

## Form ADV Part 2A Brochure

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This Brochure provides information about the qualifications and business practices of SSgA Funds Management, Inc. If you have any questions about the contents of this Brochure, please contact us at 617-786-3000 and/or [Compliance\\_SSgA@ssga.com](mailto:Compliance_SSgA@ssga.com). 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 SSgA Funds Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

SSgA Funds Management, Inc. is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940. SEC registration does not imply a certain level of skill or training.

## Item 2 – Material Changes

SSgA FM's last annual update of its Brochure was March 31, 2011. There have been no material changes to the Brochure since the last annual update.

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## Item 4 – Advisory Business

SSgA Funds Management, Inc. (“SSgA FM” or “the Adviser”) is a global leader in asset management that sophisticated institutions worldwide rely on for their investment needs. The Adviser is registered with the SEC as investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and is a wholly-owned subsidiary of State Street Corporation (“State Street”), a publicly traded financial holding company. SSgA FM was established in 2001.

SSgA FM’s clients consist primarily of U.S. investment companies registered under the Investment Company Act of 1940, as amended (the “1940 Act”), (the “Funds”), for which SSgA FM is either the named investment adviser or sub-adviser. SSgA FM works with its clients to provide customized solutions to their investment management needs, which may include customized indices, model portfolios, and screened portfolios. Clients may impose restrictions on investing in certain securities or types of securities.

SSgA FM also serves as sub-adviser to various Funds sponsored by unaffiliated third-parties, including Funds offered through variable annuity products. SSgA FM provides asset allocation models on a non-discretionary basis and related investment advice to investment advisers and other financial institutions which use such information provided by SSgA FM for use in or with various financial products offered to their clients.

SSgA FM offers a variety of asset management solutions, including<sup>1</sup>:

- Active, Enhanced, and Passive Equity;
- Active and Passive Fixed Income;
- Cash Management;
- Multi Asset Class Solutions; and,
- Real Estate

As of December 31, 2011, SSgA FM had \$ 216,890,406,751 under management on a discretionary basis in 192 accounts.

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<sup>1</sup> Note: SSgA FM does not participate in wrap fee programs by providing portfolio management services.

## Item 5 – Fees and Compensation

SSgA FM does not maintain a standardized fee schedule for its advisory services. Advisory or subadvisory fees are negotiated with each client and may vary depending upon the size and type of the mandate and the strategy selected.

SSgA FM clients are not required to pay fees in advance.

**Advisory Fees:** Fees are typically expressed as an annual percentage of a client’s average daily net assets managed by SSgA FM, calculated daily and paid either monthly or quarterly, deducted directly from client assets. For Funds where SSgA FM acts as sub-adviser, clients are billed for the fees. In certain situations, SSgA FM may agree to waive or reimburse a portion of its advisory fee. Please see Item 6 – Performance Fees and Side-by-Side Management for an additional discussion regarding fees.

**Custodial, administrative, or securities lending agency fees:** Clients of SSgA FM are responsible for certain other fees and expenses, including custodial, administrative, or securities lending agency fees. These fees may be paid to affiliates of SSgA FM, e.g., State Street Bank and Trust Company. In addition, to the extent client assets are invested in mutual funds, clients will bear their pro-rata share of such mutual fund expenses.

SSgA FM clients will also incur brokerage and other transaction costs. Please see Item 12 – Brokerage Practices for more information about brokerage.

SSgA FM does not have supervised persons that accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. Employees of SSgA FM’s affiliates may receive compensation in connection with the sale of SSgA FM-advised products.

SSgA FM’s affiliates may have business relationships with, and purchase, distribute, or sell services or products from or to, distributors, consultants, and others who recommend, distribute, or have interests or relationships associated with sales or recommendations of Fund interests or portfolio transactions for the Funds. For example, SSgA FM’s affiliates regularly participate in industry and consultant sponsored conferences and may purchase related educational data or other services from consultants or other

third parties that they deem to be of value to their employees and their businesses. In addition, SSgA FM's and its affiliates' employees may have board or advisory relationships with issuers, distributors, consultants and charitable organizations which may own or which may recommend or distribute interests of the Funds or execute portfolio transactions for the Funds. As a result, those persons and institutions may have conflicts associated with the promotion of Fund securities and portfolio investment-related matters that could create incentives for them to promote such sales or raise other conflicts.

Please refer to Item 14 – Client Referrals and Other Compensation for more information.

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

SSgA FM charges an asset based-fee for its investment management services. SSgA FM typically does not enter into performance based fee arrangements; however, SSgA FM may accept such an arrangement under the appropriate circumstances and subject to the requirements of Advisers Act and the 1940 Act.

