

**State Street Institutional Investment Trust  
(the “Trust”)**

**SUPPLEMENT DATED FEBRUARY 14, 2018 TO THE SUMMARY PROSPECTUSES, PROSPECTUSES AND  
STATEMENTS OF ADDITIONAL INFORMATION (“SAIs”), EACH DATED MAY 1, 2017,  
WITH RESPECT TO THE SERIES OF THE TRUST LISTED ON APPENDIX A  
AS EACH MAY BE SUPPLEMENTED AND/OR REVISED FROM TIME TO TIME**

*Effective January 1, 2018, Boston Financial Data Services, Inc. changed its name to DST Asset Manager Solutions, Inc.*

- 1) Accordingly, the paragraph under the heading “By Intermediary” in the section “Purchase and Sale of Fund Shares” in each Summary Prospectus and Prospectus is deleted and replaced with the following:

If you wish to purchase or redeem Fund Shares through a broker, bank or other financial intermediary (“Financial Intermediary”), please contact that Financial Intermediary directly. Your Financial Intermediary may have different or additional requirements for opening an account and/or for the processing of purchase and redemption orders, or may be closed at times when the Fund is open. Financial Intermediaries may contact the DST Asset Manager Solutions Group at (877) 332-6207 or email them at [nscresearch@dstsystems.com](mailto:nscresearch@dstsystems.com) with questions.

- 2) Additionally, all remaining references to Boston Financial Data Services, Inc., or BFDS, in each Summary Prospectus, Prospectus and SAI are deleted and replaced with DST Asset Manager Solutions, Inc.

**PLEASE RETAIN THIS SUPPLEMENT FOR FUTURE REFERENCE**

DSTSUPP1

## APPENDIX A

STATE STREET INSTITUTIONAL LIQUID RESERVES FUND Premier Class (SSIXX) Investment Class (SSVXX) Service Class (LRSXX) Institutional Class (SSHXX) Investor Class (SSZXX) Administration Class (SSYXX) Trust Class (TILXX)	STATE STREET INSTITUTIONAL LIQUID ASSETS FUND Premier Class (MMQXX) Investment Class (MMKXX) Institutional Class (MMFXX) Investor Class (MMOXX) Administration Class (MMHXX)	STATE STREET TARGET RETIREMENT 2015 FUND Class A (SSBBX) Class I (SSBFX) Class K (SSBHX)
STATE STREET INSTITUTIONAL U.S. GOVERNMENT MONEY MARKET FUND Premier Class (GVMXX) Investment Class (GVVXX) Service Class (GVSXX) Institutional Class (SAHXX) Investor Class (SAMXX) Administration Class (SALXX) Class G (SSOXX) Class M (GOMXX)	STATE STREET CURRENT YIELD FUND Premier Class (SSYLX) Investment Class (SSYFX) Institutional Class (SSYDX) Investor Class (SSYHX) Administration Class (SSYEX)	STATE STREET TARGET RETIREMENT 2020 FUND Class A (SSBJX) Class I (SSBNX) Class K (SSBOX)
STATE STREET INSTITUTIONAL TREASURY MONEY MARKET FUND Premier Class (TRIXX) Investment Class (TRVXX) Service Class (TYSXX) Institutional Class (SSJXX) Investor Class (SSNXX) Administration Class (SSKXX)	STATE STREET CONSERVATIVE INCOME FUND Premier Class (SSKLX) Investment Class (SSKJX) Institutional Class (SSKGX) Investor Class (SSKKX) Administration Class (SSKHX)	STATE STREET TARGET RETIREMENT 2025 FUND Class A (SSBPX) Class I (SSBRX) Class K (SSBSX)
STATE STREET INSTITUTIONAL TREASURY PLUS MONEY MARKET FUND Premier Class (TPIXX) Investment Class (TPVXX) Service Class (TPSXX) Institutional Class (SAJXX) Investor Class (SAEXX) Administration Class (SSQXX) Trust Class (TPLXX)	STATE STREET ULTRA SHORT TERM BOND FUND Institutional Class (SSTUX) Investment Class (SSUTX)	STATE STREET TARGET RETIREMENT 2030 FUND Class A (SSBUX) Class I (SSBWX) Class K (SSBYX)
STATE STREET 60 DAY MONEY MARKET FUND Premier Class (CCKXX) Investment Class (CCHXX) Institutional Class (CCDXX) Investor Class (CCJXX) Administration Class (CCEXX)	STATE STREET EQUITY 500 INDEX FUND Administrative Shares (STFAX) Class R Shares (SSFRX) Service Shares (STBIX) Class A (SSSVX) Class I (SSSWX) Class K (SSSYX)	STATE STREET TARGET RETIREMENT 2035 FUND Class A (SSBZX) Class I (SSCJX) Class K (SSCKX)
STATE STREET CASH RESERVES FUND Premier Class (MMEXX) Investment Class (CCWXX) Institutional Class (CCQXX) Investor Class (MMDXX)	STATE STREET AGGREGATE BOND INDEX FUND Class A (SSFCX) Class I (SSFDX) Class K (SSFEX)	STATE STREET TARGET RETIREMENT 2040 FUND Class A (SSCLX) Class I (SSCNX) Class K (SSCQX)
	STATE STREET GLOBAL EQUITY EX-U.S. INDEX FUND Class A (SSGHX) Class I (SSGJX) Class K (SSGLX)	STATE STREET TARGET RETIREMENT 2045 FUND Class A (SSCUX) Class I (SSDDX) Class K (SSDEX)
	STATE STREET SMALL CAP EMERGING MARKETS EQUITY FUND Class A (SSEEX) Class I (SSEJX) Class K (SSEKX)	STATE STREET TARGET RETIREMENT 2050 FUND Class A (SSDFX) Class I (SSDJX) Class K (SSDLX)
		STATE STREET TARGET RETIREMENT 2055 FUND Class A (SSDMX) Class I (SSDOX) Class K (SSDQX)
		STATE STREET TARGET RETIREMENT 2060 FUND Class A (SSDTX)

