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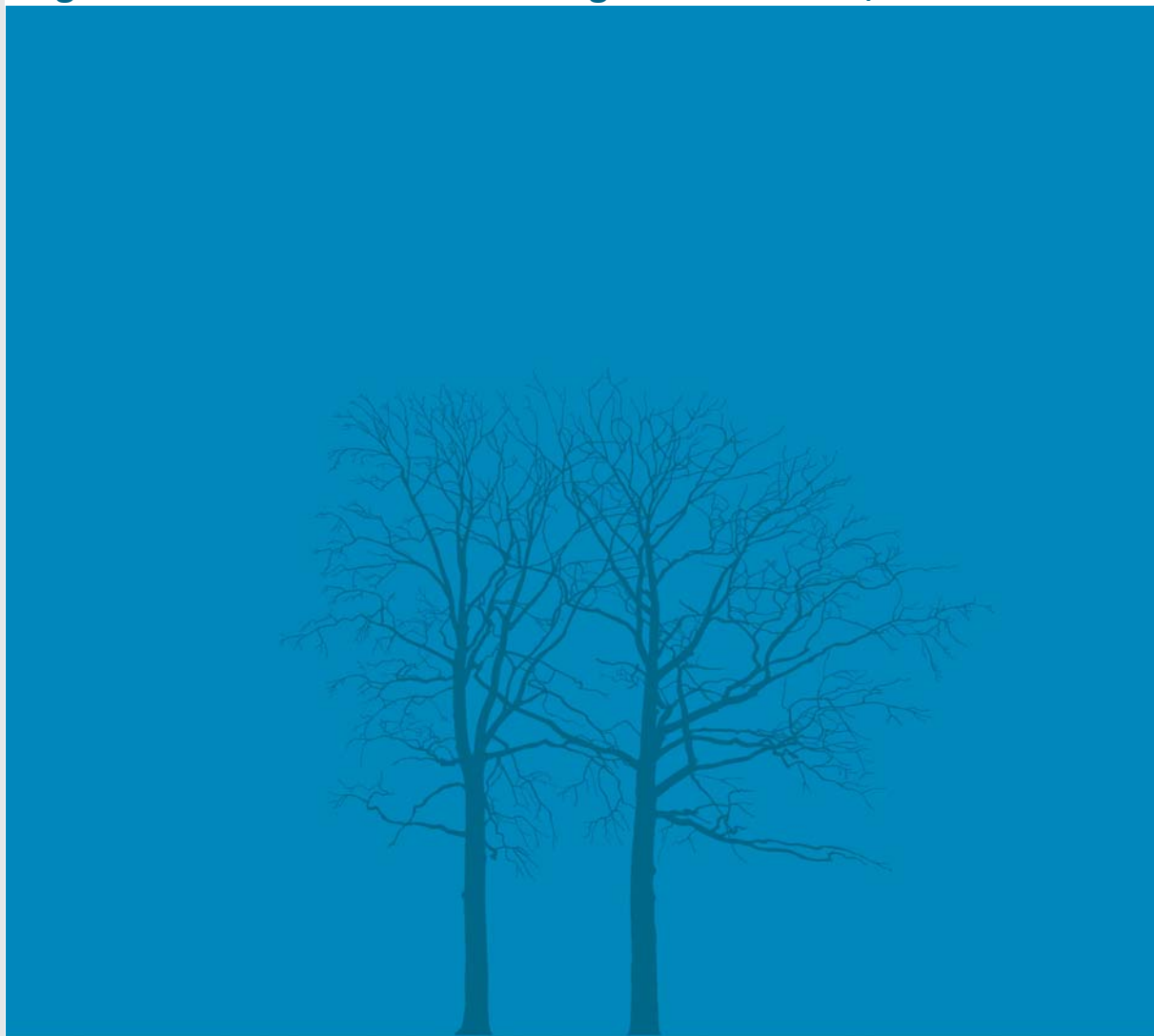
LEGAL & GENERAL INVESTMENT MANAGEMENT AMERICA, INC.

## Brochure / Form ADV 2A

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March 28, 2013

**Legal & General Investment Management America, Inc.**



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## Introduction

Legal & General Investment Management America, Inc. ("LGIMA") is an investment adviser registered with the Securities and Exchange Commission ("SEC"). This brochure provides information about the qualifications and business practices of LGIMA and constitutes our Form ADV Part 2A. If you have any questions about the contents of this brochure, please contact us at (773) 639 3443 or e-mail [lawrence.griffin@lgima.com](mailto:lawrence.griffin@lgima.com).

**The information in this brochure has not been approved or verified by the SEC or any state or foreign securities authority. Registration does not imply that LGIMA, or its associates, have attained a certain level of skill or training. We encourage you to visit the SEC's Investment Adviser Public Disclosure ("IAPD") for more information about LGIMA. The IAPD web address is [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2 – Material Changes

This brochure was last updated on January 8, 2013. The changes herein include: (i) change of title for the Chief Investment Officer from Head of Fixed Income to CIO-Fixed Income; (ii) addition of Completion Management Fee Schedule to the fee structure, as set forth in Item 5; (iii) further conflict of interest disclosures, as set forth in Item 10.



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## Item 4 – Advisory Business

### A. Description of the Advisory Firm

LGIMA is a company incorporated under the laws of the State of Delaware. LGIMA is a wholly owned subsidiary of Legal & General Investment Management (Holdings) Ltd. ("LGIM(H)"), a company incorporated under the laws of England and Wales. LGIMA is a direct affiliate of Legal & General Investment Management Ltd. ("LGIM"), a London-based adviser authorized and regulated by the UK Financial Services Authority. LGIMA is also a direct affiliate of LGIM International Ltd. ("LGIMI"), a London-based adviser authorized and regulated by the UK Financial Services Authority and registered with the Securities and Exchange Commission ("SEC"). LGIMI is also a subsidiary of LGIM(H). LGIM(H) is a wholly owned subsidiary of Legal & General Group PLC ("Legal & General"), a publicly-traded company. These relationships are discussed further in Item 10.