Potential conflicts of interest may exist when portfolio managers manage accounts with similar investment objectives and strategies. The portfolio managers managing the Funds are generally dual employees of SSgA FM and State Street Global Advisors (“SSgA”) and may manage other accounts in addition to the Funds, such as bank commingled funds or separate accounts, including actively managed accounts that are considered “hedge” funds or market neutral funds or funds that engage in short sales. Conflicts of interest may potentially arise in SSgA FM's side-by-side management of multiple accounts. SSgA and SSgA FM seek to treat all client accounts fairly and equitably.

The Adviser has established processes and procedures for allocating investment opportunities among portfolios that are designed to provide a fair and equitable allocation. These policies permit clients' trades to be aggregated where appropriate and require that aggregated client trades generally be allocated on a pro-rata basis where clients receive the average price and commission when more than one trade is executed, or more than one broker is used to execute the transactions. This allocation is done

electronically by the trading desk, in most cases without any direct human intervention.

## Item 7 – Types of Clients

SSgA FM's clients consist primarily of U.S. investment companies registered under the 1940 Act. SSgA FM also provides asset allocation models on a non-discretionary basis to investment advisers and other financial institutions which use such information provided by SSgA FM for use in or with various financial products offered to their clients.

## Item 8 – Methods of Analysis

SSgA FM engages numerous methods of analysis across a wide array of investment strategies when formulating investment advice or managing assets.

SSgA FM does not rely on one type of analysis over another and does not recommend one particular type of security. SSgA FM seeks to utilize the most prudent methods of analysis based on the particular characteristics of the investment strategy and the current market conditions, as applicable.

**Methods of Analysis:** Each strategy described below uses various methods of analysis as necessary for the respective strategy. The methods of analysis include:

- Quantitative;
- Fundamental;
- Technical;
- Cyclical;
- Indexing;
- Arbitrage;
- Charting. and
- Other strategy specific methods described below.

**Investment Strategies:** The investment strategies deployed by SSgA FM are:

- Active, Enhanced and Passive Equity;
- Active and Passive Fixed Income;
- Cash Management;
- Multi Asset Class Solutions (Asset Allocation); and,
- Real Estate.

The following section includes a description of the Adviser's investment strategies and a discussion of the material risks of each strategy. The description of material risks listed under each strategy description below is not a complete

enumeration or explanation of all the risks involved in purchasing shares of any Fund. An investment in a Fund employing one of the strategies described below may be subject to a number of risks not specifically mentioned. Clients should refer to a Fund's prospectus and other offering documents for more detailed discussion of risks. Investing in securities involves risk of loss that clients should be prepared to bear.

### **Active, Enhanced, and Passive Equity**

Strategy description: The Adviser has teams managing active strategies designed to outperform relative to benchmarks while maintaining appropriate risk exposure. Active equity strategies include enhanced equity and active quantitative strategies. Strategies offered cover capitalization and style segments of the market including large cap core, large cap growth, large cap value, mid cap, small cap, small cap value, all cap and long-short equity (for example 130% long-30% short), using country, regional and global indices. The teams also manage long-short strategies with beta less than one, such as 100% long-30% short and long-short market neutral strategies with betas of approximately zero. They also manage strategies with betas less than one that do not use shorting and are managed on a total risk basis, rather than a benchmark-relative risk basis.

In addition to the Active and Enhanced strategies, the Adviser offers passive or index equity strategies covering various capitalization segments; style portfolios; and sector portfolios, including U.S. indexing, global indexing, developed markets indexing, emerging markets indexing, and specific country mandates. The Adviser manages equity index portfolios to seek broad-based equity exposure and predictable variance around a relevant benchmark.

Risks: Stock values fluctuate in response to the activities of individual companies, general market and economic conditions. Investing in foreign domiciled securities may involve risk of capital loss from unfavorable fluctuation in currency values, withholding taxes, from differences in generally accepted accounting principles or from economic or political instability in other nations. Investments in emerging or developing markets may be more volatile and less liquid than investing in developed markets and may involve exposure to economic structures that are generally

less diverse and mature and to political systems which have less stability than those of more developed countries.

### **Active and Passive Fixed Income**

Strategy description: The Adviser's fixed income strategies seek to meet its clients' investment objectives by controlling risk, while diversifying sources of excess return where appropriate. The Adviser offers a broad range of investment styles from passive to active, short to long duration, sovereign to high yield, and single country to global. Most passive strategies use a stratified sampling methodology, building a portfolio with the same characteristics as the index using quantitative and fundamental methods. Core bond portfolios seek to add consistent returns over the relevant benchmark by concentrating on sector and issue selection, as well as term structure management.

Risks: Risks associated with fixed income securities include, but are not limited to, interest rate risks; the risk of issuer default, and inflation risk. This effect is usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss. Government bonds and corporate bonds generally have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns. U.S. Treasury Bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate.

### **Cash Management**

Strategy description: The Adviser manages money market funds subject to Rule 2a-7 under the 1940 Act. The Adviser team develops solutions to meet a client's liquidity needs, investment constraints and risk parameters. Cash strategies seek to generate current income while preserving capital and liquidity by investing in diversified portfolios of short-term securities.

