

**Brochure**

SunAmerica Asset Management, LLC

Harborside Financial Center, 3200 Plaza 5

Jersey City, NJ 07311-4992

201-324-6300

[www.safunds.com](http://www.safunds.com)

March 31, 2014

**This brochure provides information about the qualifications and business practices of SunAmerica Asset Management, LLC (“SAAMCo”). If you have any questions about the contents of this brochure, please contact us at 201-324-6300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about SAAMCo also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**SAAMCo is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.**

## **Item 2 - Material Changes**

This following is a summary of the material changes made to the Brochure since the last annual update to the Brochure dated January 3, 2014.

- Item 9 (Disciplinary Information) has been revised to remove disciplinary information regarding the September 11, 2003 settlement (File No. 3-11254; USDC/SDNY: 03-CIV-7045) between American International Group, Inc. and the U.S. Securities and Exchange Commission. This event occurred more than 10 years ago and is no longer required to be disclosed.

*Please consult the full Brochure for additional information regarding the changes described above. Capitalized terms used in this section shall have the meanings assigned to them in the main body of the Brochure.*

### **Item 3 - Table of Contents**

Item 4 – Advisory Business.....	4
Item 5 - Fees and Compensation.....	4
Item 6 - Performance-Based Fees and Side-By-Side Management.....	5
Item 7 - Types of Clients.....	5
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Item 9 - Disciplinary Information.....	6
Item 10 - Other Financial Industry Activities and Affiliations.....	9
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	11
Item 12 - Brokerage Practices.....	13
Item 13 - Review of Accounts.....	16
Item 14 - Client Referrals and Other Compensation.....	16
Item 15 - Custody.....	17
Item 16 - Investment Discretion.....	17
Item 17 - Voting Client Securities.....	17
Item 18 - Financial Information.....	18

#### **Item 4 - Advisory Business**

SAAMCo was incorporated as a Delaware corporation in 1982 and was converted to a single member Delaware limited liability company effective December 31, 2013. SAAMCo is a wholly-owned subsidiary of American General Life Insurance Company (“AGL”) and an indirect, wholly-owned subsidiary of American International Group, Inc. (“AIG”), a publicly traded company.

SAAMCo primarily offers investment management and advisory services to open-end U.S. registered investment companies (each a “Registered Fund” and collectively, the “Registered Funds”), including to offshore, wholly-owned subsidiaries of certain of the Registered Funds (each a “Subsidiary” and collectively, the “Subsidiaries”) (the Registered Funds and the Subsidiaries are collectively referred to as the “funds” or “clients”). In certain instances, SAAMCo may enter into subadvisory agreements with other investment advisers with respect to the funds it manages. The types of funds managed and/or advised by SAAMCo include equity, fixed income, money market, alternative strategy, global strategy and asset allocation funds (“funds of funds”). The investment management and advisory services provided by SAAMCo to each fund are governed by the investment advisory agreement entered into between SAAMCo and the fund. SAAMCo provides these services in accordance with such advisory agreements, and in accordance with the investment objectives, policies, techniques and restrictions set forth in each fund’s prospectus, Statement of Additional Information (“SAI”), investment guidelines and/or other offering documents, as applicable. The investment advice provided to the funds is provided on a discretionary basis.

Pursuant to Rule 204-3 of the Advisers Act, and the Instructions to Form ADV, SAAMCo is not required to prepare or deliver a brochure with respect to its Registered Fund clients as a result of the exceptions to the brochure delivery requirement applicable to clients that are U.S. registered investment companies. Accordingly, while certain of the responses set forth in this Brochure may apply to SAAMCo’s advisory business generally, certain responses are tailored to clients that are not excepted from the delivery requirement (*i.e.*, the Subsidiaries).

As of February 28, 2014, SAAMCo managed approximately \$57 billion of client assets on a discretionary basis. SAAMCo does not manage any client assets on a non-discretionary basis.

#### **Item 5 - Fees and Compensation**

As compensation for the investment management and advisory services provided to clients, SAAMCo receives a fee based on a percentage of assets under management, payable in arrears. Fees generally are subject to negotiation based on factors including, but not limited to, the client’s investment strategies and/or investment guidelines, the type of account and the services provided to the client. SAAMCo bills clients for fees incurred, generally on a monthly or quarterly basis.

Given that the vast majority of SAAMCo's clients are U.S. registered investment companies rather than individuals or other types of institutional accounts, SAAMCo does not maintain standard fee schedules for the investment strategies it employs. Information regarding the advisory or subadvisory fees paid to SAAMCo by its Registered Fund clients and the Subsidiaries is disclosed in the Registered Funds' registration statements and shareholder reports.

The Registered Funds (except for the funds of funds) and the Subsidiaries will incur brokerage and other transaction costs in connection with the advisory services provided by SAAMCo or a subadviser, as applicable. Please see the "Brokerage Practices" section of this Brochure for additional information about how SAAMCo selects broker-dealers to execute client transactions. In addition, information about the fees and expenses that a Registered Fund may incur, including custodian and transfer agency expenses, is contained in the Registered Fund's prospectus, SAI and shareholder reports. Certain fee and expense information about the Subsidiaries can also be found in such documents, as well as in the custody and administrative services agreements each Subsidiary has entered into with certain investment service providers (*i.e.*, custodian, administrator, etc.)

Certain employees of SAAMCo that are also registered representatives of AIG Capital Services, Inc. ("ACS") are compensated by SAAMCo based in part on sales of certain of the Registered Funds. ACS, a registered, limited-purpose broker-dealer, is a subsidiary of SAAMCo and serves as the distributor to a number of the Registered Funds. These registered representatives do not recommend any investment products to SAAMCo's clients.

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

This item is not applicable because neither SAAMCo nor any of its supervised persons accept performance-based fees.

#### **Item 7 - Types of Clients**

As discussed above, SAAMCo offers investment management and advisory services exclusively to the Registered Funds and the Subsidiaries.

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

In providing investment management and advisory services to each Subsidiary, SAAMCo oversees a subadviser who provides day-to-day portfolio management services to both the Subsidiary and the corresponding Registered Fund. There are currently two Subsidiaries for which SAAMCo provides such investment management and advisory services, the Alternative Strategies Subsidiary and the Global Trends Subsidiary, each as defined below. The Alternative Strategies Subsidiary seeks to provide long-term total return by utilizing an actively managed quantitative investment process to provide exposure to a diversified portfolio of alternative, or non-traditional, investment strategies and asset classes, and by investing in U.S. Government securities and other fixed income

securities. The Global Trends Subsidiary seeks to achieve capital appreciation by investing primarily in commodity futures contracts and commodity futures-related instruments (collectively, “commodity futures instruments”). The Global Trends Subsidiary expects to invest a significant portion of its assets in repurchase agreements collateralized by obligations of the U.S government and its agencies, and may also invest in other high-quality, short-term securities (“money market instruments”). The primary purpose of the repurchase agreements and other money market instruments held by the Global Trends Subsidiary will be to serve as collateral for the commodity futures instruments; however, these instruments may also earn income for the Global Trends Subsidiary.