Administration Class (CCVXX)

STATE STREET STRATEGIC REAL  
RETURN FUND  
Class A (SSRFX)  
Class I (SSRJX)  
Class K (SSRKX)

Class I (SSDWX)  
Class K (SSDYX)

STATE STREET TARGET  
RETIREMENT FUND  
Class A (SSFLX)  
Class I (SSFNX)  
Class K (SSFOX)

STATE STREET ASIA PACIFIC  
VALUE SPOTLIGHT FUND  
Class A ( )  
Class I ( )  
Class K (SIDKX)

STATE STREET EMERGING  
MARKETS EQUITY INDEX FUND  
Class A (SSUEX)  
Class I (SSLEX)  
Class K (SSKEX)

STATE STREET U.S. VALUE  
SPOTLIGHT FUND  
Class A ( )  
Class I ( )  
Class K (SIEKX)

STATE STREET SMALL/MID CAP  
EQUITY INDEX FUND  
Class A (SSMJX)  
Class I (SSMLX)  
Class K (SSMKX)

STATE STREET MSCI CANADA  
INDEX FUND  
Class K (SSWCX)

STATE STREET HEDGED  
INTERNATIONAL DEVELOPED  
EQUITY INDEX FUND  
Class A (SSHEX)  
Class I (SSHNX)  
Class K (SSHQX)

STATE STREET MSCI JAPAN INDEX  
FUND  
Class K (SSJFX)

STATE STREET MSCI EUROPE  
INDEX FUND  
Class K (SSVWX)

STATE STREET INTERNATIONAL  
DEVELOPED EQUITY INDEX FUND  
Class A (SSIHX)  
Class I (SSIKX)  
Class K (SSIWX)

STATE STREET MSCI PACIFIC EX  
JAPAN INDEX FUND  
Class K (SSPKX)

STATE STREET DISCIPLINED  
GLOBAL EQUITY FUND  
Class A (SSGGX)  
Class I (SSGMX)  
Class K (SSGKX)

STATE STREET TREASURY  
OBLIGATIONS MONEY MARKET  
FUND (TAQXX)

STATE STREET DISCIPLINED U.S.  
EQUITY FUND  
Class A (SSJAX)  
Class I (SSJIX)  
Class K (SSJKX)

STATE STREET DISCIPLINED  
INTERNATIONAL EQUITY FUND  
Class A (SSZAX)  
Class I (SSZIX)  
Class K (SSZKX)

STATE STREET GLOBAL VALUE  
SPOTLIGHT FUND  
Class A ( )  
Class I ( )  
Class K (SIKX)

STATE STREET INTERNATIONAL  
VALUE SPOTLIGHT FUND  
Class A ( )  
Class I ( )

Class K (SIVSX)

STATE STREET EUROPEAN VALUE  
SPOTLIGHT FUND

Class A ( )

Class I ( )

Class K (SIBKX)

## State Street Institutional Investment Trust

State Street Target Retirement 2015 Fund  
State Street Target Retirement 2020 Fund  
State Street Target Retirement 2025 Fund  
State Street Target Retirement 2030 Fund  
State Street Target Retirement 2035 Fund  
State Street Target Retirement 2040 Fund  
State Street Target Retirement 2045 Fund  
State Street Target Retirement 2050 Fund  
State Street Target Retirement 2055 Fund  
State Street Target Retirement 2060 Fund  
State Street Target Retirement Fund  
(each a “Fund”, collectively the “Funds”)

Supplement dated January 25, 2018 to the  
Statement of Additional Information (“SAI”)  
dated May 1, 2017, as supplemented

*Effective immediately, the SAI is revised as follows:*

- In the section entitled “**Portfolio Managers**” beginning on page 83 of the SAI, the information regarding Lisa Khatri is deleted in its entirety, and the following is added to and supplements the information in the table regarding the number and types of accounts managed by the portfolio managers of the Funds and the assets under management in those accounts:

<u>Portfolio Manager</u>	<u>Portfolio</u>	<u>Registered Investment Companies Accounts</u>	<u>Assets Managed (\$ billions)</u>	<u>Other Pooled Investment Vehicles Accounts</u>	<u>Assets Managed (\$ billions)</u>	<u>Other Accounts</u>	<u>Assets Managed (\$ billions)</u>	<u>Total Assets Managed (\$ billions)</u>
Michael Narkiewicz†	Target Retirement Funds	39	\$14.93	151	\$43.39	234††	\$40.98††	\$99.30

† Information for Mr. Narkiewicz is provided as of September 30, 2017.

†† Includes 5 accounts (totaling \$0.44 billion in assets under management) with performance-based fees.

As of September 30, 2017, Mr. Narkiewicz did not beneficially own any shares of the Funds.