### B. Types of Advisory Services

We provide investment management services on a fully discretionary basis to our clients. We offer these services to clients through separately managed accounts, and also advise three private funds and an SEC registered investment company. Our focus is on fixed income assets with an emphasis on credit strategies. Our investment strategies are described below in Item 8. Our offerings are as follows.

#### 1. Active fixed income strategies

Our active fixed income strategies are:

- Long Duration ("LD") Credit
- Liability-Aware LD Credit
- Long Government Credit
- Liability-Aware Long Government Credit
- Intermediate Duration ("ID") Credit
- U.S. Credit
- U.S. Corporate
- Long Duration ("LD") U.S. Corporate
- Absolute return

#### 2. Liability driven strategies

We offer liability driven investment ("LDI") management services supported by our affiliate, LGIM, under the terms of a participating affiliate agreement ("PAA"). The PAA is structured based on provisions of no-action letters issued by the SEC Staff. The types of support provided by LGIM include the design of LDI investment programs and the development and maintenance of asset-liability risk management tools. This arrangement is discussed further in Item 10.

#### 3. Index tracking strategies

We offer Index tracking investment strategies ("Index Strategies") through an affiliate sub-advisory relationship with LGIMI under the terms of an agreement with LGIMI ("LGIMA Agreement"). From time to time, LGIMI may also use the services of LGIM to assist it in

delivering this service, under the terms of a participating affiliate agreement between LGIMI and LGIM.

#### 4. Adviser to private funds

We are the manager and investment adviser of three private investment funds which are organized as Delaware limited liability companies ("Private Funds"). The Private Funds are: LGIMA Long Duration US Credit Fund, LLC; LGIMA Canada LDI Fund, LLC; and LGIMA Liability Aware Long Duration US Credit Fund, LLC. Any reference to the Private Funds within this brochure is for informational purposes only and is intended to address required disclosures about our business practices and the conflicts associated with managing the Private Funds. Only qualified investors are able to invest in these funds and they should read that fund's confidential private placement memorandum before doing so. No reference within this brochure should be viewed as an offer to sell or an offer to buy an interest in the Private Funds.

#### 5. Sub-adviser to the adviser of an SEC registered investment company

LGIMA serves as a sub-adviser to an unaffiliated investment adviser, SEI Investments Management Corporation ("SEI"). SEI is the investment adviser to SEI Institutional Investments Trust ("Trust"), an open end management investment company registered with the SEC under the Investment Company Act of 1940 ("1940 Act"). The Trust is a mutual fund family that offers shares in separate registered open-end investment companies, or mutual funds. We provide sub-advisory services to SEI in relation to the SEI Institutional Investments Trust – Long Duration Fund and Long Duration Corporate Bond Fund ("Mutual Funds"). The strategy, focus, fees, risks and other information concerning the Mutual Funds is as described in its current Prospectus.

### C. Client Tailored Services and Client Imposed Restrictions

At the start of a client relationship, we and our client agree upon the investment objectives and appropriate levels of risk, and restrictions on investments. These are set forth in an investment management agreement ("IMA"). Under the IMA, we assume discretionary responsibility for the day-to-day management and investment of all securities, cash and other investment instruments agreed upon with the client, unless the client opts for an Index Strategy, in which case the client's assets devoted to this strategy will be managed by LGIMI. Based upon the client's instructions, we define the asset mix that we determine to be most likely to achieve the investment objectives, select investments, execute transactions and manage the client's assets.

The services we provide SEI are established in an Investment Sub-Advisory Agreement between ourselves and SEI.

#### D. Participation in Wrap Fee Program

We do not participate in any Wrap Fee programs.



#### E. Amounts Under Management

As of February 28, 2013, the most recent date for which calculations are available, we manage the following assets.

Discretionary Assets: 32,383,318,092.32

Non-Discretionary Assets: 0

**Total: 32,383,318,092.32**

### Item 5 – Fees and Compensation

#### A. How we are compensated for Advisory Services

Fees are subject to negotiation. The negotiation of fees may result in similarly situated clients paying different fees for comparable advisory services.

We charge a fee expressed as a percentage of the total value of the assets that we manage (“AUM”), generally determined at the end of each month (or quarter). The fees we charge vary based on the investment strategy employed and other factors. There will be a minimum initial investment, or, in the case of the LDI strategy, a minimum fee, required. The minimum initial investment will vary depending on the client’s desired investment strategy, but will generally be \$100 million or more for segregated mandates.

We offer reduced fees to affiliates that provide us with assets to manage, and may offer reduced fees to certain large or strategic investors.

Our basic fee structure is as follows (figures below represent basis points of AUM):

**Figures below represent basis points of AUM**

##### 1. Credit Fee Schedule (minimum AUM: \$100M):

First \$100MM	30
Next \$150MM	25
Next \$250MM	20
Thereafter (\$500MM+)	15

\*Customized/Liability Aware Long Duration Credit +5bps

##### 2. LDI Strategy Fee Schedule

Derivative Management Fees (minimum fee: \$100K):

First \$100MM	12
Next \$400MM	7
Next \$500MM	5
Above \$1B	3

Treasury Management Fees (minimum AUM: \$100M):

	Treasury Bonds	Treasury STRIPS
First \$100MM	12	17
Next \$150MM	10	15
Next \$500MM	7	12
Above \$1b	5	10

##### 3. Completion Management Fee Schedule

Liability Hedge Management Fees (minimum fee: \$100K):

First \$250MM	5
Next \$250MM	3
Next \$500MM	2
Thereafter	1

\*Fees on Total Plan Assets

Funding Ratio Monitoring Fees (minimum fee: \$50K):

First \$250MM	3
Next \$250MM	2
Next \$500MM	1
Thereafter	0.5

\*Fees on Total Plan Assets

##### 4. Index Strategy Fee Schedule

For clients who choose an Index Strategy, the fees range from 1 basis points (0.01%) to 25 basis points (0.25%). The client pays us that fee and we, in turn, pay a portion of our fee to LGIMI.