The investments held by each Subsidiary are generally similar to those that are permitted to be held by the corresponding Registered Fund and are subject to the same risks that apply to similar investments if held directly by the Registered Fund. The principal risks related to the Registered Funds and, as applicable, the Subsidiaries, are included in the attached Appendix 1. These principal risks, as well as additional information on the investment strategies employed by the Registered Funds and the Subsidiaries, are contained in the prospectuses and SAIs of the Registered Funds.

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

## **Item 9 - Disciplinary Information**

The following is a description of legal or disciplinary events that SAAMCo believes may be material to a client’s or prospective client’s evaluation of SAAMCo’s advisory business or the integrity of SAAMCo’s management.

1) On September 20, 2010 the Vermont Department of Banking, Insurance, Securities and Healthcare Administration (“BISHCA”) entered an order (10-076-S) alleging that SunAmerica Annuity and Life Assurance Company (“SALAC”) violated the Vermont Uniform Securities Act by (1) using a prospectus that was ambiguous in describing its automatic asset rebalancing program feature applicable to certain variable annuities, and (2) not rebalancing certain subaccounts within the annuities to return to allocating given in the account owners’ last trade instructions. SALAC, without admitting or denying the statement of facts and conclusions of law contained in the order, consented to the entry of the order. SALAC paid BISHCA a total of \$100,000 as follows: (1) \$40,000 as an administrative penalty; (2) \$40,000 to be applied to the Vermont Securities Investor Education and Training Fund; and (3) \$20,000 for costs incurred by BISHCA as a result of the examination. In addition to the \$100,000 in aggregate payments to BISHCA, within 30 days of SALAC’s receipt of release agreements from affected account owners, SALAC was required to reverse the automatic asset rebalancing transactions to 100% of the September 30, 2008 amounts for such accounts who delivered release agreements.

2) On September 28, 2007 the SEC entered a cease and desist order settling an administrative proceeding (Admin. Proc. File No. 31-12850) against SALAC, an advisory affiliate and SAAMCo's sole shareholder, settling an administrative proceeding relating to SALAC's role as credit enhancer in three municipal bond issuances in 1999 and 2000. The SEC alleged that SALC, under its former name, Anchor National Life Insurance Company, failed to disclose to the bond issuers a fee arrangement between SALAC and the bond program advisor that could have threatened the tax-advantaged nature of the bonds. The SEC alleged that the failure of SALAC to disclose this arrangement was a cause, under Section 8(a) of the Securities Act of 1933, as amended (the "Securities Act"), of the bond program advisor's violation of Section 17(a)(2) of the Securities Act. SALAC, without admitting or denying the SEC's findings or allegations, consented to the settled proceeding and agreed to cease and desist from making or causing further violations of Section 17(a)(2) of the Securities Act.

3) On February 9, 2006, the SEC filed a complaint (USDC/SDNY:06-CIV-1000) against AIG alleging that from 2000 until 2005, AIG materially falsified its financial statements in order to strengthen the appearance of its financial results to analysts and investors. In doing so, the SEC alleged that AIG had violated Section 17(a) of the Securities Act and Sections 10(b), 13(a), and 13(b)(5) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rules 10b-5, 12b-20, 13a-1, 13a-13 and 13b-2 thereunder. On February 17, 2006, AIG entered into a settlement agreement with the SEC in connection with the accounting and financial reporting practices of AIG and its subsidiaries. Without admitting or denying the allegations in the SEC complaint, AIG consented to the issuance of a final judgment: (a) permanently restraining and enjoining AIG from violating Section 17(a) of the Securities Act and Sections 10(b), 13(a), 13(b)(2) and 13(b)(5) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-13 and 13b-2 of the Exchange Act; (b) ordering AIG to pay disgorgement in the amount of \$700 million; and (c) ordering AIG to pay a civil penalty in the amount of \$100 million. AIG also entered into an agreement with the United States Department of Justice in connection with the accounting and financial reporting practices of AIG and its subsidiaries. As part of that agreement, AIG paid a \$26 million fine deposited into the United States Postal Inspection Consumer Fraud Fund. As part of these settlements, AIG has agreed to retain for a period of three years an independent consultant who will conduct a review that will include the adequacy of AIG's internal controls over financial reporting and the remediation plan that AIG has implemented as a result of its own internal review.

4) On May 26, 2005, the New York Attorney General ("NYAG") and the New York Superintendent of Insurance filed a complaint (Supreme Court in the State of New York, County of New York Index No. 401720/2005) against AIG as well as its former chairman and chief executive officer and former vice chairman and chief financial officer. The complaint asserts claims under New York's Martin Act and insurance law, among others, and makes allegations concerning certain transactions and certain practices entered into by AIG and certain of its subsidiaries. On February 9, 2006, AIG entered into settlement agreements with the NYAG and the New York State Department of Insurance ("DOI") in connection with the financial reporting and insurance brokerage practices of AIG and its subsidiaries, as well as claims relating to the underpayment of certain workers

compensation premium taxes and other assessments. Under the agreement, \$375 million was paid into a fund under the supervision of the NYAG and the DOI for alleged injuries caused by certain practices with respect to excess casualty insurance. In addition, approximately \$343.5 million will be used to compensate each of the fifty states in connection with the payment of certain workers compensation premium taxes and other assessments. In addition, AIG paid a \$100 million fine to the State of New York. As part of these settlements AIG agreed to retain for a period of three years an independent consultant who will conduct a review that will include the adequacy of AIG's internal controls over financial reporting and the remediation plan that AIG has implemented as a result of its own internal review.

5) On November 30, 2004, the U.S. Department of Justice ("DOJ") filed a criminal complaint (CIV-042070) against AIG-FP PAGIC Equity Holdings ("AIG-FP PAGIC"), a wholly-owned subsidiary of AIG Financial Products Corp. ("AIG-FP"), in turn a wholly-owned subsidiary of AIG. The complaint alleged that AIG-FP PAGIC violated federal securities laws by aiding and abetting securities law violations by a public company, PNC Financial Services Group, Inc. ("PNC"), in connection with a transaction entered into in 2001 with PNC that was intended to enable PNC to remove certain assets from its balance sheet. The complaint alleged that AIG-FP PAGIC knew, or was deliberately ignorant in not knowing, that the PNC transaction did not satisfy the requirements of GAAP for non-consolidation of special purpose entities. The AIG-FP PAGIC transaction was the last of three similar transactions developed, marketed and entered into by AIG-FP and its subsidiaries with PNC during 2001. The DOJ notified AIG-FP that, in its view, AIG-FP, acting through certain of its employees, may have violated federal criminal law in connection with the PNC transactions and the marketing of similar transaction structures to other financial counterparties. AIG-FP PAGIC was dissolved on February 3, 2006. The DOJ entered into settlement agreements with AIG and AIG-FP and a deferred prosecution agreement with AIG-FP PAGIC. Under the terms of the settlement, AIG-FP paid a monetary penalty of \$80,000,000, and, provided that AIG, AIG-FP and AIG-FP PAGIC satisfy their obligations under the DOJ agreements, the DOJ will seek a dismissal with prejudice of the AIG-FP PAGIC complaint after 13 months and will not prosecute AIG or AIG-FP in connection with the PNC transactions or the Brightpoint, Inc. transaction that was settled by AIG with the SEC in 2003. The obligations of AIG, AIG-FP and AIG-FP PAGIC under the DOJ agreements relate principally to cooperating with the DOJ and other federal agencies in connection with their related investigations. On December 16, 2005 the DOJ filed a motion to dismiss with prejudice the AIG-FP PAGIC complaint and on January 17, 2006 the court signed an order granting the motion resulting in the final disposition of the AIG-FP PAGIC matter.