Risks: The Cash Management strategies seek to maintain a constant one dollar unit value, although there is no assurance that a constant unit value will be maintained. Risks associated with fixed income securities include, but are not limited to, interest rate risks, the risk of issuer default, and liquidity risk. These effects are usually more pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject

to a substantial gain or loss. Government bonds and corporate bonds generally have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns. U.S. Treasury Bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate.

### **Multi Asset Class Solutions**

Strategy description: The Multi Asset Class Solutions strategies employ an asset allocation model as a method of diversification which aims to position assets among major investment categories. When employing a certain asset allocation methodology, the Adviser will have discretion to adjust portfolio positioning. This method is used in an effort to manage risk and enhance returns. It does not, however, guarantee a profit or protect against loss.

Risks: Risks associated with the Multi Asset Class Solution strategies are a function of the multiple asset classes in which the Funds' assets are allocated. Subject to the asset class allocation, the risks will be similar to those described in the other strategies.

### **Real Estate**

Strategy description: The Adviser serves as investment adviser to Funds employing both passive and actively managed REIT investing strategies. An affiliated sub-adviser directs the investments of these Funds while SSgA FM provides certain operational, compliance, and general management services to these Funds.

Risks: Investing in REITs involves certain distinct risks in addition to those risks associated with investing in the real estate industry in general. Equity REITs may be affected by changes in the value of the underlying property owned by the REITs, while mortgage REITs may be affected by the quality of credit extended. REITs are subject to heavy cash flow dependency, default by borrowers, and self-liquidation. REITs, especially mortgage REITs, are also subject to interest rate risk (i.e., as interest rates rise, the value of the REIT may decline).

Please refer to the prospectus, statements of additional information, or other offering documents for the funds for more detailed discussion about risks.

## **Item 9 – Disciplinary Information**

In the ordinary course of business, State Street and its subsidiaries are involved in disputes, litigation and regulatory inquiries and investigations, both pending and threatened. These matters, if resolved adversely against State Street, may result in monetary damages, fines and penalties or require changes in our business practices. The resolution of these proceedings is inherently difficult to predict. However, we do not believe that the amount of any judgment, settlement or other action arising from any pending proceeding will have a material adverse effect on our consolidated financial condition, although the outcome of certain of the matters may have a material adverse effect on our consolidated results of operations for the period in which such matter is resolved or a reserve is determined to be required.

The SEC has requested information regarding registered mutual funds managed by SSgA that invested in sub-prime securities. As of June 30, 2007, these funds had net assets of less than \$300 million, and the net asset value per share of the funds experienced an average decline of approximately 7.23% during the third quarter of 2007. Average returns for industry peer funds were positive during the same period. During the course of our responding to such inquiry, certain potential compliance issues have been identified and are in the process of being resolved with the SEC staff. These funds were not covered by our regulatory settlement, announced in the first quarter of 2010, with the SEC, the Massachusetts Attorney General and the Massachusetts Securities Division of the Office of the Secretary of State, which concerned certain unregistered SSgA-managed funds that pursued active fixed-income strategies. Four lawsuits by individual investors in those active fixed-income strategies remain pending. In February 2012, the Court found that one of those investors is entitled to a payment from State Street, after adjustment for the compensation received from the fair fund established by State Street in connection with the regulatory settlement noted above. We intend to appeal that ruling.

We are currently defending a putative ERISA class action by investors in unregistered SSgA-managed funds which challenges the division of our securities lending-related revenue between the SSgA lending funds and State Street in its role as lending agent.

SSgA managed four common trust funds for which, in our capacity as manager and trustee, we appointed various Lehman entities as prime broker. As of September 15, 2008 (the date two of the Lehman entities involved entered insolvency proceedings), these funds had cash and securities held by Lehman with net asset values of approximately \$312 million. Some clients who invested in the funds managed by us brought litigation against State Street seeking compensation and additional damages, including double or treble damages, for their alleged losses in connection with our prime brokerage arrangements with Lehman's entities. A total of seven clients were invested in such funds, of which three currently have suits pending against us. Two cases are pending in federal court in Boston and the third is pending in Nova Scotia.

SSgA acted as collateral manager for several collateralized debt obligation, or CDO, transactions structured and offered through other financial institutions. In February 2012, we entered into a settlement with the Massachusetts Secretary of State to resolve their investigation into disclosures made with respect to one CDO (Carina CDO, Ltd.). In April 2011, a purchaser of \$10 million of notes from a second CDO (Markov CDO I, Ltd.) commenced an action against us and the offering bank in federal court in New York. The suit alleges, among other things, that SSgA failed to independently manage the CDO portfolio, and that, as a result, misrepresented its role as collateral manager.

Two related participants in State Street's agency securities lending program have brought suit against State Street challenging actions taken by State Street in response to their withdrawal from the program. We believe that certain withdrawals by these participants were inconsistent with the redemption policy applicable to the agency lending collateral pools and, consequently, redeemed their remaining interests through an in-kind distribution that reflected the assets these participants would have received had they acted in accordance with the collateral pools' redemption policy.