#### B. Payment of Fees

Fees are generally payable monthly or quarterly in arrears, according to the terms of the IMA.

#### C. Clients Are Responsible for Third-Party Fees

Our fees are exclusive of brokerage commissions, “spreads,” transaction fees and other related costs and expenses: these are incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other service providers such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

#### D. Prepayment of Fees

We do not require the prepayment of fees.

#### E. Outside Incentives for Recommendations of Securities

We do not accept any compensation from third parties for the sale of securities. All compensation received by us comes from our clients.

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

We do not have any performance-based fee arrangements with our clients.

### Item 7 – Types of Clients

Our clients generally are affiliated and non-affiliated institutional investors, as well as private pension plans and pension funds, certain of which are subject to the U.S. Employee Retirement Income Security Act ("ERISA"). We also provide discretionary investment management services to the Private Funds, to the adviser of the Mutual Funds, to a public retirement plan, and to a university endowment.

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

Our research and portfolio management activities, and investment decisions, are a joint responsibility of our Portfolio Management Teams and Credit Research Team.

#### A. Methods of Analysis and Investment Strategy

Portfolio construction begins with consideration of the client's investment objectives with respect to risk and potential returns. Once this occurs, the client's portfolio is grouped into a composite with those of other clients, if any, with similar investment objectives, guidelines, restrictions and benchmarks. This process helps the Portfolio Management Teams define the universe of acceptable securities to be considered for investment. Assets are purchased on the basis of and subject to the investment objectives and restrictions in the client's IMA. The IMA stipulates the allowable types of investments and permissible ratings, concentrations and restrictions. The team reviews the IMA to ensure that it understands what it can and cannot do. It maintains communications with clients to ensure that it processes properly and timely every change to the IMA, including investment objectives and restrictions. Every decision to buy or sell is taken within the parameters of the investment objectives and restrictions.

Investment decisions with respect to issuer and specific bond exposures are a joint responsibility of our two teams, the Portfolio Management Teams and the Credit Research Team. The Credit Research Team specializes in different sectors and industries. The analysts in the Credit Research Team review financial results, management strategy, asset protection, covenants, collateral and relative valuations, and other factors, in formulating their recommendations. The Credit Research Team analysts and Portfolio Management Teams members stay in constant communication about changes in research opinions and market dynamics. Portfolio managers regularly consult with the Credit Research Team when considering transactions.

The securities and instruments in which we invest on behalf of clients include corporate bonds, preferred stock, municipal securities, sovereign debt, treasury debt, agency debt, credit derivatives, interest rate derivatives, money market instruments, commercial paper, asset backed securities (ABS) of all types including asset-backed commercial paper, credit card ABS, auto ABS, student loan ABS, commercial mortgage ABS and residential mortgage ABS (agency, non-agency, subprime, Alt-A), futures contracts, swaps and other derivative instruments, along with certificates of deposit.

Clients wishing to pursue an LDI strategy will deal in all instances with us in crafting a pension solution, but it should be noted that the associated persons of our affiliate, LGIM, may be involved in providing such services – at all times through us and not directly to our clients. See Item 10.

For clients wishing to pursue an Index Strategy, their assets will be managed by LGIMI. Here, the product focus will be on segregated portfolios of equity index tracking investments, principally non-U.S. (tracking MSCI and/or FTSE indices or similar) and U.S. domestic (tracking S&P and/or Russell indices or similar). LGIMI, which will manage client portfolios for this strategy, will also offer bond tracking investments, to the extent that these are required. All investments will be managed on a discretionary basis. Investment managers will have the discretion to invest in shares (ordinary and preferred), depositary receipts (both American and Global), warrants, collective investment schemes, convertibles, government bonds, Eurobonds, commercial paper, certificates of deposit and exchange traded futures and options (both single stock and index). These will be traded on those venues and with those counterparties judged to give best execution. There will be no OTC derivatives other than forward foreign exchange trades used for hedging purposes.

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

#### B. Material Risks Involved

**General Investment Risks:** All investors bear certain risks when investing their money, regardless of the asset class, sector or instrument chosen. Securities or other financial instruments may fluctuate in value or lose value or may expose a client account to counterparty risks. While we seek to manage such risks, there can be no guarantee that we will be successful or that you will not suffer losses.

**Fixed Income Market Risk:** Fixed income securities' value generally increases or decreases based on changes in interest rates. If interest rates increase, the value of fixed income securities is highly likely to decline. On the other hand, if rates fall, the value of the fixed income securities is highly likely to increase. The longer a fixed income instrument's duration, the greater the impact a change in interest rates can have on its price.

#### C. Risks of Specific Securities Utilized

**Fixed Income Securities:**

**Call Risk, Prepayment Risk:** A callable fixed income security allows the issuer to call, or repay, the security early. Declining interest rates may accelerate the redemption of a callable security, causing

an investor's principal to be returned sooner than expected. In that scenario, investors have to reinvest the principal at the lower interest rates. For, particularly, mortgage-backed securities, the risk exists that declining interest rates or a strong housing market will cause mortgage holders to refinance or otherwise repay their loans sooner than expected and thereby create an early return of principal to holders of the loans.