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**State Street Institutional Investment Trust**

**SUPPLEMENT DATED JUNE 20, 2017 TO THE  
STATEMENT OF ADDITIONAL INFORMATION (“SAI”)  
DATED MAY 1, 2017, AS REVISED MAY 12, 2017**

Effective immediately, the SAI is supplemented as follows:

*The section “ADDITIONAL INVESTMENTS AND RISKS – When-Issued Securities and Delayed Delivery Securities” beginning on page 32 of the SAI is hereby deleted and replaced with the following:*

**When-Issued, Delayed Delivery and Forward Commitment Transactions**

To secure an advantageous price or yield, certain Funds may purchase securities on a when-issued, delayed delivery, to-be-announced (“TBA”) or forward commitment basis and may sell securities on a forward commitment or delayed delivery basis. A Fund will enter into when-issued, delayed delivery, TBA or forward commitment transactions for the purpose of acquiring securities and not for the purpose of leverage.

When purchasing a security on a when-issued, delayed delivery, TBA or forward commitment basis, a Fund assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations, and takes such fluctuations into account when determining its net asset value. When such transactions are negotiated, certain terms may be fixed at the time the commitment is made, but delivery and payment for the securities takes place at a later date. In general, a Fund does not pay for the securities until received and does not start earning interest or other income until the contractual settlement date. A Fund may take delivery of the securities or it may sell the securities before the settlement date.

At the time of delivery of the securities, the value may be more or less than the purchase or sale price. If a Fund remains substantially fully invested at a time when when-issued, delayed delivery, TBA or forward commitment purchases are outstanding, the purchases may result in a form of leverage and give rise to increased volatility of the Fund’s net asset value. Default by, or bankruptcy of, a counterparty to a when-issued, delayed delivery, TBA or forward commitment transaction would expose the Fund to possible losses because of an adverse market action, expenses or delays in connection with the purchase or sale of the pools specified in such transaction. Purchases of when-issued, delayed delivery, TBA or forward commitment securities also involve a risk of loss if the seller fails to deliver after the value of the securities has risen.

Cash or other liquid assets in an amount equal to the amount of a Fund’s when-issued, delayed-delivery, TBA or forward commitment purchase obligations will be earmarked on the Fund’s books. There is no guarantee, however, that such earmarking will be successful in reducing or eliminating the leveraging effect of such transactions or the risks associated with leverage.

A TBA transaction involves a commitment to purchase securities sold for a fixed price where the underlying securities are announced at a future date. The seller does not specify the particular securities to be delivered. Instead, a Fund agrees to accept any security that meets specified terms. For example, in a TBA mortgage-backed security transaction, a Fund and the seller would agree upon the issuer, interest rate and terms of the underlying mortgages. The seller would not identify the specific underlying mortgages until it issues the security. For this reason, in a TBA transaction, a Fund commits to purchase securities for which all specific information is not yet known at the time of the trade, particularly the exact face amount in forward commitment mortgage-backed securities transactions. The purchaser in a TBA transaction generally is subject to increased market risk and interest rate risk because the delivered securities may be less favorable than anticipated by the purchaser.

Certain Funds may also enter into a forward commitment to sell securities it owns. The use of forward commitments enables a Fund to hedge against anticipated changes in interest rates and prices. In a forward sale, a Fund does not participate in gains or losses on the security occurring after the commitment date. Forward commitments to sell securities also involve a risk of loss if the seller fails to take delivery after the value of the securities has declined. Forward commitment transactions involve additional risks similar to those associated with investments in options and futures contracts.

Recently finalized rules of the Financial Industry Regulatory Authority, Inc. (“FINRA”) impose mandatory margin requirements for “Covered Agency Transactions,” which include TBA Transactions, certain transactions in pass-through mortgage-backed securities or small-business administration-backed asset-backed securities and transactions in collateralized mortgage obligations, in each case where such transactions have delayed contractual settlement dates of a specified period. There are limited exceptions to these margin requirements. Covered Agency Transactions historically have not been required to be collateralized. The collateralization of Covered Agency Transactions is intended to mitigate counterparty credit risk between trade and settlement, but could increase the cost of such transactions and impose added operational complexity.

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**STATE STREET INSTITUTIONAL INVESTMENT TRUST**

(the "Trust")

State Street Financial Center  
One Lincoln Street  
Boston, Massachusetts 02111-2900

**STATEMENT OF ADDITIONAL INFORMATION**

**May 1, 2017,  
as revised May 12, 2017**

<b>Fund</b>	<b>TICKER</b>
STATE STREET EQUITY 500 INDEX FUND	
Administrative Shares	(STFAX)
Class R Shares	(SSFRX)
Service Shares	(STBIX)
Class A	(SSSVX)
Class I	(SSSWX)
Class K	(SSSYX)
STATE STREET AGGREGATE BOND INDEX FUND	
Class A	(SSFCX)
Class I	(SSFDX)
Class K	(SSFEX)
STATE STREET GLOBAL EQUITY EX-U.S. INDEX FUND	
Class A	(SSGHX)
Class I	(SSGJX)
Class K	(SSGLX)
STATE STREET SMALL CAP EMERGING MARKETS EQUITY FUND	
Class A	(SSEEX)
Class I	(SSEJX)
Class K	(SSEKX)
STATE STREET STRATEGIC REAL RETURN FUND	
Class A	(SSRFX)
Class I	(SSRJX)
Class K	(SSRKX)
STATE STREET TARGET RETIREMENT 2015 FUND	
Class A	(SSBBX)
Class I	(SSBFX)
Class K	(SSBHX)
STATE STREET TARGET RETIREMENT 2020 FUND	
Class A	(SSBJX)
Class I	(SSBNX)
Class K	(SSBOX)