In October 2009, the Attorney General of the State of California commenced an action under the California False Claims Act and California Business and Professional Code alleging that State Street's pricing of certain foreign exchange transactions for certain California state pension plans was not consistent with the custody contracts for these plans and related disclosures to the plans.

State Street provides custody and principal foreign exchange services to government pension plans in other jurisdictions, and attorneys general and other governmental authorities from a number of jurisdictions, as well as U.S. Attorney's offices, the U.S. Department of Labor, the SEC and other regulators, have requested information or issued subpoenas concerning State Street's foreign exchange pricing.

In February 2011, a putative class action was filed in federal court in Boston that seeks unspecified damages, including treble damages, on behalf of all custodial clients that executed certain foreign exchange transactions through State Street from 1998 to 2009. The complaint alleges, among other things, that the rates at which State Street executed indirect foreign currency trades constituted an unfair and deceptive practice under Massachusetts law and a breach of the duty of loyalty. A second putative class action is currently pending in federal court in Boston alleging various violations of ERISA on behalf of all ERISA plans custodied with us that executed indirect foreign exchange transactions with State Street between 2001 and 2009. The complaint alleges that State Street caused class members to pay unfair and unreasonable rates for indirect foreign exchange transactions with State Street. The complaint seeks unspecified damages, disgorgement of profits, and other equitable relief.

Three shareholder-related class action complaints are currently pending in federal court in Boston. One complaint purports to be brought on behalf of State Street shareholders. The two other complaints purport to be brought on behalf of participants and beneficiaries in the State Street Salary Savings Program who invested in the program's State Street stock investment option. The complaints variously allege violations of the federal securities laws and ERISA in connection with our foreign exchange trading business, our investment securities portfolio and our asset-backed commercial paper conduit program.

State Street is named as a defendant in three complaints filed in federal court in Boston in January 2012 by investment management clients of TAG Virgin Islands, Inc., or TAG, which hold custodial accounts with State Street. The complaints, collectively, allege claims for breach of contract, gross negligence, negligence, negligent



misrepresentation, unjust enrichment, breach of fiduciary duty and aiding and/or abetting a breach of fiduciary duty, in connection with certain assets managed by TAG and custodied with State Street. One complaint is an individual action. Two of the complaints are putative class actions asserted on behalf of certain persons or entities who were clients of TAG and entered into a custodial relationship with State Street and/or its predecessors in interest.

For additional information, please refer to State Street's current annual report on Form 10-K, on file with the Securities and Exchange Commission.

## Item 10 – Other Financial Industry Activities and Affiliations

SSgA FM has relationships or arrangements with various related persons including: broker-dealers, various SEC registered investment companies, banking institutions, and other investment advisers.

**SSgA FM is affiliated with State Street Global Markets, LLC ("SSGM")**, a wholly-owned subsidiary of State Street. SSGM is registered as a broker-dealer with the SEC, and is a member of the Financial Industry Regulatory Authority, the National Futures Association, the Municipal Securities Rulemaking Board, SIPC, and various exchanges. In addition, SSGM became a futures commission merchant in October of 2009.

SSgA FM may use the services of SSGM to effect securities transactions for its clients. SSgA FM may also, either directly or in connection with effecting transactions with SSGM, use the services of other State Street subsidiaries or joint ventures involving State Street or its affiliates (or similar businesses involving State Street) whose businesses are designed to facilitate the purchase and sale of portfolio assets of client accounts.

SSgA FM only uses SSGM in cases where SSgA FM would need the authorization of a client before using SSGM to effect securities transactions for a client, SSgA FM would first obtain such authorizations to execute transactions for its clients in compliance with applicable laws, regulations, and SSgA FM and client specific policies. Specifically, in the event that SSgA FM places trades for the Funds through SSGM on an agency basis, SSgA FM complies with the

procedures adopted by the Funds pursuant to Section 17(e) and Rule 17e-1 under the 1940 Act or otherwise effects such trades in accordance with applicable law.

SSGM currently serves as a principal underwriter and distributor for the SSgA Funds, the State Street Navigator Securities Lending Trust, the State Street Master Funds, the State Street Institutional Investment Trust, the SPDR Series Trust and the SPDR Index Shares Funds.

**SSgA FM serves as the investment adviser or sub-adviser to various Funds** that are sponsored by it or its affiliates including the: SSgA Funds, State Street Navigator Securities Lending Trust, State Street Master Funds, State Street Institutional Investment Trust, Select Sector SPDR Trust, SPDR Series Trust, SPDR Index Shares Funds, SSgA Master Trust, and SSgA Active ETF Trust.

In addition to advisory fees received from Funds sponsored by unaffiliated third parties, SSgA FM may also receive advisory fees from any investment made by these funds in the Funds sponsored by SSgA FM or its affiliates.