**Credit Risk:** Fixed income securities carry the risk of default and/or downgrades over time. If an issuer defaults, it would be unable to pay scheduled interest and principal payments. Thus, an investor who experiences a default is highly likely to experience a loss in value. Fixed income securities can also be subject to a decline in credit ratings. As these ratings are one of the bases the market uses to price risk, a decline in the credit rating often leads to a decline in the market value of the security.

**Issuer Risk:** The value of a fixed income security may decline because of negative events or circumstances that directly relate to conditions at the issuer, its affiliates, or to any entity providing it credit support.

**Asset-Backed Securities:** Asset-backed securities may decline in value when defaults on the underlying assets (e.g. mortgages, student loans etc.) occur and these securities may exhibit increased volatility in periods of changing interest rates. When interest rates decline, the resulting prepayment of mortgages or assets underlying such securities may result in diminished returns.

**Convertible bonds:** Convertible bonds are subject to risk of loss due to changes in interest rates and credit quality, and are further subject to the risk that the underlying equity will lose value, affecting the price of the bond. Falling equity prices will generally exert a negative influence on convertible bond prices, while rising equity prices are a positive factor.

**Derivatives:** We invest on behalf of our clients in both exchange-traded and over-the-counter derivatives (both cleared and non-cleared), including, but not limited to, futures, forwards, swaps, options, and swaptions, primarily for hedging purposes. These instruments can be highly volatile and expose clients to a risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. Over-the-counter derivatives also involve counterparty solvency risk and the risk that a buyer may not be able to be found, given the lack of an exchange market.

**Counterparty risk:** Securities and derivative transactions involve counterparty credit risk and will expose clients to possible unanticipated losses to the extent that counterparties default or are unable or unwilling to fulfil their contractual obligations.

## Item 9 – Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

## Item 10 – Other Financial Industry Activities and Affiliations

Our sole business is providing investment advisory services to our clients, directly or, for Index Strategies, with the services of LGIMI. We are not engaged in any other business endeavor.

A. Registration as a Broker/Dealer or Broker-Dealer Representative

Neither we nor any management person are registered as a broker-dealer or as representatives of a broker-dealer.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator or a Commodity Trading Advisor

Neither we nor any of our management persons are registered as an FCM, CPO or CTA.

C. Relationships Material to our Advisory Business and Conflicts of Interests

As noted above, we are a wholly owned subsidiary of LGIM(H) which, in turn, is a wholly owned subsidiary of Legal & General. We are an affiliate of LGIM and LGIMI, both of which are "related persons" as this term is defined and used in Form ADV. We identify our Related Persons in our Form ADV Part 1.

### Corporate Structure

Legal & General has three principal subsidiaries:

- LGIM(H), our parent company and the parent of LGIM and LGIMI;
- Legal & General Insurance Holdings No. 2 Limited; and
- Legal & General Overseas Operations Limited.

We manage certain assets of Legal & General companies ("L&G Assets") under a sub-advisory investment management agreement with LGIM. The L&G Assets consist of assets from portfolios of the following Legal & General companies:

- Legal & General Pensions Limited
- Legal & General Assurance (Pensions Management) Limited
- Legal & General Assurance Society Limited
- Legal & General Investment Management Limited
- LGIM (Ireland) Risk Management Solutions Plc

We also manage certain portfolios of L&G Assets under direct IMAs with the following Affiliates:

- Legal & General Assurance Society Limited
- Banner Life Insurance Company (Maryland)
- William Penn Life Insurance Company of New York
- First British Vermont Reinsurance Company Limited (Vermont)
- First British American Reinsurance Company II (South Carolina)
- First British Bermuda Reinsurance Company II, Limited (Bermuda)



- First British Vermont Reinsurance Company (Vermont)
- Legal & General Investment Management Limited

#### Activities with our Parent, LGIM(H), and its subsidiaries

The activities among LGIMA and LGIM(H) (and any LGIM(H) subsidiary, including LGIM and LGIMI) are the following.

1. LGIM(H) controls, but does not supervise, LGIMA. LGIMA has a Chief Executive Officer ("CEO") to supervise LGIMA, and employs a CCO and staff to implement and enforce LGIMA's compliance policies, procedures and controls.
2. LGIMA manages L&G Assets for LGIM.
3. Certain LGIM(H) officers or directors are officers or directors of LGIMA, including Mike Craston, the LGIMA CEO.
4. Other than for the Private Funds and the Mutual Funds, under a Service Level Agreement ("SLA") between LGIMA and LGIM(H), LGIM(H) is generally responsible for the pricing and valuation of client assets and the calculation of fees that LGIMA charges its clients, the activities of which are delegated to LGIM. LGIM has an asset pricing framework that sets out the policies and procedures for pricing securities and financial instruments to ensure a fair, accurate and consistent valuation. The approach is to use automated feeds from multiple vendors where practicable. The actual price utilized is governed by a series of hierarchies. The LGIM Asset Pricing Committee oversees and approves pricing policies and methodologies across all asset classes. It also has the responsibility for ensuring appropriate procedures are in place to resolve pricing issues as and when they arise. The committee chair and membership are drawn from directors and senior managers within the business. The LGIM Chief Compliance Officer and Head of Operational Risk Management attend this committee. This committee, in turn, reports to the LGIM Risk and Compliance Committee. Due to the fact that LGIM is an affiliate of LGIMA, and to address the conflicts of interest arising out of this, controls have been implemented to ensure that the price feeds that are used to value assets are independent from any Legal & General group company and cannot be amended or substituted by LGIM(H), LGIM, LGIMA or LGIMI (although prices can be challenged through a documented, monitored and controlled price challenge process).
5. Under the SLA, LGIM(H) provides certain administrative, IT and operational services to LGIMA. These include the following: administrative (computer data processing, administration of banking, insurance and reinsurance, HR); finance and accounting; IT; legal, taxation, treasury, internal audit, risk, press office and planning services; compliance with group matters (e.g. group wide Schedule 13D/G, Form 13F and 13H filings with the SEC); certain valuation and pricing services (noted above); and the processing of certain derivative transactions, including collateral management. For these services,

LGIMA pays LGIM(H) fees via indirect expense allocations.