<b>Fund</b>	<b>TICKER</b>
STATE STREET TARGET RETIREMENT 2025 FUND	
Class A	(SSBPX)
Class I	(SSBRX)
Class K	(SSBSX)
STATE STREET TARGET RETIREMENT 2030 FUND	
Class A	(SSBUX)
Class I	(SSBWX)
Class K	(SSBYX)
STATE STREET TARGET RETIREMENT 2035 FUND	
Class A	(SSBZX)
Class I	(SSCJX)
Class K	(SSCKX)
STATE STREET TARGET RETIREMENT 2040 FUND	
Class A	(SSCLX)
Class I	(SSCNX)
Class K	(SSCQX)
STATE STREET TARGET RETIREMENT 2045 FUND	
Class A	(SSCUX)
Class I	(SSDDX)
Class K	(SSDEX)
STATE STREET TARGET RETIREMENT 2050 FUND	
Class A	(SSDFX)
Class I	(SSDJX)
Class K	(SSDLX)
STATE STREET TARGET RETIREMENT 2055 FUND	
Class A	(SSDMX)
Class I	(SSDOX)
Class K	(SSDQX)
STATE STREET TARGET RETIREMENT 2060 FUND	
Class A	(SSDTX)
Class I	(SSDWX)
Class K	(SSDYX)
STATE STREET TARGET RETIREMENT FUND	
Class A	(SSFLX)
Class I	(SSFNX)
Class K	(SSFOX)
STATE STREET EMERGING MARKETS EQUITY INDEX FUND	
Class A	(SSUEX)
Class I	(SSLEX)
Class K	(SSKEX)
STATE STREET SMALL/MID CAP EQUITY INDEX FUND	
Class A	(SSMJX)
Class I	(SSMLX)
Class K	(SSMKX)
STATE STREET HEDGED INTERNATIONAL DEVELOPED EQUITY INDEX FUND	
Class A	(SSHEX)
Class I	(SSHNX)
Class K	(SSHQX)

<b>Fund</b>	<b>TICKER</b>
STATE STREET INTERNATIONAL DEVELOPED EQUITY INDEX FUND	
Class A	(SSIHX)
Class I	(SSIKX)
Class K	(SSIWX)
STATE STREET DISCIPLINED GLOBAL EQUITY FUND	
Class A	(SSGGX)
Class I	(SSGMX)
Class K	(SSGKX)
STATE STREET DISCIPLINED U.S. EQUITY FUND	
Class A	(SSJAX)
Class I	(SSJIX)
Class K	(SSJKX)
STATE STREET DISCIPLINED INTERNATIONAL EQUITY FUND	
Class A	(SSZAX)
Class I	(SSZIX)
Class K	(SSZKX)
STATE STREET GLOBAL VALUE SPOTLIGHT FUND	
Class A	(-----)
Class I	(-----)
Class K	(SIKX)
STATE STREET INTERNATIONAL VALUE SPOTLIGHT FUND	
Class A	(-----)
Class I	(-----)
Class K	(SIVSX)
STATE STREET EUROPEAN VALUE SPOTLIGHT FUND	
Class A	(-----)
Class I	(-----)
Class K	(SIBKX)
STATE STREET ASIA PACIFIC VALUE SPOTLIGHT FUND	
Class A	(-----)
Class I	(-----)
Class K	(SIDKX)
STATE STREET U.S. VALUE SPOTLIGHT FUND	
Class A	(-----)
Class I	(-----)
Class K	(SIEKX)

This Statement of Additional Information (“SAI”) relates to the prospectuses dated May 1, 2017, as amended from time to time thereafter for each of the Funds listed above (each, a “Prospectus” and collectively, the “Prospectuses”).

The SAI is not a prospectus and should be read in conjunction with the Prospectuses. A copy of each Prospectus can be obtained free of charge by calling (866) 392-0869 or by written request to the Trust at the address listed above.

The Trust’s audited financial statements for the fiscal year ended December 31, 2016, including the independent registered public accounting firm reports thereon, are included in the Trust’s annual reports and are incorporated into this SAI by reference. Copies of the Trust’s annual reports and semiannual reports are available, without charge, upon request, by calling (866) 392-0869 or by written request to the Trust at the address above.

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## GENERAL

The Trust was organized as a business trust under the laws of The Commonwealth of Massachusetts on February 16, 2000.