Please refer to Item 6 – Performance Based Fees and Side-by-Side Management for a discussion of potential conflicts of interests.

**SSgA FM is affiliated with State Street Bank and Trust Company ("SSBT")**, a state chartered bank, which, in accordance with applicable law, provides custody, accounting, securities lending, transfer agency, and administrative services to certain of the Funds.

**SSgA FM is affiliated with State Street Global Advisors ("SSGA")**, a division of SSBT. SSgA and its advisory affiliates comprise the investment management arm of State Street. The advisory activities of SSgA FM are performed by individuals who are employees of both SSgA FM and SSgA or its affiliates, and have the same or similar duties with respect to clients of SSgA FM, SSgA and other affiliates. Because SSgA FM's employees are employees of SSgA, SSgA FM's investment teams often manage various other SSgA accounts, including separate accounts and private funds, according to the same or similar investment strategies.

SSgA FM is affiliated with several SEC-registered and non-registered investment advisers. In some instances, one or

more of these advisers may assist SSgA FM in the management of a client portfolio. For example, State Street Global Advisors Limited and The Tuckman Group LLC are sub-advisers to several Funds for which SSgA FM is the named Adviser.

Please refer to Item 11 for a discussion of additional conflicts of interests.

## Item 11 – Code of Ethics

SSgA FM has adopted a Code of Ethics (the “Code”) that is designed to comply with the requirements of Rule 204A-1 under the Advisers Act and Rule 17j-1 under the 1940 Act. Additionally, the Code incorporates the Investment Company Institute Blue Ribbon Panel’s recommendations on personal trading made in 1994. The Code imposes restrictions on the purchase or sale of securities for SSgA FM’s employees’ own accounts and the accounts of certain affiliates of employees. The Code imposes substantive trading restrictions including the requirement to pre-clear trades in “covered securities” (as defined in the Code), prohibition on participating in IPOs, pre-clearance of private placements, a blackout rule prohibiting an Investment Person (as defined in the Code) from personally trading in a covered security which requires pre-clearance for seven calendar days before or after a transaction in the same or equivalent security in a client portfolio (subject to a de minimis exception), and a prohibition on profiting from short-term trading of covered securities which require pre-clearance within 60 days. In addition, the Code requires employees to pre-clear and report transactions and holdings in mutual funds advised or sub-advised by SSgA FM and its affiliates.

The Code also requires reporting of personal transactions and holdings of “covered securities” (including ETFs, regardless of whether they are advised or sub-advised by SSgA FM and its affiliates) and an annual acknowledgement of having read and understood the Code.

The foregoing discussion is a summary and it is qualified in its entirety by the Code. Each client or prospective client is provided with a copy of the Code upon request.

**Potential Conflicts:** The Adviser has identified several potential conflicts that arise in the ordinary course of its investment advisory activities. Certain potential conflicts and the specific policies and procedures intended to address them are described below. Generally, these conflicts include those relating to the Adviser’s employees’ personal trading activities; relationships that the Adviser has with, and/or payments it may receive from, affiliated entities; trading in multiple client accounts in the same or similar investment strategies; the fee structure of certain accounts; and proxy voting.

**Conflicts may arise from the personal trading activities of the Adviser’s employees.** These potential conflicts of interest are primarily addressed in the Code of Ethics (described above) and the State Street Standard of Conduct. The Standard of Conduct also contains important provisions pertaining to insider trading and tipping and supplements the SSgA Inside Information Policy. The SSgA Inside Information Policy governs the receipt and communication of material, non-public information and prohibits the use of such information in violation of federal and international securities laws.

**Conflicts may arise as a result of the Adviser’s dealings with affiliated entities.** SSgA FM’s affiliates are among the service providers for SSgA FM’s clients. A conflict may exist because SSgA FM may earn more revenue if a client selects a service provider affiliated with SSgA FM. These affiliations are disclosed to clients.

**Conflicts may arise as a result of the aggregation of clients’ trades and allocations to client accounts.** There is a potential conflict when transactions in a specific security may not be effected for all client accounts at the same time or at the same price for various reasons. There could be incentive to allocate transactions in a manner that favors one client over another. The Trade Allocation (Including IPOs and Secondary Offerings) Policy deals with these conflicts by prescribing the manner in which transactions will be aggregated and allocated.

**Conflicts may arise as a result of the allocation of scarce investment opportunities,** such as in demand securities, because of the possibility that the Adviser could allocate scarce investment opportunities in a manner that favors one client over another. There is theoretically an

incentive to allocate desirable securities to clients that pay a performance fee. The Trade Allocation (Including IPOs and Secondary Offerings) Policy addresses this conflict by prescribing the manner in which shares will be allocated.

**Conflicts may arise as a result of principal trading and cross trading activities.** The potential conflict is that the Adviser could use these transactions for the benefit of the Adviser or to favor one client over another. The Internal Cross-Trade Policy addresses this conflict.