6. LGIMI provides discretionary investment management services for LGIMA clients whose assets are managed with an Index Strategy. To date, there have not been any and there are presently no such index clients. Under this arrangement, our clients open accounts with us, not LGIMI. LGIMA will be responsible for marketing, account opening, IMAs with clients and client take-on. Clients will make their own custodial arrangements. LGIMA will provide client facing services to those of our clients using the Index Strategy and will be responsible for sales and marketing of index tracking products as well as reporting to clients. LGIMI will manage the assets of clients in accordance with the LGIMA Agreement. LGIMA will also be involved with client servicing. LGIMA will issue and review all marketing materials for compliance issues. Trading for the portfolios will be carried out by LGIMI issuing trade instructions to LGIM's central dealing desk. Middle and back office functions will be performed by LGIM staff.
7. LDI services offered by LGIMA to its clients based on the assistance of LGIM under the PAA.
8. Investment research services relating to U.S. high yield assets offered by LGIMA to LGIM. For these services, LGIM pays LGIMA fees via indirect expense allocations.

#### Conflicts of Interest due to these Relationships

To address the conflicts that arise as a result of these activities, controls consisting of informational and operational barriers between LGIMA, LGIMI and LGIM in all aspects (other than in the limited instance of LGIMI acting as a sub-adviser to LGIM with respect to the Index Strategies) have been put into place and are monitored.

As noted above, under the terms of the PAA, the associated persons of LGIM provide LGIMA certain services regarding LDI for LGIMA for it to provide to its clients.

Under the PAA:

- the associated persons provide LDI services; and
- the participating affiliate, LGIM, is subject to compliance with certain controls, including record retention, ensuring personal account trading clearance for associated persons and the provision of records to the SEC when and as required by the participating affiliate no-action letters and the PAA.

LGIMA buys and sells commercial paper for its LGIMA Capital Account. LGIMA may buy or sell commercial paper for its clients. On occasion, LGIMA may buy or sell the same issue of commercial paper for itself and for its clients. As noted in Item 11.B, we do not believe that this involves a material conflict of interest.

In limited instances during portfolio ramp-ups and rebalancings, LGIMA may, if authorized in the investment management agreement and if done in conformance with applicable law, engage in cross transactions between clients, which does pose a risk that



one client may be favored over another. To account for this, LGIMA maintains a Cross Trading Policy that only permits such trading under certain conditions, provided the trading is in the best interests of the clients. Prior to such a trade, LGIMA Compliance is notified and must be given a clear rationale for the trade, which it then closely monitors.

Other than as stated in this brochure, LGIMA does not exercise discretion or control over the assets of any other Legal & General group company.

From time to time, an LGIMA client account may buy, hold or sell a security that a related person of LGIMA has, independently, caused one of its own clients to buy, hold or sell. This would arise as a result of separate and independent investment processes.

LGIMA's policies and procedures, and controls, are intended to address the impact of these and other conflicts of interest. LGIMA's research, recommendations and placing of orders are done independently from LGIM(H), LGIMA's affiliates and all related persons. If investments in the same security were to occur, it would be the result of independent research, recommendations and trading activity, and not through information sharing (intentional or otherwise), knowledge or any other means.

LGIMA has certain clients whose pension solution directs the use of in-house pooled funds, as well as the management of assets on a segregated basis, which can create conflicts between such clients and LGIMA, as well as between clients or other pooled fund investors. LGIMA does not charge management fees for such clients at the pooled fund level. When managing the assets of such clients, the decision of allocating assets to or from the pooled fund is made by the Pension Solutions Investment Committee on a firmwide, and not individual client, basis.

The portfolio managers managing LGIMA's clients' accounts may manage other client accounts with an identical or substantially similar investment strategy. Side-by-side management of different types of accounts involves conflicts of interest when two or more accounts invest in the same securities or pursue a similar strategy. These conflicts include the possibility of the favorable or preferential treatment of an account or a group of accounts. Other conflicts can include those related to the allocation of investment opportunities, particularly with respect to securities that have limited availability, such as initial public offerings, and transactions in one account that follow closely related transactions in a different account (e.g. a purchase of securities for an account after a purchase of the same securities in another account has increased the value of the securities).

LGIMA seeks to ensure that all client accounts are treated fairly and equitably. Purchase and sale opportunities are allocated equitably. In general, investment decisions for each account are made with specific reference to the client's stated investment objectives and restrictions. There is no requirement that LGIMA use the same procedures consistently with respect to all accounts. Different strategies and client guidelines and restrictions may lead to the use of different methodologies. Accordingly, LGIMA may exercise investment responsibility or take other actions for some clients that may differ from the advice given, or the timing and nature of actions taken, for other clients. Investment results for different accounts, including accounts that are generally managed in a similar style, may differ as a result of these considerations.

Some clients may not participate in certain investments in which other clients participate, or may participate to a different degree or at a different time than other clients do.

All aspects of operations under the PAA are monitored to ensure that no LGIM person other than the associated persons are involved in the provision of LDI services, and that LGIMA client information is properly safeguarded and segregated and subject to strict controls.