6) On November 30, 2004, the SEC filed a civil action (CIV-042070) against AIG alleging violations of certain antifraud provisions of the federal securities laws and for aiding and abetting violations of reporting and record keeping provisions of those laws. The SEC's action arose out of the conduct of AIG, primarily through its wholly owned subsidiary, AIG-FP. The SEC alleged that: (1) in developing, marketing and entering into three transactions during 2001 that were intended to enable PNC to remove certain



assets from its balance sheet, and (2) in marketing similar transaction structures to other potential counterparties, AIG-FP recklessly misrepresented, and was reckless in not knowing, that the transactions entered into with PNC and marketed to other potential counterparties did not satisfy the requirements of GAAP for non-consolidation of special purpose entities. AIG, without admitting or denying the allegations in the SEC complaint, consented to the issuance of a final judgment: (a) permanently enjoining it and its employees and related persons from violating Section 10(b) of the Exchange Act, Exchange Act Rule 10b-5, and Section 17(a) of the Securities Act and from aiding and abetting violations of Sections 13(a) and 13(b)(2)(a) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1, and 13a-13; (b) ordering AIG to disgorge \$39,821,000 in fees that it received from the PNC transactions, plus prejudgment interest of \$6,545,000; and (c) providing for AIG to retain an independent consultant to examine certain transactions entered into between 2000 and 2004 and to establish a transaction review committee to review the appropriateness of certain future transactions.

## **Item 10 - Other Financial Industry Activities and Affiliations**

### *Broker-Dealer or Registered Representative Registrations*

Certain “management persons” of SAAMCo, as defined in the Instructions to Form ADV and which include principal executive officers and directors and other individuals with similar status or performing similar functions, as well as personnel that determine general investment advice to be given to clients, are registered representatives of ACS, a registered broker-dealer.

### *Commodity Pool Operator or Associated Person Registrations*

SAAMCo is registered with the National Futures Association (the “NFA”) as a commodity pool operator (“CPO”). In addition, one or more “management persons” of SAAMCo is registered with the NFA as an associated person of SAAMCo.

### *Relationships with Related Persons*

SAAMCo serves as investment adviser and manager to each series (fund) of the following companies (each, a Registered Fund client): Anchor Series Trust, Seasons Series Trust, SunAmerica Equity Funds, SunAmerica Income Funds, SunAmerica Money Market Funds, Inc., SunAmerica Series, Inc., SunAmerica Series Trust, SunAmerica Specialty Series and SunAmerica Senior Floating Rate Fund, Inc. SAAMCo also serves as investment adviser and manager to the Subsidiaries, which consist of SunAmerica Alternative Strategies Cayman Fund Ltd. (the “Alternative Strategies Subsidiary”), a wholly-owned subsidiary of SunAmerica Alternative Strategies Fund, and SunAmerica Global Trends Cayman Fund Ltd. (the “Global Trends Subsidiary”), a wholly-owned subsidiary of SunAmerica Global Trends Fund. Each of the SunAmerica Alternative Strategies Fund and SunAmerica Global Trends Fund is a series of SunAmerica Specialty Series.

SAAMCo is an affiliate of The Variable Annuity Life Insurance Company (“VALIC”), the investment adviser of VALIC Company I and VALIC Company II (the “VALIC Funds”), as both advisers have a common indirect parent company, AIG. SAAMCo serves as the subadviser to several of the VALIC Funds. SAAMCo also serves as administrator to the Registered Funds, as well as to the VALIC Funds.

In connection with each of the arrangements described above, the relevant agreement governing such arrangement is subject to approval by the Board of the applicable Registered Fund, including a majority of the Board’s directors/trustees who are not “interested persons,” as defined in section 2(a)(19) of the Investment Company Act of 1940 Act, as amended (the “1940 Act”)(the “Independent Directors”).

SAAMCo is an affiliate of various broker-dealers, including FSC Securities Corporation, Royal Alliance Associates, Inc., SagePoint Financial, Inc., VALIC Financial Advisors, Inc. and Woodbury Financial Services, Inc. These affiliated broker-dealers are authorized to sell shares of the Registered Funds. Moreover, SAAMCo or its affiliates may make payments to these affiliated broker-dealers in connection with the sale of shares of the Registered Funds and/or the provision of shareholder services.

For certain retirement accounts (e.g., an IRA Account) (the “Retirement Accounts”) that invest in the Registered Funds, AIG Federal Savings Bank (“AIG Bank”), an affiliate of SAAMCo, functions as the custodian. SAAMCo has an administrative services agreement with AIG Bank, under which SAAMCo performs certain services on behalf of AIG Bank in AIG Bank’s role as custodian for the Retirement Accounts that hold shares of certain of the Registered Funds. The Retirement Accounts pay annual fees (which vary per account) to SAAMCo on behalf of AIG Bank, a percentage of which is distributed to AIG Bank.

SAAMCo is affiliated with VALIC, American General Life Insurance Company and The United States Life Insurance Company in the City of New York (the “Affiliated Insurance Companies”), the separate accounts of which may invest in certain of the Registered Funds. Such Registered Funds may make payments to certain Affiliated Insurance Companies for services provided to owners of corresponding annuity contracts issued by the Affiliated Insurance Companies. These payments may create a conflict of interest as they may be a factor that the Affiliated Insurance Companies consider when including the Registered Funds (or series thereof) as underlying investment options in variable annuity contracts. The SunAmerica Alternative Strategies Fund and the SunAmerica Global Trends Fund, as well as their respective Subsidiaries, are not offered as investment options for the separate accounts of the Affiliated Insurance Companies.

In addition, pursuant to arrangements between SAAMCo and certain of the Affiliated Insurance Companies, SAAMCo contributes to these Affiliated Insurance Companies certain net fees earned through its management role to certain of the Registered Funds. Moreover, pursuant to arrangements between SAAMCo and certain Affiliated Insurance Companies, SAAMCo is paid an administrative services fee with respect to certain of the Registered Funds. Finally, pursuant to administrative services agreements between

SAAMCo and certain Affiliated Insurance Companies, SAAMCo pays a fee to such Affiliated Insurance Companies for providing administrative services to certain of the Registered Funds or for the benefit of certain variable annuity contract owners, as applicable.