The Trust is an open-end management investment company. The Trust includes the following diversified series:

- State Street Equity 500 Index Fund (the “Equity 500 Index Fund”);
- State Street Aggregate Bond Index Fund (the “Aggregate Bond Index Fund”);
- State Street Institutional Liquid Reserves Fund;
- State Street Institutional U.S. Government Money Market Fund;
- State Street Institutional Treasury Money Market Fund;
- State Street Institutional Treasury Plus Money Market Fund;
- State Street Strategic Real Return Fund (the “Strategic Real Return Fund”);
- State Street Target Retirement Fund (the “Retirement Fund”);
- State Street Target Retirement 2015 Fund (the “Target Retirement 2015 Fund”);
- State Street Target Retirement 2020 Fund (the “Target Retirement 2020 Fund”);
- State Street Target Retirement 2025 Fund (the “Target Retirement 2025 Fund”);
- State Street Target Retirement 2030 Fund (the “Target Retirement 2030 Fund”);
- State Street Target Retirement 2035 Fund (the “Target Retirement 2035 Fund”);
- State Street Target Retirement 2040 Fund (the “Target Retirement 2040 Fund”);
- State Street Target Retirement 2045 Fund (the “Target Retirement 2045 Fund”);
- State Street Target Retirement 2050 Fund (the “Target Retirement 2050 Fund”);
- State Street Target Retirement 2055 Fund (the “Target Retirement 2055 Fund”);
- State Street Target Retirement 2060 Fund (the “Target Retirement 2060 Fund”);
- State Street Small Cap Emerging Markets Equity Fund (the “Small Cap Emerging Markets Equity Fund”);
- State Street Global Equity ex-U.S. Index Fund (the “Global Equity ex-U.S. Index Fund”);
- State Street Emerging Markets Equity Index Fund (the “Emerging Markets Equity Index Fund”);
- State Street Equity 500 Index II Portfolio (the “Equity 500 Index II Portfolio”);
- State Street Strategic Real Return Portfolio (the “Strategic Real Return Portfolio”);
- State Street Aggregate Bond Index Portfolio (the “Aggregate Bond Index Portfolio”);
- State Street Global Equity ex-U.S. Index Portfolio (the “Global Equity ex-U.S. Index Portfolio”);
- State Street Hedged International Developed Equity Index Fund (the “Hedged International Developed Equity Index Fund”);
- State Street International Developed Equity Index Fund (the “International Developed Equity Index Fund”);
- State Street Small/Mid Cap Equity Index Fund (the “Small/Mid Cap Equity Index Fund”);
- State Street Small/Mid Cap Equity Index Portfolio (the “Small/Mid Cap Equity Index Portfolio”);
- State Street 60 Day Money Market Fund;
- State Street 60 Day Money Market Portfolio;

- State Street Cash Reserves Fund;
- State Street Cash Reserves Portfolio;

- State Street Institutional Liquid Assets Fund;
- State Street Institutional Liquid Assets Portfolio;
- State Street Current Yield Fund;
- State Street Current Yield Portfolio;
- State Street Conservative Income Fund;
- State Street Conservative Income Portfolio;
- State Street Ultra Short Term Bond Fund;
- State Street Ultra Short Term Bond Portfolio;
- State Street Disciplined Global Equity Fund (the “Disciplined Global Equity Fund”);
- State Street Disciplined U.S. Equity Fund (the “Disciplined U.S. Equity Fund”);
- State Street Disciplined International Equity Fund (the “Disciplined International Equity Fund”);
- State Street MSCI Canada Index Fund;
- State Street MSCI Japan Index Fund;
- State Street MSCI Europe Index Fund; and
- State Street MSCI Pacific ex Japan Index Fund.

The Trust includes the following non-diversified series:

- State Street Global Value Spotlight Fund (the “Global Value Spotlight Fund”);
- State Street International Value Spotlight Fund (the “International Value Spotlight Fund”);
- State Street European Value Spotlight Fund (the “European Value Spotlight Fund”);
- State Street Asia Pacific Value Spotlight Fund (the “Asia Pacific Value Spotlight Fund”); and
- State Street U.S. Value Spotlight Fund (the “U.S. Value Spotlight Fund”).

The Equity 500 Index Fund, the Aggregate Bond Index Fund, the Global Equity ex-U.S. Index Fund, the Small Cap Emerging Markets Equity Fund, the Strategic Real Return Fund, the Retirement Fund, the Target Retirement 2015 Fund, the Target Retirement 2020 Fund, the Target Retirement 2025 Fund, the Target Retirement 2030 Fund, the Target Retirement 2035 Fund, the Target Retirement 2040 Fund, the Target Retirement 2045 Fund, the Target Retirement 2050 Fund, the Target Retirement 2055 Fund, the Target Retirement 2060 Fund, the Small/Mid Cap Equity Index Fund, the Emerging Markets Equity Index Fund, the Hedged International Developed Equity Index Fund, the International Developed Equity Index Fund, the Disciplined Global Equity Fund, the Disciplined U.S. Equity Fund and the Disciplined International Equity Fund, the Global Value Spotlight Fund, the International Value Spotlight Fund, the European Value Spotlight Fund, the Asia Pacific Value Spotlight Fund and the U.S. Value Spotlight Fund are referred to in this SAI as the “Funds,” and each Fund may be referred to in context as the “Fund.”

The Equity 500 Index Fund, Aggregate Bond Index Fund, the Global Equity ex-U.S. Index Fund, the Small/Mid Cap Equity Index Fund, the Emerging Markets Equity Index Fund, the Hedged International Developed Equity Index Fund and the International Developed Equity Index Fund are referred to in this SAI as the “Index Funds.” The Retirement Fund, Target Retirement 2015 Fund, Target Retirement 2020 Fund, Target Retirement 2025 Fund, Target Retirement 2030 Fund, Target Retirement 2035 Fund, Target Retirement 2040 Fund, Target Retirement 2045 Fund, Target Retirement 2050 Fund, Target Retirement 2055 Fund and Target Retirement 2060 Fund are referred to collectively in this SAI as the “Target Retirement Funds.” The Strategic Real Return Fund and the Strategic Real Return Portfolio are referred to in this SAI as “Strategic Real Return Funds.”