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

### **A. Code of Ethics**

We administer and enforce a Code of Ethics ("Code") pursuant to Advisers Act Rule 204A-1. This includes provisions to address ethical standards of behavior, conflicts of interest, personal account trading, the reporting of violations of the Code and other requirements. We treat all employees and persons engaged with us as "access persons" and "supervised persons", as defined in the Advisers Act and Rule 206(4)-7. Certain provisions of the Code cover their "connected persons" (family members living in their households and sharing beneficial ownership of securities).

The areas covered by the Code are:

- prohibition against the misuse of material non-public information;
- personal trading rules (pre-clearance, reporting and analysis);
- limits on giving and accepting business-related gifts and entertainment;
- reporting of business-related gifts and entertainment;
- dealing with conflicts of interest;
- respecting LGIMA corporate and client confidential information;
- establishing standards of behavior; and
- requiring the reporting to the CCO of any violations of the Code.

As LGIM manages the Index Strategy assets of certain of our clients, we coordinate the monitoring of personal trading activities of LGIMA's access persons, and the associated persons of LGIM who are involved with this (under the supervision of LGIM), with our activities with respect to our own access persons.

This is a summary of our Code. We will provide you with a copy of our Code upon request.

### **B. Recommendations Involving Material Financial Interests**

We may, under unusual circumstances, buy or sell for a client commercial paper that we may buy or sell for our own account. We believe the opportunities for this circumstance to arise are limited and, due to the generally liquid nature of the markets for commercial paper, unlikely to present a material conflict of interest with our clients. Nevertheless, when such an occurrence arises, we will document the transaction and closely monitor the situation.

### C. Investing Personal Money in the Same Securities as Clients

Personal trading may only be undertaken consistent with our Code, which contains controls intended to prevent our personnel from investing in the same securities as clients. Among these is a prohibition on trading in fixed income securities for personal accounts. Nonetheless, under certain unusual circumstances, our personnel may be invested in the same securities as our clients.

### D. Trading Securities At/Around the Same Time as Clients' Securities

From time to time, under certain unusual circumstances, LGIMA personnel may buy or sell securities for themselves at or around the same times as clients.

***It is the express policy of LGIMA that no access person or associated person shall breach a fiduciary duty owed to a client, place his or her own interests ahead of those of a client or make personal investment decisions based on the investment decisions or orders being worked for clients.***

LGIM, which provides advisory services to certain of our clients pursuant to the PAA, may recommend securities to its own clients or invest on its clients' behalf in securities that are the subject of recommendations to or discretionary trading on behalf of LGIMA's clients. See Item 10 for further information about the PAA and controls intended to address conflicts of interest relating to the PAA.

## Item 12 – Brokerage and Trading Practices

As noted above, LGIMI manages the assets of our clients for Index Strategies. LGIMI manages the portfolios and routes orders to LGIM for execution. A discussion of how LGIMI operates is contained in its Form ADV Part 2A, a copy of which is given to those of our clients who select Index Strategies when they open an account, annually and in the event of a material amendment to the disclosures contained therein.

The remainder of the discussion in this Item 12 pertains to how LGIMA manages assets.

### A. Factors Used to Select Broker-Dealers and Counterparties

**Selection:** We receive authority from our clients pursuant to IMAs, which authorize us to select broker-dealers and counterparties through which to execute transactions on behalf of our clients. We are generally not required to provide notice to, consult with or seek the further consent of clients prior to engaging in transactions.

We have processes and procedures to approve broker-dealers and counterparties. Requests are approved by the CIO-Fixed Income and the CEO or the Chief Operating Officer ("COO") before trading may commence.

We place orders with broker-dealers or counterparties that are on our approved list. Before a broker-dealer or counterparty may be used, it must have been reviewed and approved in accordance with our Broker and Counterparty Approval and Monitoring Procedures. The only exceptions to this process are cases where

the approval process takes longer than expected. In such instances, in order to take advantage of an investment opportunity we believe is beneficial for the client, we may execute a trade with a broker-dealer or counterparty that has been submitted for approval, but has not been approved yet. This is done only with the prior approval by the CIO-Fixed Income and the CEO or the COO.

A primary consideration in assessing and selecting any broker-dealer or counterparty will be an assessment of counterparty risk and the provision of best execution. The selection of broker-dealers and counterparties is based on a number of factors which include the quality of sales coverage, the ability to generate ideas and research recommendations, capital commitment/liquidity, certainty of execution, product availability, and credit-worthiness. Rather than employing a specific formula to evaluate these criteria and submit a prospective broker-dealer or counterparty for approval, the desk relies on experience and general knowledge to determine whether or not to pursue approval. However, provided best execution is not prejudiced, the selection of a particular broker-dealer or counterparty may also be influenced by other factors as follows:

- liquidity concentration;
- fees charged;
- quality of research;
- level of specialist trading expertise in particular markets;
- operational infrastructure;
- compliance with applicable laws and regulations; or
- financial condition.

Among the factors considered in approving a firm's credit-worthiness are its P&L, balance sheet, credit rating and types of trades in which it engages.

**Monitoring and Evaluation:** We monitor each broker-dealer and counterparty and the quality of services that each provides, and evaluate each for the purposes of deciding whether to place trades with that counterparty or whether to close a relationship.

**Trading:** For secondary market trades, sales or purchases of securities may be done independently, based on historical experience with dealers across sectors or via a Bid Wanted in Competition ("BWIC") or Offer Wanted in Competition ("OWIC"). If a trade is to be executed via a BWIC or OWIC, major market participants or institutions making markets on the security or asset class are included in the group of potential counterparties for that trade. A security or list of securities is sent to all identified institutions (per the criteria above), and after a reasonable amount of time, each party will send in a bid or offer based on what is consistent with the market for the security such as spread to swaps, spread to Treasuries, discount margin or simply dollar price. The party with the best bid or offer level or price is then selected and the trade is executed with that party.