Certain management persons of SAAMCo also serve as officers and/or directors of ACS and/or one or more of the Registered Funds. In addition, certain management persons of SAAMCo also serve as directors of the Subsidiaries.

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

### *Code of Ethics*

SAAMCo has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act (the “Code”). The Code sets forth the standard of conduct that SAAMCo requires of its personnel. In particular, the Code requires honest and ethical conduct by its personnel, compliance with applicable laws and governmental rules and regulations, the prompt internal reporting of violations of the Code, and accountability for adherence to the Code.

The Code also sets forth certain restrictions on personal trading by “Access Persons” and “Advisory Persons.” Access Persons generally include SAAMCo’s directors and officers, as well as employees who (i) have access to nonpublic information regarding any client’s purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any Registered Fund or (ii) are involved in making securities recommendations to clients, or have access to such recommendations that are nonpublic. Advisory Persons include any trustee, director, officer or employee of a client or SAAMCo who, in connection with his or her regular functions or duties, makes, participates in, or obtains information regarding, the purchase or sale of a security by a client, or whose functions relate to the making of any recommendations with respect to such purchases or sales. Examples of Advisory Persons are portfolio managers, traders and investment analysts. Certain key provisions of the Code are outlined below.

All Access Persons and Advisory Persons must pre-clear their personal transactions in covered securities prior to execution, except as specifically exempted under the Code. In addition, no Access Person or Advisory Person may profit from short-term trading, which is defined as trades of securities subject to preclearance requirements that are initiated and closed within a 60-day period. Moreover, no Access Person or Advisory Person may acquire securities in a Public Offering or Private Placement (as defined in the Code) without prior approval of the compliance department. All Access/Advisory Persons are required to provide quarterly reports and certifications regarding their securities transactions and annual reports regarding their securities holdings.

In addition, no Advisory Person may (i) purchase a security (or security or instrument the price of which is derived from such security) within 7 calendar days before a purchase or sale in that same security occurs on behalf of a client; (ii) sell a security (or security or

instrument the price of which is derived from such security) within 7 calendar days before a sale in that same security occurs on behalf of a client; or (iii) purchase or sell a security (or security or instrument the price of which is derived from such security) within 7 calendar days after a purchase or sale in that same security occurs on behalf of a client.

Exceptions from the prohibitions and restrictions outlined in the Code can be granted only upon determining that the transaction for which an exception is requested would not violate the spirit of any policy embodied in the Code, and that an exception is appropriate to avoid an injustice to the Access/Advisory Person in the particular factual situation.

Upon discovering a violation of the Code, SAAMCo may impose such sanctions as deemed appropriate, including, among other things, a letter of censure, disgorgement of profits, suspension, or termination of employment of the violator or any other penalty deemed to be appropriate.

SAAMCo has also adopted an Insider Trading and Material Non-Public Information Policy and Procedures (the “Insider Trading Policy”), which is incorporated by reference into the Code. Pursuant to the Insider Trading Policy, SAAMCo prohibits its officers, directors, employees and other supervised personnel, and members of their immediate family sharing the same household, from engaging in trading, either personally or on behalf of others (including clients managed by SAAMCo), on the basis of material, non-public information (“MNPI”) or communicating such MNPI to others (except as described in the Insider Trading Policy).

SAAMCo will provide copies of the Code to clients or prospective clients of SAAMCo upon request.

#### *Material Interest in Securities Recommended to Clients*

SAAMCo provides investment advisory services to certain index funds (whose investment goals are to provide results that correspond generally to the performance of a particular market index), and to passively-managed portions of certain Registered Funds that are managed to correspond generally to an index. In accordance with applicable SEC guidance, such funds, or portions thereof, may trade in AIG stock to the extent AIG is represented in the target index.

SAAMCo also serves as investment adviser and manager with respect to the funds of funds, which invest in other Registered Funds (the “Underlying Funds”). In managing the funds of funds, SAAMCo will have the authority to allocate and reallocate each fund of fund’s assets among the Underlying Funds. SAAMCo may be subject to potential conflicts of interest in allocating the fund of fund’s assets among the various Underlying Funds because the fees payable to SAAMCo by some of the Underlying Funds are higher than the fees payable by other Underlying Funds and because SAAMCo is also responsible for managing the Underlying Funds. However, SAAMCo has a fiduciary duty to act in the fund of funds best interests when selecting the Underlying Funds.

## **Item 12 - Brokerage Practices**

In placing portfolio transactions with brokerage firms for those SAAMCo clients for which SAAMCo retains day-to-day portfolio investment discretion, it is SAAMCo's policy to seek best execution, which involves a number of factors that may not be quantifiable. Best price, giving effect to commissions and other transactions, is an important factor, but the selection also involves the quality of brokerage and research services, which may include the following: execution capabilities, settlement capabilities, ability to position, willingness to bid on various securities or enter into swap agreements, ability to provide quotes or maintain a market, research services, administrative and underwriting ability, ability to provide information on a particular security or market, capable floor brokers or traders, competent block trading coverage, responsiveness, capital strength and stability and willingness to commit capital, reliable and accurate communications, clearance and settlement processing, use of automation, knowledge of other buyers or sellers, and arbitrage skills. The applicability of the specific criteria will vary depending upon the nature of the transaction, the market in which it is effected, and the extent to which it is possible to select from among multiple broker-dealers capable of effecting the transaction. Transactions will not always be executed at the best available price. The previously mentioned brokerage and research services, among others, may also be considered.

SAAMCo has entered and, from time to time, may enter, into arrangements with various brokers where, in consideration for providing brokerage and research services and subject to Section 28(e) of the Exchange Act, SAAMCo allocates brokerage to those firms, provided that the value of the research and brokerage services is reasonable in relationship to the amount of commission paid and subject to best execution (commonly known as "soft dollar" arrangements). Such research or brokerage services may be the broker's own research or brokerage services, e.g., "paying up" for proprietary research, or research or brokerage services obtained by the broker from a third party, e.g., third-party research. Soft dollar arrangements primarily involve an investment adviser's receipt of products and services, other than the execution of securities transactions, from or through a broker in exchange for the adviser's direction of client brokerage transactions to the broker. SAAMCo does not make binding commitments as to the level of brokerage commissions it will allocate to a broker, nor will it commit pay cash if any informal targets are not met. In connection with the aforementioned soft dollar arrangements, SAAMCo may cause a client to pay higher commissions than would be obtainable for execution by other brokers where research is not obtainable in recognition of the value of the useful information provided by such brokers.

SAAMCo believes that access to research provided by brokers is an important resource for its research and investment processes and that such research benefits SAAMCo because it does not have to produce or pay for the research. However, receipt of products or services other than brokerage or research is not a factor in allocating brokerage.