Each Fund listed below as a feeder fund (each a “Feeder Fund” and collectively the “Feeder Funds”) seeks to achieve its investment objective by investing substantially all of its investable assets in a corresponding master portfolio in the Trust or, as indicated below,

the SSGA Active Trust or State Street Master Funds that has substantially similar investment strategies to those of the Feeder Fund. The table below shows the respective Portfolio in which each Feeder Fund invests. All Portfolios together are referred to in this SAI as the “Portfolios” and each Portfolio may be referred to in context as the “Portfolio” as appropriate.

<b>Feeder Fund</b>	<b>Master Portfolio</b>
Equity 500 Index Fund	Equity 500 Index II Portfolio
Aggregate Bond Index Fund	Aggregate Bond Index Portfolio
Strategic Real Return Fund	Strategic Real Return Portfolio
Global Equity ex-U.S. Index Fund	Global Equity ex-U.S. Index Portfolio
Small/Mid Cap Equity Index Fund	Small/Mid Cap Equity Index Portfolio
International Developed Equity Index Fund	State Street International Developed Equity Index Portfolio (“International Developed Equity Index Portfolio”)*
Disciplined Global Equity Fund	State Street Disciplined Global Equity Portfolio (“Disciplined Global Equity Portfolio”)**

\* This Portfolio is in the State Street Master Funds.

\*\* This Portfolio is in the SSGA Active Trust.

The Hedged International Developed Equity Index Fund seeks to gain its investment exposure to the constituents of the MSCI EAFE (Europe, Australasia, Far East) 100% Hedged to USD Index by investing in the International Developed Equity Index Portfolio. In managing its portfolio of investments, the Portfolio may purchase various securities and investment related instruments and make use of various investment techniques, including, but not limited to, those described below.

## **DESCRIPTION OF THE FUNDS AND THEIR INVESTMENTS AND RISKS**

Each Fund’s Prospectus contains information about the investment objective and policies of that Fund. This SAI should only be read in conjunction with the Prospectus of the Fund or Funds in which you intend to invest.

In addition to the principal investment strategies and the principal risks of the Funds and Portfolios described in each Fund’s Prospectus, a Fund or Portfolio may employ other investment practices and may be subject to additional risks, which are described below. In reviewing these practices of the Feeder Funds, you should assume that the practices of the corresponding Portfolio are the same in all material respects.

Each Target Retirement Fund seeks to achieve its investment objective by investing in a combination of domestic and international mutual funds sponsored by SSGA Funds Management, Inc. (the “Adviser” or “SSGA FM”) or its affiliates (“Underlying Funds”) using an asset allocation strategy. In managing their portfolios of investments, the Underlying Funds may purchase various securities and investment related instruments and make use of various investment techniques, including, but not limited to, those described below. Except as otherwise stated, references in this section to “the Funds,” “each Fund,” or “a Fund” may, as applicable, refer to the Funds, one or more Underlying Funds, or more than one of the foregoing.



In the case of the Strategic Real Return Fund, the corresponding Portfolio, the Strategic Real Return Portfolio, will likely gain a portion of its investment exposure, particularly to commodities and commodities-related investments, by investing in a Cayman Islands company that is a wholly-owned subsidiary of the Portfolio (the “Subsidiary”) that uses some of the investment strategies listed below. Accordingly, references to the “Strategic Real Return Fund” herein should be deemed to include references to the Subsidiary as appropriate.

#### Additional Information Concerning the MSCI All Country World Index ex USA (the “MSCI Index”)

The Global Equity ex-U.S. Index Fund is not sponsored, endorsed, sold or promoted by Morgan Stanley Capital International Inc. (“MSCI”). MSCI makes no representation or warranty, express or implied, to the owners of shares of the Global Equity ex-U.S. Index Fund or any member of the public regarding the advisability of investing in securities generally or in the Global Equity ex-U.S. Index Fund particularly or the ability of the MSCI Index to track general performance. MSCI’s only relationship to the Global Equity ex-U.S. Index Fund is the licensing of certain trademarks and trade names of MSCI and of the MSCI Index, which is determined, composed and calculated by MSCI without regard to the Global Equity ex-U.S. Index Fund. MSCI has no obligation to take the needs of the Global Equity ex-U.S. Index Fund or the owners of shares of the Global Equity ex-U.S. Index Fund into consideration in determining, composing or calculating the MSCI Index. MSCI is not responsible for and has not participated in the determination of the price and number of shares of the Global Equity ex-U.S. Index Fund or the timing of the issuance or sale of shares of Global Equity ex-U.S. Index Fund, or calculation of the equation by which shares of the Global Equity ex-U.S. Index Fund are redeemable for cash. MSCI has no obligation or liability in connection with the administration, marketing or trading of shares of the Global Equity ex-U.S. Index Fund.

MSCI does not guarantee the accuracy or the completeness of the MSCI Index or any data included therein and MSCI shall have no liability for any errors, omissions or interruptions therein. MSCI makes no warranty, express or implied, as to results to be obtained by the Global Equity ex-U.S. Index Fund, owners of shares of the Global Equity ex-U.S. Index Fund or any other person or entity from the use of the MSCI Index or any data included therein. MSCI makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the MSCI Index or any data included therein. Without limiting any of the foregoing, in no event shall MSCI have any liability for any special, punitive, indirect or consequential damages (including lost profits), even if notified of the possibility of such damages.

