paid.

### ***Aggregation of Client Orders***

Advantus aggregates purchases and sales of securities for multiple clients as described below. Advantus will not aggregate trades unless it believes that aggregation is consistent with its duty to seek best execution and is consistent with the terms of the investment advisory agreement with each client for which trades are being aggregated. The aggregation of trades permits the trading of blocks of securities composed of assets from multiple clients’ accounts. Aggregation generally allows execution of transactions in a more timely and efficient manner, and may reduce overall execution costs and impact on the market price of the underlying securities.

For public equity, as well as public and private placement fixed income new issues, orders for purchase are generally aggregated. Aggregation is not required for secondary fixed income transactions. A portfolio manager managing accounts in a similar style may, however, aggregate orders for purchase or sale of secondary fixed income transactions. Secondary purchases and sales are done as orders are placed by portfolio managers. By not aggregating all orders for secondary fixed income transactions, clients may receive better or worse pricing or fills on transactions. This could result in some clients receiving more favorable performance.

Allocation policies provide for pro rata allocation in the event that a full order is not received. All exceptions to the pro rata allocation policy, except for rounding and to meet certain de minimis size or position requirements, are reviewed and approved by the compliance department. The firm’s overall compliance with its allocation policy is reviewed periodically by the compliance department and reported to the Trading Committee.

### **Item 13 – Review of Accounts**

All accounts are assigned to one or more portfolio managers who has (have) primary responsibility for the portfolio. The primary portfolio manager(s) review their assigned accounts on a continuous basis. The titles of the supervised persons who conduct these reviews are as follows:

Portfolio Manager  
Associate Portfolio Manager

This review by the portfolio managers involves assessing various attributes of each account, which can include portfolio guidelines, asset values, performance, portfolio structure and holdings.

At least annually, each portfolio manager presents a risk based review of his or her accounts to the Investment Policy Committee. The Investment Policy Committee consists of portfolio managers, quantitative analysts, and other finance and executive persons. This review involves a presentation of the main goals and risks of the strategy, the outlook for the mandate, regulatory and compliance issues, and a discussion of any other risk related issues for the portfolios.

The GIPS Committee, consisting of portfolio managers, marketing, finance, performance and quantitative analysts and executive personnel, reviews performance of accounts within composites, which are similarly managed, for dispersion on a quarterly basis.

In addition to these reviews, if an account with a benchmark under or outperforms its benchmark (if applicable) or peer group (if applicable), by a certain percentage, a performance review committee will meet with the portfolio manager to address concerns.

Advantus provides written account reports to clients monthly or quarterly, depending on the particular arrangement with each client. Matters covered by the reports may include the account's portfolio guidelines and guideline compliance, asset values, performance, performance attribution, sector concentrations, yield curve exposure, portfolio structure, transactions and holdings.

### **Item 14 – Client Referrals and Other Compensation**

Advantus does not receive an economic benefit from any person who is not a client for providing investment advice or other advisory services.

Neither Advantus nor a related person of Advantus directly or indirectly compensates any person who is not our supervised person for client referrals. Note that Advantus does compensate certain sales associates and portfolio managers as discussed in response to Item 5.

### **Item 15 – Custody**

Advantus' clients maintain custody arrangements through independent qualified custodians, except for the MCM Funding Program, described in Item 11. above. An Advantus affiliate has custody of certain

commercial mortgage whole loan notes for two clients, in connection with the MCM Funding Program. These two clients receive account statements from the qualified custodian and the clients should carefully review those statements. Advantus does not send statements to the clients. The mortgage loan notes are kept with BNY Mellon Bank, N.A., a qualified custodian, and are subject to a surprise audit by KPMG, LLC each year.

## **Item 16 – Investment Discretion**

Advantus manages assets on both a discretionary and non-discretionary basis. Some insurance company clients approve every trade. Some clients may not allow Advantus to invest in certain industries. Some insurance company clients also place limits on the amount of losses that can be taken on the sale of a security without prior notification and/or client approval. The authority of Advantus is set forth in the advisory agreement executed with each client or in other client instructions to Advantus.

Investment discretion is generally documented in the advisory agreement between Advantus and each client. In all cases, Advantus exercises its investment discretion in a manner consistent with the stated investment objectives, policies, guidelines, and restrictions/limitations for a particular client account.