Generally, research services provided by brokers may include information on the economy, industries, groups of securities, individual companies, statistical information,

accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, proxy research analyses, and risk measurement analysis. Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with securities analysts. In addition, such research services may be provided in the form of access to various computer-generated data, computer software, and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives.

Research furnished by brokers, dealers, or others may be used in servicing any one or all of the clients of the firm. Such research may be used in connection with accounts other than those that pay the commissions to the broker providing the services. SAAMCo may have an incentive to select or recommend a broker based on its interest in receiving such research, rather than on the clients' interest in receiving the most favorable execution; however, SAAMCo has policies and procedures in place that are designed to ensure that it seeks best execution on behalf of clients.

To the extent that SAAMCo receives both administrative benefits and research and brokerage services from the services provided by brokers, SAAMCo would make a good faith allocation between the administrative benefits and the research and brokerage services and pay for the administrative benefits in cash. From time to time, SAAMCo may independently acquire for uses other than its investment management of client accounts the same services as those provided by a broker. In such instances, SAAMCo will pay cash for those services.

At least semi-annually, SAAMCo reviews and considers the amount, nature and quality of research and research services provided by brokers, as well as the extent to which such services are relied upon, and will determine whether to allocate a portion of the brokerage business of its clients on the basis of that consideration. The actual brokerage business received by a broker may be more or less than the suggested allocation, depending on whether SAAMCo believes that the broker is providing best execution and most advantageous price in light of all applicable considerations.

Consistent with SAAMCo's obligation to seek best execution and subject to compliance with applicable securities laws and regulations, the Board of a Registered Fund may instruct SAAMCo and/or a subadviser to direct brokerage of the Fund to certain brokers under an agreement whereby these brokers would pay designated Fund expenses. No informal arrangements to direct portfolio securities transactions to a particular broker are permitted. Furthermore, in no event may commissions paid by a Registered Fund be used to pay expenses that would otherwise be borne by any other Fund, or by any other party.

SAAMCo may aggregate orders for clients for which SAAMCo retains day-to-day portfolio investment discretion. SAAMCo believes that generally it can most effectively seek best execution for all of its clients, if it aggregates orders for such clients. SAAMCo will only aggregate client orders, however, if it can fairly and equitably do so, consistent with principles of best price and best execution and the terms of the clients' investment

advisory agreements. SAAMCo will not aggregate orders if it believes that aggregation would cause its clients' costs of execution to be increased. SAAMCo believes that in the appropriate circumstances, aggregating client orders for the same security permits all clients in the order to participate equitably in purchases and sales.

As such, in appropriate circumstances, SAAMCo may include transactions of clients who have directed the use of a particular broker in the bunched order. In such cases, the executing broker must agree to transfer the portion of the order attributable to the client who has directed the use of a particular broker to the broker designated by the client ("stepping out" the trade). If the broker does not agree to step out the trade, the order will need to be executed separately through the broker designated by the client, which may affect SAAMCo's ability to obtain best execution and best price for the client for the particular transaction more than if the client's trade had been aggregated with other client orders. Notwithstanding the foregoing, all brokerage transactions are subject to best execution under the circumstances.

In addition, certain of the Registered Funds (or series thereof) advised by SAAMCo are index or other "passively managed" funds (i.e., funds for which the selection of portfolio securities is based on the constitution of an index such as the S&P 500, for example, and not on active stock selection and research) (the "Passively Managed Funds"). The trades for the Passively Managed Funds will be executed separately and will not be aggregated together with the trades for the actively managed Registered Funds.

### **Item 13 - Review of Accounts**

With respect to the Registered Funds for which SAAMCo retains day-to-day portfolio investment discretion, SAAMCo's Chief Investment Officer reviews all account activity on an ongoing basis and the Portfolio Policy Committee performs analytical reviews of all such portfolios. The Portfolio Policy Committee meets on a regular basis and conducts reviews on each portfolio at least twice per annum. Reviews will also be triggered by other events, including significant changes in market conditions, significant performance issues, and/or changes in portfolio managers and other personnel, among other material considerations. Reviews will track performance relative to appropriate benchmark indices and/or peer group averages. Reviews will also include analysis of quantitative and qualitative factors, as appropriate, which may include portfolio characteristics and attribution, recent transactions, risk measurement and analysis, portfolio manager outlook and internal and external research needs. The Portfolio Policy Committee is comprised of the Chief Investment Officer and other personnel. Reviewers will be instructed to consider appropriate quantitative and qualitative factors.

With respect to the Registered Funds, and the Subsidiaries, for which SAAMCo delegates day-to-day portfolio investment discretion to subadvisers, representatives of SAAMCo's investment department who are responsible for oversight of the subadvisers' investment activities will generally perform reviews of such subadvised portfolios at least annually. Reviews will also be triggered by other events, including changes in the portfolio management team, investment approach and style, organization and/or ownership of sub-

advisers, among other material considerations. Reviews will track performance relative to appropriate benchmark indices and/or peer group averages. Reviews will include analysis of quantitative and qualitative factors, as appropriate. Reviews will be conducted by investment analysts of varying titles and will be subject to oversight by senior investment personnel. Reviewers will be instructed to consider appropriate quantitative and qualitative factors. The number of accounts assigned to each analyst will vary based on level of experience, among other factors.

SAAMCo provides Registered Fund clients with written reports at each quarterly Board meeting and more frequently as requested by these clients. Such reports discuss the Registered Funds' performance relative to appropriate benchmark indices and/or peer group averages, and such other factors as appropriate.

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

SAAMCo may receive financial support for distribution-related services from subadvisers to whom SAAMCo has delegated day-to-day portfolio investment discretion with respect to certain Registered Fund clients, including support to help offset costs for training to support sales of shares of such Registered Funds.

#### **Item 15 - Custody**

SAAMCo does not act as a custodian for client assets. However, under Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), SAAMCo may be deemed to have custody of client funds or securities with respect to the Subsidiaries as a result of the fact that certain officers, directors or employees of SAAMCo also serve as directors of the Subsidiaries and/or authorized persons under the Subsidiaries' custody services agreements. In this capacity, such persons may have sufficient authority under the relevant fund documents to be deemed to have custody of the funds or securities of the Subsidiaries under the Custody Rule. These persons do not, however, act as qualified custodians of the assets of the Subsidiaries. The Subsidiaries have entered into custody services agreements with a qualified custodian who acts as custodian of the assets of the Subsidiaries, and who sends account statements to certain authorized persons at SAAMCo. The financial statements of each Subsidiary are consolidated into the financial statements of the corresponding Registered Fund and are audited in connection with the audit of the Registered Fund. This audit is performed by an independent registered public accountant.

#### **Item 16 - Investment Discretion**

SAAMCo maintains discretionary authority to manage the assets of the Registered Funds and the Subsidiaries. Such discretionary authority is granted through investment management and advisory agreements between SAAMCo and each of these clients.

The Registered Funds and the Subsidiaries impose certain investment restrictions and limitations on the management of their assets. These investment restrictions and



limitations are evidenced in writing in the prospectus and SAI of each Registered Fund and, with respect to each Subsidiary, in the investment advisory agreement between SAAMCo and the Subsidiary.