When trades are not affected by BWIC or OWIC, trades are executed with parties that have the best market or are consistent market makers in the security. Market reasonability can often be assessed by examining price runs from a variety of participants and dealers or via phone, Bloomberg, TradeWeb, e-mail or other sources.

LGIMA may operate in the OTC or derivatives markets where liquidity may be thin or prices may not move along a continuum.



Achieving a desired trading outcome may be more complex than simply buying or selling at the best price and will depend significantly on the decision taken by investment managers on when and with which broker-dealer or counterparty to execute a particular trade.

**Best Execution:** Best execution applies only to secondary market trades as all new issue purchases will be executed with the sponsoring institution of the new issue transaction at the offering price.

Best execution does not necessarily mean achieving the lowest possible price or transaction cost. The key criterion, according to the SEC, is “whether the adviser selects the transaction that represents the best qualitative execution” for the account. It is a qualitative assessment bearing in mind factors such as:

- price;
- costs;
- speed;
- likelihood of execution;
- likelihood of settlement;
- size of the trade;
- nature of the trade; and
- any other factor relevant to the execution of the order.

The relative importance and weighting of these factors varies trade by trade and is determined by reference to the characteristics of the order, the instrument, the execution venues on which the order can be executed and the characteristics and categorization of the client. These are assessed by the Portfolio Managers in deciding how best to transmit and/or execute each order. Because of the complexity of this analysis and the complexity of each client’s trading strategy, LGIMA relies on the judgment and skill of its Portfolio Managers and traders to achieve best execution on a case-by-case basis and on the processes described herein.

When considering best execution, the Portfolio Managers seek to gather price information from a variety of sources as previously described in order to judge relative value. In this process, information about inventory levels is also generally disclosed. Historical experience with counterparties is also factored in as quotes received from counterparties are not firm obligations and counterparties may not be able to honor quotes previously provided. Ultimately, the Trading Desk will execute with the broker-dealer or counterparty that is most likely to maximize the benefit to our clients’ portfolios based on the factors previously outlined. Not all secondary market transactions in corporate bonds are executed in competition because the issuer or security may be unique and LGIMA must exercise discretion in sourcing a trade so as not to draw undue market attention to our inquiry. Revealing our intent in some circumstances may have a material negative impact on our ability to maximize value for our clients.

The CIO-Fixed Income, or a designee, reviews best execution by periodically reviewing executed trades against generic quotes available via Bloomberg runs to ensure execution levels are broadly consistent with what the Bloomberg runs indicate. Other factors considered in this review are the size of the executed trades, the broker-dealers or counterparties with whom the trades were executed and whether there is anything unique about the issuer or security that factored into the trading decision. This is achieved by examining a random sample of executed trades. After completing

the review, the reviewer certifies, or has another certify, that the reviewed trades were executed in accordance with the Best Execution Policy and submits the review results to Compliance. The CCO reviews the submitted monthly results to ensure all sampled trades were in compliance with the Best Execution Policy.

#### A1a-e. Research and Other Soft Dollar Benefits

While we do not have formal “soft dollar” arrangements, we may pay a broker or counterparty a spread in excess of that which another broker may have charged for effecting that transaction, in recognition of the value of the research provided by that broker. In selecting a broker providing research to execute client transactions, we will make a good faith determination that the amount charged is reasonable in relation to the value of the research received, viewed either in terms of the specific transaction or our overall responsibility to the accounts over which we exercise investment discretion.

We may choose on a case-by-case basis to place a trade with a particular broker when, for example, a research analyst at that broker has furnished us with valuable perspective or advice regarding a specific company or security or its trading market. In order to have continued access to that type of perspective and advice, we may develop relationships with brokers who have research and analytical expertise relevant to the needs of LGIMA and our clients.

Such products or services received from brokers as a result of clients’ transactions may be used by us in servicing other accounts.

#### A2a-b. Brokerage for Client Referrals

We do not receive client referrals from broker-dealers or counterparties.


#### A3b. Client Directed Brokerage

We do not permit client-directed brokerage.

#### B. Aggregating (Block) Trading for Multiple Client Accounts

We will generally execute transactions on an aggregated basis when we believe this will allow us to obtain best execution and more favorable commission rates or other transaction costs that might otherwise have been paid had such orders been placed independently. When aggregating orders, all of our clients will be treated in a fair and equitable manner. No account will be favored over any other client; however, a variety of factors are determinative of whether a particular client may or may not participate in a particular aggregated transaction. These factors include, but are not limited to: investment objectives and strategies, position weightings, cash availability, and risk tolerance. Because of differences identified above, there may be differences in invested positions and securities held which could lead to security dispersion among client accounts.

**Trade Errors:** Consistent with our fiduciary duties, our policy is to exercise care in making and implementing investment decisions for client accounts. Under our trading errors policy, to the extent trade errors occur, we seek to ensure that clients’ best interests are served. Our policy is to resolve all trade errors as quickly as possible while ensuring the client is not disadvantaged, consistent



with the orderly disposition (and/or acquisition) of the securities in question. Actual losses suffered by a client account as a result of a trade error caused by us will be reimbursed by us; however, as a general matter, we do not compensate clients for lost investment opportunities (e.g., the failure to take advantage of investment or market improvements).

### Item 13 – Review of Accounts

#### A. Frequency and Nature of Periodic Reviews and Who is Responsible for Reviews

We maintain continuous scrutiny of our performance, the positions in the accounts we manage and also the consequences of risk. Our Operations Team and Portfolio Managers conduct daily review of the investment activities in each client account in an effort to ensure that the assets are managed in conformity with the stated investment objectives and restrictions. For those of our clients whose assets are invested in Index Strategies, LGIMI works in tandem with us in carrying out those responsibilities.