#### **ADDITIONAL INVESTMENTS AND RISKS**

To the extent consistent with its investment objective and restrictions, each Fund or Portfolio may invest in the following instruments and use the following techniques, and is subject to the following additional risks.

##### Bonds

The Funds, except for the Small/Mid Cap Equity Index Fund, may invest a portion of their assets in bonds. A bond is an interest-bearing security issued by a company, governmental unit or, in some cases, a non-U.S. entity. The issuer of a bond has a contractual obligation to pay interest at a stated rate on specific dates and to repay principal (the bond’s face value) periodically or on a specified maturity date; provided, however, a zero coupon bond pays no interest to its holder during its life. The value of a zero coupon bond to a Fund consists of the difference between such bond’s face value at the time of maturity and the price for which it was acquired, which may be an amount significantly less than its face value (sometimes referred to as a “deep discount” price).

An issuer may have the right to redeem or “call” a bond before maturity, in which case the investor may have to reinvest the proceeds at lower market rates. Most bonds bear interest income at a “coupon” rate that is fixed for the life of the bond. The value of a fixed rate bond usually rises when market interest rates fall, and falls when market interest rates rise. Accordingly, a fixed rate bond’s yield (income as a percent of the bond’s current value) may differ from its coupon rate as its value rises or falls. Fixed rate bonds generally are also subject to inflation risk, which is the risk that the value of the bond or income from the bond will be worth less in the future as inflation decreases the value of money. This could mean that, as inflation increases, the “real” value of the assets of a Fund holding fixed rate bonds can decline, as can the value of the Fund’s distributions. Other types of bonds bear income at an interest rate that is adjusted periodically. Because of their adjustable interest rates, the value of “floating-rate” or “variable-rate” bonds fluctuates much less in response to market interest rate movements than the value of fixed rate bonds. A Fund may treat some of these bonds as having a shorter maturity for purposes of calculating the weighted average maturity of its investment portfolio. Bonds may be senior or

subordinated obligations. Senior obligations generally have the first claim on a corporation's earnings and assets and, in the event of liquidation, are paid before subordinated obligations. Bonds may be unsecured (backed only by the issuer's general creditworthiness) or secured (also backed by specified collateral).

The investment return of corporate bonds reflects interest on the bond and changes in the market value of the bond. The market value of a corporate bond may be affected by the credit rating of the corporation, the corporation's performance and perceptions of the corporation in the market place. There is a risk that the issuers of the securities may not be able to meet their obligations on interest or principal payments at the time called for by such a security.

### Cash Reserves

Each Fund may hold portions of its assets in short-term debt instruments with remaining maturities of 397 days or less pending investment or to meet anticipated redemptions and day-to-day operating expenses. Short-term debt instruments consist of: (i) short-term obligations of the U.S. Government, its agencies, instrumentalities, authorities or political subdivisions; (ii) other short-term debt securities rated at the time of purchase Aa or higher by Moody's Investors Service, Inc. ("Moody's") or AA or higher by S&P or, if unrated, of comparable quality in the opinion of SSGA FM; (iii) commercial paper; (iv) bank obligations, including negotiable certificates of deposit, time deposits and bankers' acceptances; and (v) repurchase agreements.

### Cleared Derivatives Transactions

Under recently adopted rules and regulations, transactions in some types of swaps are required to be centrally cleared. In a cleared derivatives transaction, a Fund's counterparty to the transaction is a central derivatives clearing organization, or clearing house, rather than a bank or broker. Because the Funds are not members of a clearing house, and only members of a clearing house can participate directly in the clearing house, the Funds hold cleared derivatives through accounts at clearing members. In cleared derivatives transactions, a Fund will make payments (including margin payments) to and receive payments from a clearing house through its accounts at clearing members. Clearing members guarantee performance of their clients' obligations to the clearing house. Centrally cleared derivative arrangements may be less favorable to a Fund than bilateral (non-cleared) arrangements. For example, a Fund may be required to provide greater amounts of margin for cleared derivatives transactions than for bilateral derivatives transactions. Also, in contrast to bilateral derivatives transactions, in some cases following a period of notice to a Fund, a clearing member generally can require termination of existing cleared derivatives transactions at any time or an increase in margin requirements above the margin that the clearing member required at the beginning of a transaction. Clearing houses also have broad rights to increase margin requirements for existing transactions or to terminate transactions at any time. A Fund is subject to risk if it enters into a derivatives transaction that is required to be cleared (or which the Adviser expects to be cleared), and no clearing member is willing or able to clear the transaction on a Fund's behalf. In that case, the transaction might have to be terminated, and a Fund could lose some or all of the benefit of the transaction, including loss of an increase in the value of the transaction and loss of hedging protection. In addition, the documentation governing the relationship between a Fund and clearing members is drafted by the clearing members and generally is less favorable to a Fund than typical bilateral derivatives documentation. For example, documentation relating to cleared derivatives generally includes a one-way indemnity by the Fund in favor of the clearing member for losses the clearing member incurs as the Fund's clearing member. Also, such documentation typically does not provide the Fund any remedies if the clearing member defaults or becomes insolvent.