### **Item 17 - Voting Client Securities**

SAAMCo has adopted policies and procedures (collectively, the “Proxy Policy”) that are used to vote proxies relating to portfolio securities held by the Registered Funds and the Subsidiaries. The Proxy Policy provides for the establishment of a Proxy Voting Committee, whose purpose is to administer the voting of proxies in accordance with the Proxy Policy. The Proxy Voting Committee will consist of a member of the SAAMCo’s Investment department, at least one member of the Legal and Compliance Department, and at least one person who oversees subadvisers. The Proxy Voting Committee has established proxy voting guidelines according to recommendations from SAAMCo and VALIC, and from an independent proxy voting agent (the “Guidelines”). The Proxy Voting Committee utilizes the independent proxy voting agent to assist in issue analysis and vote recommendation for proxy proposals. In particular, the Guidelines identify certain vote items to be determined on a case-by-case basis. In these circumstances and in proposals not specifically addressed by the Proxy Policy, the Proxy Voting Committee generally will rely on the guidance or a recommendation from the independent proxy voting agent, but may also rely on any of the subadvisers of the Registered Funds or the Subsidiaries, or other sources. Except as noted below in connection with conflicts of interest, clients do not direct proxy votes in proxy solicitations.

Members of the Proxy Voting Committee will resolve conflicts of interest presented by a proxy vote. In practice, application of the Guidelines will in most cases adequately address any possible conflicts of interest, as votes generally are effected according to guidance or recommendations of the independent proxy voting agent. If, however, a situation arises where a vote presents a conflict between the interests of a client and SAAMCo, and the conflict is known to the Proxy Voting Committee, the Committee will consult with at least one Independent Director of the applicable Registered Fund(s), time permitting, before casting the vote to ensure that the vote is in the best interests of the client.

The Proxy Policy is described more fully in the Registered Funds’ SAIs.

A copy of the Proxy Policy and information on how a client’s securities were voted will be provided to a client upon request. In addition, information on how each Registered Fund’s securities were voted during the most recent twelve month period ended June 30 is contained in Form N-PX, which is filed with the SEC and can be obtained, upon request by calling (800) 858-8850, or on the SEC’s website at <http://www.sec.gov>.

### **Item 18 - Financial Information**

SAAMCo has no information to disclose in response to the questions posed.

## Appendix 1

### **Principal Risks of the SunAmerica Alternative Strategies Fund and the Alternative Strategies Subsidiary**

**Commodity Exposure Risks.** Exposure to the commodities markets may subject the Fund to greater volatility than investments in traditional securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or sectors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

**Hedge Fund Exposure Risks.** Indirect exposure to hedge funds may subject the Fund to greater volatility than investments in traditional securities. The hedge funds comprising a hedge fund index, for example, invest in and may actively trade securities and other financial instruments using a variety of strategies and investment techniques that may involve significant risks. The managers of the hedge funds also may use proprietary investment strategies that are not fully disclosed, which may involve risks that are not anticipated. In addition, the hedge fund managers often are entitled to receive performance-based allocations out of the net profits of the hedge funds, which may create an incentive for the managers to make investments that are riskier or more speculative than they might have made in the absence of such arrangements.

**Futures Contracts Risks.** The risks associated with the Fund's use of futures contracts include: (i) although the Fund will generally only purchase exchange-traded futures, due to market conditions, there may not always be a liquid secondary market for a futures contract and, as a result, the Fund may be unable to close out its futures contracts at a time which is advantageous; (ii) the risk that losses caused by sudden, unanticipated market movements may be potentially unlimited; (iii) changes in the price of a futures contract may not always track the changes in market value of the underlying reference asset; (iv) trading restrictions or limitations may be imposed by an exchange, and government regulations may restrict trading in futures contracts; and (v) if the Fund has insufficient cash to meet margin requirements, the Fund may need to sell other investments, including at disadvantageous times.

**Risks of Commodity-Linked and Hedge Fund-Linked Notes.** The commodity-linked and hedge fund-linked notes in which the Fund invests have substantial risks, including risk of loss of a significant portion of their principal value. In addition to commodity risk and hedge fund risk, they may be subject to additional special risks, such as risk of loss of interest and principal, lack of secondary market and risk of greater volatility, that do not affect traditional equity and fixed income securities.

**Risks of Commodity-Linked and Hedge Fund-Linked Derivatives.** The commodity and hedge fund-linked derivative instruments in which the Fund invests have substantial risks, including risk of loss of a significant portion of their principal value. Commodity and hedge fund-linked derivative instruments may be more volatile and less liquid than

the underlying instruments and their value will be affected by the performance of the commodity markets or underlying hedge funds, as the case may be, as well as economic and other regulatory or political developments, overall market movements and other factors. Typically, the return of the commodity-linked and hedge fund-linked notes and swaps will be based on some multiple of the performance of an index. The multiple (or leverage) will magnify the positive and negative return the Fund earns from these notes and/or swaps as compared to the index.

**Subsidiary Risk.** By investing in the Subsidiary, the Fund is indirectly exposed to the risks associated with the Subsidiary's investments. The derivatives and other investments held by the Subsidiary are generally similar to those that are permitted to be held by the Fund and are subject to the same risks that apply to similar investments if held directly by the Fund. There can be no assurance that the investment objective of the Subsidiary will be achieved.

The Subsidiary is not registered under the Investment Company Act of 1940, as amended (the "1940 Act"), and, unless otherwise noted, is not subject to all the investor protections of the 1940 Act. However, the Fund wholly owns and controls the Subsidiary, and the Fund and Subsidiary are managed by SAAMCo and advised by a subadviser, making it unlikely that the Subsidiary will take actions contrary to the interests of the Fund or its shareholders. In addition, changes in the laws of the United States and/or the Cayman Islands could result in the inability of the Fund and/or the Subsidiary to operate as described in the Prospectus and the SAI of the Fund and could adversely affect the Fund and the Subsidiary.

**Risks of Derivative Instruments.** There are special risks associated with futures or other derivative instruments and hedging strategies the Fund might use. If the subadviser uses a future or other derivative instrument at the wrong time or judges market conditions incorrectly, use of a future or other derivative instrument may result in a significant loss to the Fund and reduce the Fund's return. The Fund could also experience losses if the prices of its futures or other derivative instruments were not properly correlated with its other investments.

**Risks of Leverage.** Managed futures instruments and some other derivatives the Fund buys involve a degree of leverage. Leverage occurs when an investor has the right to a return on an investment that exceeds the return that the investor would be expected to receive based on the amount contributed to the investment. The Fund's use of certain economically leveraged futures and other derivatives can result in a loss substantially greater than the amount invested in the futures or other derivative itself. Certain futures and other derivatives have the potential for unlimited loss, regardless of the size of the initial investment. When the Fund uses futures and other derivatives for leverage, a shareholder's investment in the Fund will tend to be more volatile, resulting in larger gains or losses in response to the fluctuating prices of the Fund's investments.