#### B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

We may review client accounts as a result of major changes in macro- or microeconomic conditions, and material market, economic or political events. Further, changes in regulation may cause us to review client accounts. LGIMI does this with us for those of our clients whose assets are invested in Index Strategies.

#### C. Content and Frequency of Regular Reports Provided to Clients

Clients receive on a monthly or quarterly basis (as agreed with their custodian): (i) statements from their custodian, which include, among other things, the change in value of their accounts since the last reports that were provided, and (ii) a list of transactions effected and related data. Clients typically receive on an annual basis statements from their custodian containing performance information based on an agreed upon set of procedures.

We also may provide reports to clients that are tailored to meet client requests.

For index strategies, LGIMI will provide reports to LGIMA for us to send to our clients regarding trading activity and holdings. In addition, reports may be provided by LGIMI via LGIMA that are tailored to meet client-specific requests.

### Item 14 – Client Referrals and Other Compensation

We have not entered into any contractual arrangements or agreements with firms or individuals that may solicit or have solicited clients for us. Neither we nor our employees receive compensation from third parties.

### Item 15 – Custody

For our clients, including those invested in Index Strategies, and in the case of the Mutual Funds, we do not maintain custody of client assets.

In our role as managing member of the Private Funds, we may have legal access to the Private Funds' securities or funds in a manner which could result in our being deemed to have "custody" of the Private Funds' assets. To mitigate the risks posed by this arrangement:

- The assets of the Private Funds are maintained with independent, qualified custodians;
- The Private Funds are audited by an independent accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board annually, and investors in the Private Funds will receive copies of these reports.

We encourage clients to compare information in our reports to reports provided by the client's qualified custodian and to contact LGIMA or their independent custodian regarding any questions about their account statements.

### Item 16 – Investment Discretion

As discussed above, we have discretionary authority to manage the assets in a client's account subject to the investment limitations and restrictions set out in the IMA relating to that account. For clients pursuing an Index Strategy, we delegate discretionary investment management control to LGIMI.

### Item 17 – Voting Client Securities

Our proxy voting policies and procedures are adopted to ensure compliance with Rule 206(4)-6 under the Advisers Act and are designed and implemented in a manner reasonably expected to ensure that proxy voting is exercised in the best interests of our clients. For purposes of these policies and procedures, proxy voting includes any voting rights, consent rights or other voting authority of ours on behalf of our clients, but shall not include matters which are primarily investment decisions, including tender offers, exchange offers, conversions, put options, redemptions and Dutch auctions.

All issues concerning the voting of proxies are considered on a case-by-case basis in the best interests of our clients as determined by the Portfolio Manager, who takes into consideration any relevant contractual obligations under our client IMA, as well as other applicable facts and circumstances.

Recognizing that proxy voting is a rare event in the realm of fixed income investing and is typically limited to the solicitation of consent to changes in features of debt securities, these policies and procedures also apply to any voting rights and/or consent rights of LGIMA, on behalf of our clients, with respect to debt securities, including but not limited to, plans of reorganization, and waivers and consents under applicable indentures.

While we actively monitor corporate events, in the majority of cases it may not be possible or in the client's best interests for LGIMA to vote all proxies concerning corporate actions. This may be because:

- The size of the clients and of the positions held may mean it is uneconomic and not in the clients' best





interests to employ a proxy service to manage the voting of all proxies;

- Trading strategies employed by the clients may mean that positions are held on a short term basis and the periods of ownership may not give rise to voting rights; or
- The client's trading strategy may mean that it is not in the best interests of the client to "block shares" for a certain period as the client may wish to be able to dispose of those shares at any time.

Team members will use their discretion and judgment in deciding whether it is in the best interests of the client to vote particular proxies on a case-by-case basis. LGIMA does not adopt a set of proxy voting policies indicating which way it will vote on particular issues. All issues are considered on a case-by-case basis in the best interests of the clients as determined by the Portfolio Manager.

We monitor compliance with our policy and report discrepancies to Compliance who will evaluate the situation and take action as required.

[ERISA clients: For ERISA clients, we consider the information provided to and generated by us and, acting in the best interests of such clients, vote the securities.]

Conflicts of Interest: We have policies and procedures designed to manage the voting of proxies in the case of securities which may be the subject of a conflict of interest.

The Portfolio Manager will review each proxy to determine whether voting or not voting the proxy gives rise to a material conflict of interest. As part of this review, we will determine whether the issuer of the security or proponent of the proposal is a client of ours, or if a client has actively solicited us to support a particular position. If no conflict exists, the CIO-Fixed Income will determine whether to vote the proxy. However, if a conflict does exist, we will seek to resolve any such conflict in accordance with these policies and procedures, failing which the proxy might not be voted or voted in a certain manner. All such situations will be documented.

In the event any conflict of interest may arise, we will disclose the circumstances of any such conflict to client(s) and in most cases either convene an ad-hoc committee to assess and resolve the conflict, forward the proxy materials to the client to vote, vote according to recommendation of an independent third-party service provider or take such other action as may be appropriate under the particular circumstances.

Disclosure: Except to the extent required by applicable law or otherwise approved by LGIMA, we will not disclose to third parties how we voted a proxy on behalf of a client. However, upon request from an appropriately authorized individual, we will disclose to our clients or the entity delegating the voting authority to us for such clients (e.g., trustees or consultants retained by the client), how we voted such clients' proxies.

## Item 18 – Financial Information

We do not have any adverse financial information to disclose. Our management believes that we are financially sound.