**Conflicts may arise as a result of trading errors and the correction of such errors.** The potential conflict is that the Adviser may seek to protect its own economic interest by not acknowledging that errors have occurred, by failing to fully compensate the clients for damages they incur as a result of such errors (by not covering their losses), or by keeping the clients' gains. The Error Correction Policy deals with this conflict.

**Conflicts may arise as a result of simultaneous management of multiple accounts by the Adviser's investment professionals.** For example, differences in the advisory fee structure may create the appearance of actual or potential conflicts of interest because such differences could create pecuniary incentives for the Adviser to favor one account over another. The Side-by-Side Management Policy addresses these conflicts.

**Conflicts may arise as a result of exercising proxies.** For example, the Adviser or its affiliates may provide services to a company whose management is soliciting proxies, or to another entity which is a proponent of a particular proxy proposal. Another example could arise when SSgA or an affiliate has business or other relationships with participants involved in proxy contests, such as a candidate for a corporate directorship. These conflicts are addressed in the Proxy Voting Policy.

## Item 12 – Brokerage Practices

SSgA FM seeks best execution of client transactions, subject to any client-imposed restrictions (e.g., if the client has mandated the use of specified counterparties for certain transactions) viewed in terms either of the particular transaction or in terms of SSgA FM's overall responsibilities with respect to the accounts as to which it exercises

investment discretion and has the authority to select the executing broker-dealer or other counterparty.

When selecting broker-dealers, the trading desks executing SSgA FM client transactions will (i) refer to and select from a list of approved broker-dealers maintained by SSgA Credit Risk Management Group, and (ii) seek to weight relevant factors, which may include, without limitation, nor all inclusive, and in no particular order:

- Prompt and reliable execution;
- The competitiveness of commission rates, spreads, mark-ups, and mark-downs, if applicable;
- The financial strength, stability, and/or reputation of the broker-dealer;
- Qualifications and capabilities of floor brokers or traders;
- The willingness and ability of the executing broker-dealer to execute transactions (and commit capital) of size in liquid and illiquid markets without disrupting the market for the security;
- Local laws, regulations, or restrictions;
- Competency of block trading coverage;
- The ability of the executing broker-dealer to maintain confidentiality;
- The availability of electronic communications networks for trading and execution management systems ("EMS") to SSgA FM;
- Market share;
- Liquidity;
- Price;
- History of execution of orders;
- Clearance and settlement capabilities, especially in high volume market environments;
- Sophistication of the broker-dealer's trading capabilities and infrastructure/facilities;
- The operational efficiency with which transactions are processed and cleared, taking into account the order size and complexity;
- Responsiveness to SSgA FM;
- Access to IPOs and other offerings;
- Access to secondary markets;
- The "broker vote" process; and/or
- The relative value SSgA places on the proprietary research provided by the broker-dealer; and,
- Counterparty exposure.

The specific criteria SSgA used in selecting a broker-dealer will vary depending upon the nature of the transaction, the market in which it is executed, and the extent to which it is possible to select among multiple broker-dealers. Transactions will not always be executed at the lowest available price, rate, spread or commission. SSgA may use alternative trading systems when it deems appropriate.

In some markets or in respect of certain currencies, a fund may be required, or agree in SSgA FM's discretion, to enter into foreign currency transactions via the custodian's relevant sub-custodian. SSgA FM may be subject to a potential conflict of interest in agreeing to any such arrangements on behalf of a fund. Such transactions executed directly with the sub-custodian are executed at a rate determined solely by sub-custodian. Accordingly, a fund may not receive the best pricing of such currency transactions.

**Research and Other Soft Dollar Benefits:** SSgA FM employs a standard negotiated equity commission schedule. All equity commission rates are the same regardless of account, market or broker. SSgA FM does not pay any broker-dealer a greater commission than another as compensation for the value of any proprietary research that broker-dealer may provide to SSgA FM. However, these negotiated equity commission rates are not "execution-only" rates and are intended to include an amount of compensation for brokerage and research services provided by the broker-dealers. Further, such services may be provided on an unsolicited basis and for no amount.

SSgA and SSgA FM may execute a transaction with or through a broker-dealer who provides proprietary research or brokerage services they consider valuable over other broker-dealers who do not provide such services or who provide services that SSgA and SSgA FM consider less valuable.

SSgA FM does not participate in arrangements or programs pursuant to which transactions entered into by it for client accounts generate "credits" used by SSgA FM to obtain third-party research or brokerage services. SSgA may, however, participate in such arrangements or programs, and transactions for clients of SSgA FM may be aggregated with transactions for clients of SSgA, which generate such credits. Even though the portion of the aggregated

transaction executed on behalf of clients of SSgA FM does not give rise to such credits, SSgA may place a transaction with a broker-dealer who generates credits for third party services as opposed to another broker-dealer who does not. Clients of SSgA FM may or may not benefit from any third-party research or brokerage services obtained using credits arising from transactions effected for clients of SSgA.