**Credit Risk.** The commodity-linked notes, hedge fund-linked notes, swaps, "over-the-counter" ("OTC") options, and fixed income securities the Fund buys are subject to credit

risk. Credit risk is the risk that the issuer might not pay interest when due or repay principal at maturity of the obligation. If the issuer fails to pay interest, the Fund's income might be reduced. If the issuer fails to pay principal, the Fund can lose money on the investment, and its share price may fall.

**Counterparty Risk.** The Fund will be exposed to the credit of the counterparties to derivative contracts and their ability to satisfy the terms of the agreements, which exposes the Fund to the risk that the counterparties may default on their obligations to perform under the agreements. In the event of a bankruptcy or insolvency of a counterparty, the Fund could experience delays in liquidating the positions and significant losses, including declines in the value of its investment during the period in which the Fund seeks to enforce its rights, inability to realize any gains on its investment during such period and fees and expenses incurred in enforcing its rights.

**Interest Rate Risk.** Fixed income securities and currency and fixed income futures are subject to changes in their value when prevailing interest rates change. When interest rates fall, the values of already-issued debt securities generally rise. When prevailing interest rates rise, the values of already-issued debt securities generally fall. The magnitude of these fluctuations is generally greater for debt securities with longer maturities. The value of the Fund's currency and fixed income futures will fluctuate in varying directions and amounts based on the specific types of futures held by the Fund. The Fund's share price can go up or down when interest rates change because of the effect of the change in the value of the Fund's portfolio of fixed income securities and currency and fixed income futures.

**Illiquidity Risk.** Certain investments may be difficult or impossible to sell at the time and the price that the Fund would like. In addition, while not necessarily illiquid securities, certain derivatives in which the Fund invests are generally not listed on any exchange and the secondary market for those derivatives has less liquidity relative to markets for other securities. Obtaining valuations for those derivatives may be more difficult than obtaining valuations for actively traded securities. Thus, the value upon disposition on any given derivative may differ from its current valuation.

**Foreign Exposure Risk.** Investments that provide exposure to foreign countries, whether directly or indirectly, through a futures contract (*e.g.*, foreign currency futures, foreign equity index futures) or other instrument (*e.g.*, commodity or hedge-fund linked notes issued by foreign banks or indexed to indices with foreign exposure), are subject to a number of risks. A principal risk is that fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect an investment. In addition, there may be less publicly available information about a foreign company and it may not be subject to the same uniform accounting, auditing and financial reporting standards as U.S. companies. Foreign governments may not regulate securities markets and companies to the same degree as the U.S. government. Foreign investments will also be affected by local political or economic developments and governmental actions. Consequently, foreign securities may be less liquid, more volatile and more difficult to price than U.S. securities. These risks are heightened when the issuer is in an emerging market.

**Currency Risk.** The Fund will be exposed to currency risk through the currency futures in which it invests. Currency risk is the risk that changes in currency exchange rates will negatively affect securities or instruments denominated in, and/or payments received in, foreign currencies. Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or reverse any potential gains from the Fund's investments in securities or instruments denominated in a foreign currency or may widen existing losses.

**Risks of Exchange-Traded Funds.** Most ETFs are investment companies whose shares are purchased and sold on a securities exchange. An ETF represents a portfolio of securities designed to track a particular market segment or index. An investment in an ETF generally presents the same primary risks as an investment in a conventional fund (i.e., one that is not exchange-traded) that has the same investment objectives, strategies and policies. In addition, an ETF may fail to accurately track the market segment or index that underlies its investment objective. The price of an ETF can fluctuate, and the Fund could lose money investing in an ETF.

**Financial Services Risk.** The commodity-linked notes and hedge fund-linked notes in which the Fund invests may be issued by companies in the financial services sector, including the banking, brokerage and insurance industries. In addition, companies in the financial services sector may serve as counterparties to other derivative transactions in which the Fund engages. As a result, events affecting issuers in the financial services sector may cause the Fund's share value to fluctuate and may impact a company's creditworthiness or ability to perform under its agreement with the Fund, as described in more detail under "Credit Risk" and "Counterparty Risk."

**Regulatory Risk.** Based on the Fund's and the Subsidiary's current investment strategies, the Fund and the Subsidiary are each deemed a "commodity pool" and SAAMCo is considered a commodity pool operator ("CPO") with respect to the Fund and the Subsidiary under the Commodities Exchange Act. In addition, Pelagos Capital Management, LLC ("Pelagos Capital"), as subadviser to the Fund and the Subsidiary, is considered a commodity trading adviser ("CTA") with respect to the Fund and the Subsidiary. SAAMCo is currently registered with the National Futures Association as a CPO and Pelagos Capital is registered as a CTA, and each acts as such with respect to the operation of the Fund and the Subsidiary. Due to recent regulatory changes, SAAMCo, Pelagos Capital and the Fund are currently assessing what, if any, additional regulatory requirements may be imposed and additional expenses may be incurred by the Fund. Compliance with applicable disclosure, reporting and recordkeeping regulations of the Commodity Futures Trading Commission ("CFTC") relating to commodity pools is expected to increase Fund expenses, although the nature and extent of how these requirements will affect the Alternative Strategies Fund is uncertain. In addition, the CFTC or the SEC could at any time alter the regulatory requirements governing the use of commodity futures (which include futures on broad-based securities indexes and interest rate futures) or options on commodity futures or swaps transactions by investment companies, which could result in the inability of the Fund to achieve its investment goal through its current strategy.

## **Principal Risks of the SunAmerica Global Trends Fund and the Global Trends Subsidiary**

**Strategy Risk.** Investors should note that the ability of the subadviser to successfully implement the Fund's strategies, including the proprietary investment process used by the subadviser, will influence the performance of the Fund significantly.

**Futures Contracts Risk.** The risks associated with the Fund's use of futures contracts include the risk that: (i) changes in the price of a futures contract may not always track the changes in market value of the underlying reference asset; (ii) trading restrictions or limitations may be imposed by an exchange, and government regulations may restrict trading in futures contracts; and (iii) if the Fund has insufficient cash to meet margin requirements, the Fund may need to sell other investments, including at disadvantageous times.

**Forwards Risk.** Forwards are not exchange-traded and therefore no clearinghouse or exchange stands ready to meet the obligations of the contracts. Thus, the Fund faces the risk that its counterparties may not perform their obligations. Forward contracts are also not regulated by the Commodity Futures Trading Commission ("CFTC") and therefore the Fund will not receive any benefit of CFTC regulation when trading forwards.

**Stock Market Volatility Risk.** The value of an investment in the Fund may fluctuate in response to stock market movements. This volatility could affect the value of the investments in the Fund's portfolio exposed to equity markets.