For those accounts which are non-discretionary, Advantus is required to obtain client approval prior to each transaction. Non-discretionary accounts may therefore not receive the same opportunities as discretionary accounts to participate in transactions, or if provided opportunities, a non-discretionary account may not provide approval in time to participate in all opportunities. This could result in different performance for non-discretionary clients.

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

From time to time, when requested by clients that hold voting securities, Advantus will vote shares owned by clients. A client may also direct Advantus to vote proxies in accordance with their own guidelines. In some instances Advantus has delegated this duty to the client's custodian. In others, Advantus votes proxies directly.

Advantus has adopted policies and procedures relating to the voting of proxies (the "Proxy Voting Policies") in connection with voting securities held in client accounts, including accounts sub-advised by Advantus, that are designed to help ensure that proxies are voted in the best interests of clients in accordance with Advantus' fiduciary duties and legal and regulatory requirements. The Proxy Voting Policies do not apply to any client that has retained authority and discretion to vote its own proxies or delegated such authority and discretion to a third party; Advantus takes no responsibility for the voting of any proxies on behalf of any such client.

The guiding principle by which Advantus votes on all matters submitted to security holders is the maximization of the ultimate economic value of the securities held by its clients. This principle involves not only the immediate impact of each proposal but other considerations with respect to the security of the shareholders' investments over the long term.

It is the general policy of Advantus to vote on all matters presented to security holders in any proxy that is received by Advantus. Advantus reserves the right to abstain on any particular vote or otherwise withhold its vote on any matter if, in the judgment of Advantus, the costs associated with voting such proxy outweigh the benefits to clients, or if circumstances make an abstention or withholding advisable and in the best interest of clients. The Proxy Voting Policies include proxy voting guidelines that describe generally how proxies will be voted with respect to the certain issues listed. However, these guidelines are just that — guidelines; they are not strict rules that must be obeyed in all cases. The Proxy Voting Policies allow Advantus to vote shares contrary to the typical vote indicated by the guidelines if such a vote is in a client's best interests.

The actual mechanical methods employed for voting proxies is dependent upon the type of client. For those clients who have hired Advantus as an adviser, and not as a sub-adviser, and who have also selected Wells Fargo Bank as their custodian, Advantus has delegated to Wells Fargo Bank the authority to vote proxies on behalf of the client. Proxies are directly sent to Wells Fargo Bank. Wells Fargo Bank votes the proxies according to the Wells Fargo Proxy Voting Policies and Procedures and Guidelines. Wells Fargo Bank employs ISS as its proxy voting agent. ISS is responsible for analyzing proxies and recommending a voting position consistent with the Wells Fargo Bank Proxy Guidelines.

Certain proxy voting proposals may raise conflicts between the interest of the Advantus' clients and the interests of Advantus. The Investment Policy Committee would meet when necessary to approve a vote where a conflict of interest has been identified and the portfolio manager wishes to cast a vote not in accordance with the guidelines. Conflicts of interest are identified initially by the portfolio managers responsible for voting proxies. If a potential conflict is identified, the portfolio manager works with the compliance department to determine if a conflict is present. Conflicts are reported to the Investment Policy Committee. Steps that may be taken in a case of a conflict include following the established proxy policy, requesting that the client vote securities, delegating the vote to a third party, or disclosing the issue to the client.

For almost all other clients, including those clients whose accounts are managed by Advantus as a sub-adviser, Advantus will vote proxies according to the Advantus Proxy Guidelines. Advantus requests information on conflicts of interest related to Wells Fargo Bank proxy voting duties on an annual basis. Any responses from Wells Fargo Bank are reported to the Investment Policy Committee.

Clients may obtain a copy of the Advantus' Proxy Voting Policy or proxy voting results upon request by calling Advantus at 1-866-330-7355 or contact us by email at [advcompliance@advantuscapital.com](mailto:advcompliance@advantuscapital.com).

## **Item 18 – Financial Information**

Advantus does not require or solicit prepayment of any advisory fees. As a result, Advantus is not required to provide a balance sheet for its most recent fiscal year. Advantus is unaware of any financial condition that is reasonably likely to impair its ability to meet its commitments to its clients. Advantus has not been the subject of a bankruptcy petition during the past 10 years.