Because SSgA FM will frequently use broker-dealers who provide brokerage and research services, those services are a factor in evaluating broker-dealers. SSgA FM generally relies on the statutory safe harbor in Section 28(e) of the Securities Exchange Act of 1934.

When a broker-dealer provides or makes available research and brokerage services to SSgA and SSgA FM on the basis of transactions effected with or through that broker-dealer, SSgA and SSgA FM benefit because SSgA and SSgA FM did not have to pay for those services or incur any costs to develop the research.

SSgA FM's trading desks may take into account the proprietary research and other services received from various broker-dealers in the selection of a broker-dealer in connection with a particular client transaction. As a result, the trading desks may place a transaction with or through a broker-dealer who provides proprietary research or other services that SSgA or SSgA FM might find desirable over another broker-dealer who does not provide such services or who provides less desirable services, notwithstanding that the other broker may otherwise provide execution that is at least equivalent to that provided by the broker-dealer with whom the transaction is placed. The process by which broker-dealers are selected is designed to limit consideration of the value of any third-party services that SSgA and SSgA FM may receive. SSgA FM may use broker-dealers that invest, or whose clients invest, in pooled vehicles sponsored or advised by SSgA FM or its affiliates, or may provide other consideration to those broker-dealers.

Research and brokerage services furnished to SSgA and SSgA FM may be used in furnishing investment or other advice to all or some subset of their clients. Services received from a broker-dealer that executed transactions for a particular client will not necessarily be used by SSgA and/or SSgA FM specifically in servicing that particular account.

**Products and Services:** SSgA FM and SSgA receive proprietary research or brokerage services on the basis of transactions effected with or through broker-dealers on behalf of their clients. Proprietary research received by SSgA FM and SSgA typically includes research reports and analysis, personal interviews with analysts or company officials, pricing services, certain trade analytics, and market data. In addition, SSgA receives similar third-party research and brokerage services on the basis of transactions effected by it for its clients. Transactions effected for clients of SSgA FM may be aggregated with those transactions, although SSgA FM client transactions do not give rise to credits used to obtain those third-party services. SSgA FM and its clients may or may not benefit from those services. SSgA FM and SSgA may share some or all of the brokerage and research services received or generated by each of them with affiliates.

The process by which broker-dealers are selected is designed to limit consideration of the value of any third-party services that SSgA and SSgA FM may receive from broker-dealers.

**Brokerage for Client Referrals:** SSgA FM does not consider whether it or a related person receives client referrals from a broker-dealer or third party in selecting or recommending broker-dealers. SSgA FM may use broker-dealers that invest, or whose clients invest, in pooled vehicles sponsored or advised by SSgA FM or its affiliates, or may provide other consideration to those broker dealers.

**Directed Brokerage:** SSgA FM does not currently recommend, request, or require that clients direct the execution of transactions to specified executing broker-dealers.

From time to time, clients may direct SSgA FM to use a particular broker/dealer to effect transactions consistent with SSgA's internal policies, as they may be in effect from time to time. If a client directs SSgA FM to use a specific broker-dealer, it may pay higher transaction costs and SSgA FM may not be able to achieve the most favorable execution. For example, a client may pay higher transaction costs because SSgA FM may not be able to aggregate the client's orders with other orders. A client might miss investment opportunities because the broker-dealer to whom a transaction is directed may not have access to certain

securities, such as new issues or limited inventory bonds. Directed brokerage may affect the timing of the client's transaction (for example, there may be times when the client's trade will not be effected until all non-directed brokerage orders are completed), and may affect the processing of the transaction. The direction of transactions may result in additional credit and/or settlement risk.

**Trade Aggregation:** SSgA FM and SSgA may aggregate, or "block," transactions for multiple clients to maximize efficiency and minimize trading costs, and place the blocked transaction with the broker-dealer or broker-dealers through which they seek best execution. In certain cases, where the aggregated order is executed in a series of transactions at various prices on a given day, each client's proportionate share of the order reflects the average price received and, where applicable, commission rate paid with respect to the total orders in which the client's account participated on that day. SSgA FM may but is not obligated to aggregate transactions in any case. Although aggregation of transactions is generally intended to benefit client accounts by reducing overall trading costs, it is possible in any case that aggregation might instead increase client account commissions or trading costs or have other unintended adverse effects. Certain client transactions that are not aggregated may achieve superior execution.

### Item 13 – Review of Accounts

All investment management accounts are reviewed regularly, but no less than annually, by the portfolio managers for performance and compliance with applicable investment objectives, guidelines, restrictions and applicable regulatory requirements. Accounts are also routinely reviewed by SSgA FM's compliance personnel for compliance with investment guidelines, restrictions and applicable regulatory requirements. Each investment strategy is also reviewed regularly by the SSgA Investment Committee.

The Board of Trustees/Directors of the Funds periodically receive reports that include a summary of relevant market conditions that have affected the Funds during the reporting period and may affect the Funds in the future. The Boards also have the opportunity to review Fund performance at their respective meetings.