**Foreign Exposure Risk.** Investments that provide exposure to foreign countries are subject to a number of risks. Fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect such an investment. In addition, there may be less publicly available information about a foreign company and it may not be subject to the same uniform accounting, auditing and financial reporting standards as U.S. companies. Foreign governments may not regulate securities markets and companies to the same degree as the U.S. government. Foreign investments will also be affected by local, political or economic developments and governmental actions. Consequently, foreign securities may be less liquid, more volatile and more difficult to price than U.S. securities. These risks are heightened when the issuer is in an emerging market.

**Emerging Markets Risk.** Emerging markets are riskier than more developed markets and investments in emerging markets may be considered speculative. Emerging markets are more likely to experience hyperinflation and currency devaluations, which adversely affect returns. In addition, many emerging securities markets have far lower trading volumes and less liquidity than developed markets.

**Interest Rate Risk.** Fixed income securities and currency and fixed income futures instruments are subject to changes in their value when prevailing interest rates change. The values of already-issued debt securities have an inverse relationship with changes in interest rates. The magnitude of these changes in value is generally greater for debt securities with longer maturities. The value of the Fund's currency and fixed income futures instruments will fluctuate in varying directions and amounts based on the specific types of futures instruments held by the Fund. The Fund's exposure to foreign fixed

income instruments will also be subject to risks associated with foreign investments, as described above under "Foreign Exposure Risk" and "Emerging Markets Risk."

**Credit Risk.** Credit risk is the risk that the issuer might not pay interest when due or repay principal at maturity of the obligation. Credit risk could affect the value of the investments in the Fund's portfolio exposed to fixed income securities.

**Bond Market Volatility.** The bond markets as a whole could go up or down (sometimes dramatically). This volatility could affect the value of the investments in the Fund's portfolio exposed to bonds or other fixed income securities.

**Currency Risk.** Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or reverse any potential gains from the Fund's investments in futures instruments with underlying securities or instruments denominated in a foreign currency or may widen existing losses. In addition, investments denominated in the currencies of emerging markets generally have a higher degree of currency risk, as described above under "Emerging Markets Risk."

**Commodity Exposure Risks.** Exposure to the commodities markets may subject the Fund to greater volatility than investments in traditional securities. The value of commodity futures instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or sectors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

**Leverage Risk.** The Fund may invest in certain futures instruments that provide leveraged exposure. The Fund's investment in these instruments generally requires a small investment relative to the amount of investment exposure assumed. As a result, such investments may cause the Fund to lose more than the amount it invested in those instruments.

**Subsidiary Risk.** By investing in the Subsidiary, the Fund is indirectly exposed to the risks associated with the Subsidiary's investments. The derivatives and other investments held by the Subsidiary are generally similar to those that are permitted to be held by the Fund and are subject to the same risks that apply to similar investments if held directly by the Fund. The Subsidiary is not registered under the Investment Company Act of 1940, as amended (the "1940 Act"), and, unless otherwise noted, in the Fund's Prospectus is not subject to all the investor protections of the 1940 Act. However, the Fund wholly owns and controls the Subsidiary, and the Fund and Subsidiary are managed by SAAMCo and subadvised by a subadviser, making it unlikely that the Subsidiary will take actions contrary to the interests of the Fund or its shareholders. In addition, changes in the laws of the United States and/or the Cayman Islands could result in the inability of the Fund and/or the Subsidiary to operate as described in the Prospectus and the SAI of the Fund and could adversely affect the Fund and the Subsidiary.

**Tax Risk.** The Fund gains exposure to the commodities markets through investments in commodity-linked futures instruments and through its investment in the Subsidiary. In order for the Fund to qualify as a regulated investment company, the Fund must derive at least 90 percent of its gross income each taxable year from certain qualifying sources of income. The Internal Revenue Service (the "IRS") has issued a revenue ruling which holds that income realized from certain types of commodity-linked derivatives would not

be qualifying income. As such, the Fund's ability to realize income from investments in such commodity-linked derivatives as part of its investment strategy would be limited to a maximum of 10% of its gross income. The Fund seeks to gain exposure to the commodities markets primarily through investments in the Subsidiary. The Fund has requested a private letter ruling from the IRS concluding that income derived from the Fund's investment in the Subsidiary would constitute qualifying income to the Fund. The IRS has indicated that the granting of private letter rulings, like the one requested by the Fund, is currently suspended, pending further review. As a result, there can be no assurance that the IRS will grant the private letter ruling requested. If the IRS does not grant the Fund's private letter ruling request, there is a risk that the IRS could assert that the income derived from the Fund's investment in the Subsidiary will not be considered qualifying income for purposes of the Fund remaining qualified as a regulated investment company for U.S. federal income tax purposes.

Furthermore, the tax treatment of commodity-linked futures instruments and the Fund's investments in the Subsidiary may otherwise be adversely affected by future legislation, Treasury Regulations and/or guidance issued by the IRS. Such developments could affect the character, timing and/or amount of the Fund's taxable income or any distributions made by the Fund or result in the inability of the Fund to operate as described in its Prospectus and the S AI.

**Repurchase Agreements Risk.** Repurchase agreements could involve certain risks in the event of default or insolvency of the seller, including losses and possible delays or restrictions upon the Fund's ability to dispose of the underlying securities. To the extent that, in the meantime, the value of the securities that the Fund has purchased has decreased, the Fund could experience a loss. The Fund will be exposed to the credit of the counterparties to repurchase agreements and their ability to satisfy the terms of the agreements, which exposes the Fund to the risk that the counterparties may default on their obligations to perform under the agreements.

**Active Trading.** Active trading of the Fund's portfolio will result in high portfolio turnover and correspondingly greater brokerage commissions and other transaction costs, which will be borne directly by the Fund and which will affect the Fund's performance. Active trading may also result in increased tax liability for Fund shareholders.

**Regulatory Risk.** Based on the Fund's and its Subsidiary's current investment strategies, the Fund and the Subsidiary are each deemed a "commodity pool" and SAAMCo is considered a commodity pool operator ("CPO") with respect to the Fund and the Subsidiary under the Commodity Exchange Act. In addition, Wellington Management Company LLP ("Wellington Management"), as subadviser to the Fund and the Subsidiary, is considered a commodity trading adviser ("CTA") with respect to the Fund and the Subsidiary. SAAMCo is currently registered with the National Futures Association as a CPO and Wellington Management is registered as a CTA, and each acts as such with respect to the operation of the Fund and the Subsidiary. Due to recent regulatory changes, SAAMCo, Wellington Management and the Fund are currently assessing what, if any, additional regulatory requirements that may be imposed and additional expenses may be incurred by the Fund. Compliance with applicable CFTC disclosure, reporting and recordkeeping regulations relating to commodity pools is



expected to increase Fund expenses, although the nature and extent of how these requirements will affect the Fund is uncertain. In addition, the CFTC or the SEC could at any time alter the regulatory requirements governing the use of commodity futures (which include futures on broad-based securities indexes and interest rate futures) or options on commodity futures or swaps transactions by investment companies, which could result in the inability of the Fund to achieve its investment goal through its current strategy.