An investment management account may be reviewed on other than periodic basis as part of an individual portfolio manager performance review at the request of the SSgA Investment Committee or as part of a random sampling approach. The criteria for a review may vary by group and may include performance, risk exposure, holdings, or changes in personnel.

**Reporting:** SSgA FM provides clients with reports and information as agreed to with the client. The frequency (daily, monthly, or quarterly) is determined by the nature of the report and the needs of the client. Reports may include data relating to purchases and sales, specific regulatory requirements, account holdings, performance, market values and issuer / sector / country exposures as well as commentary on the market and the applicable investment mandate. Reports and information provided vary from client to client and are most often provided in a format requested by the client.

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

The Adviser does not make payments for referrals; the Adviser has agreements with certain third party intermediaries that require the Adviser to pay amounts greater than amounts available for payment from certain of its advised Fund's Rule 12b-1/Distribution Plans. In these cases, these Funds pay the allowable amount out of the Rule 12b-1/Distribution Plans and the Adviser pays the additional amount out of its profits. The payments made to the intermediaries secure the distribution and servicing of assets that would not otherwise be available to these Funds. The Adviser is not aware of any preferential treatment that it or its affiliates receive from these intermediaries in exchange for these payments.

#### Item 15 – Custody

SSgA FM is affiliated with SSBT which provides custody services to certain of the Funds. Clients will receive account statements from SSBT and clients should carefully review those statements.

#### Item 16 – Investment Discretion

SSgA FM generally has full investment and discretion for each Fund that it manages, subject to the Fund's investment objectives, policies, guidelines and restrictions, as well as certain securities, tax and other laws that may, for example, require diversification of investments and impose other limitations. SSgA FM also has clients for which it only provides investment advice and is not responsible for brokerage execution or account management.

#### Item 17 – Voting Client Securities

SSgA FM seeks to vote proxies for which it has discretionary authority in the best interests of its clients. This means that SSgA FM makes proxy voting decisions in a manner it believes will most likely protect and promote the long-term economic value of client accounts.

SSgA FM retains Institutional Shareholder Services Inc. ("ISS"), a firm with expertise in proxy voting and corporate governance, to support SSgA FM's proxy voting process. SSgA FM utilizes ISS's services in three ways: (1) as SSgA's proxy voting agent (providing SSgA with vote execution and administration services); (2) applying SSgA's Proxy Voting Guidelines; and (3) provides research and analysis relating to general corporate governance issues and specific proxy items.

Generally, proxies will be voted in accordance with the guidelines provided in SSgA FM's Proxy Voting Policy. However, from time to time, proxy votes will be solicited which involve special circumstances and require additional research and discussion, which are not directly addressed by SSgA FM's Proxy Voting Policy, or which SSgA FM does not consider routine. Such proxies will be subject to consideration by SSgA FM on a case-by-case basis in a manner determined by SSgA FM to be in the best interest of clients.



SSgA FM will review a proxy which may present a potential conflict of interest. In general, SSgA FM does not believe matters that fall within the Proxy Voting Guidelines and are voted consistently with the Proxy Voting Guidelines present any potential conflicts, since the vote on the matter has effectively been determined without reference to the soliciting entity; however, where matters do not fall within the Proxy Voting Guidelines or where SSgA FM believes that voting in accordance with the Proxy Voting Guidelines is unwarranted, SSgA FM conducts an additional review to determine whether there is a conflict of interest. Although various relationships could be deemed to give rise to a conflict of interest, SSgA FM has determined that two categories of relationships present a serious concern to warrant an alternative process: (1) clients of SSgA, SSgA FM, or its affiliates which are among the top 100 clients of State Street Corporation or its affiliates based upon revenue; and (2) the 10 largest broker-dealers used by SSgA and SSgA FM, based upon revenue (a "Material Relationship").

In circumstances where either (i) the matter does not fall clearly within the Proxy Voting Guidelines or (ii) SSgA determines that voting in accordance with such policies or guidance is not in the best interests of its clients, the Director of SSgA FM's Corporate Governance Team will determine whether a Material Relationship exists. If so the matter is referred to the Proxy Review Committee, which then reviews the matter and determines whether a conflict of interest exists, and if so, how to best resolve such conflict. For example, the Proxy Review Committee may (i) determine that the proxy vote does not give rise to a conflict due to the issues presented, (ii) refer the matter to the Investment Committee for further evaluation, or (iii) retain an independent fiduciary to determine the appropriate vote.

Information about how SSgA FM voted a Fund's proxies during the most recent 12-month period ended June 30 can be obtained on the SEC's website at <http://www.sec.gov>.

A copy of SSgA FM's Proxy Voting Policy is provided to each client.

## Item 18 – Financial Information

SSgA FM has no financial commitment or condition that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## Item 19 – Requirements for State-Registered Advisers

SSgA FM is not registering or registered with any state securities authorities.