Counterparty risk with respect to derivatives has been and will continue to be affected by new rules and regulations relating to the derivatives market. With respect to a centrally cleared transaction, a party is subject to the credit risk of the clearing house and the clearing member through which it holds its cleared position. Credit risk of market participants with respect to centrally cleared derivatives is concentrated in a few clearing houses, and it is not clear how an insolvency proceeding of a clearing house would be conducted and what impact an insolvency of a clearing house would have on the financial system. A clearing member is obligated by contract and regulation to segregate all funds received from customers with respect to cleared derivatives positions from the clearing member's proprietary assets. However, all funds and other property received by a clearing member from its customers with respect to

cleared derivatives are generally held by the clearing member on a commingled basis in an omnibus account (which can be invested in instruments permitted under the regulations). Therefore, a Fund might not be fully protected in the event of the bankruptcy of the Fund's clearing member because the Fund would be limited to recovering only a pro rata share of the funds held by the clearing member on behalf of customers, with a claim against the clearing member for any deficiency. Also, the clearing member is required to transfer to the clearing house the amount of margin required by the clearing house for cleared derivatives, which amount is generally held in an omnibus account at the clearing house for all customers of the clearing member. Regulations promulgated by the CFTC require that the clearing member notify the clearing house of the initial margin provided by the clearing member to the clearing house that is attributable to each customer. However, if the clearing member does not accurately report the Fund's initial margin, the Fund is subject to the risk that a clearing house will use the assets attributable to it in the clearing house's omnibus account to satisfy payment obligations a defaulting customer of the clearing member has to the clearing house. In addition, clearing members generally provide the clearing house the net amount of variation margin required for cleared swaps for all of its customers, rather than individually for each customer. A Fund is therefore subject to the risk that a clearing house will not make variation margin payments owed to the Fund if another customer of the clearing member has suffered a loss and is in default, and the risk that the Fund will be required to provide additional variation margin to the clearing house before the clearing house will move the Fund's cleared derivatives positions to another clearing member. In addition, if a clearing member does not comply with the applicable regulations or its agreement with the Fund, or in the event of fraud or misappropriation of customer assets by a clearing member, the Fund could have only an unsecured creditor claim in an insolvency of the clearing member with respect to the margin held by the clearing member.

### Swap Execution Facilities

Certain derivatives contracts are required to be executed through swap execution facilities ("SEFs"). A SEF is a trading platform where multiple market participants can execute derivatives by accepting bids and offers made by multiple other participants in the platform. Such requirements may make it more difficult and costly for investment funds, such as a Fund, to enter into highly tailored or customized transactions. Trading swaps on a SEF may offer certain advantages over traditional bilateral over-the-counter trading, such as ease of execution, price transparency, increased liquidity and/or favorable pricing. Execution through a SEF is not, however, without additional costs and risks, as parties are required to comply with SEF and CFTC rules and regulations, including disclosure and recordkeeping obligations, and SEF rights of inspection, among others. SEFs typically charge fees, and if a Fund executes derivatives on a swap execution facility through a broker intermediary, the intermediary may impose fees as well. A Fund also may be required to indemnify a SEF, or a broker intermediary who executes swaps on a SEF on the Fund's behalf, against any losses or costs that may be incurred as a result of the Fund's transactions on the SEF. In addition, a Fund may be subject to execution risk if it enters into a derivatives transaction that is required to be cleared, and no clearing member is willing to clear the transaction on the Fund's behalf. In that case, the transaction might have to be terminated, and the Fund could lose some or all of the benefit of any increase in the value of the transaction after the time of the trade.

### Risks Associated with Derivatives Regulation

The U.S. government has enacted legislation that provides for new regulation of the derivatives market, including clearing, margin, reporting, and registration requirements. The European Union and some other countries are implementing similar requirements, which will affect a Fund when it enters into a derivatives transaction with a counterparty organized in that country or otherwise subject to that country's derivatives regulations. Clearing rules and other new rules and regulations could, among other things, restrict a Fund's ability to engage in, or increase the cost to the Fund of, derivatives transactions, for example, by making some types of derivatives no longer available to the Fund, increasing margin or capital requirements, or otherwise limiting liquidity or increasing transaction costs. While the new rules and regulations and central clearing of some derivatives transactions are designed to reduce systemic risk (i.e., the risk that the interdependence of large derivatives dealers could cause them to suffer liquidity, solvency or other challenges simultaneously), there is no assurance that they will achieve that result, and in the meantime, as noted above, central clearing and related requirements expose the Funds to new kinds of costs and risks.

For example, in the event of a counterparty's (or its affiliate's) insolvency, a Fund's ability to exercise remedies, such as the termination of transactions, netting of obligations and realization on collateral, could be stayed or eliminated under new special resolution regimes adopted in the United States, the European Union and various other jurisdictions. Such regimes provide government authorities with broad authority to intervene when a financial institution is experiencing financial difficulty. In particular, with respect to counterparties who are subject to such proceedings in the European Union, the liabilities of such counterparties to the Funds could be reduced, eliminated, or converted to equity in such counterparties (sometimes referred to as a "bail in").

Additionally, U.S. regulators, the EU and certain other jurisdictions have adopted minimum margin and capital requirements for uncleared derivatives transactions. It is expected that these regulations will have a material impact on a Fund's use of uncleared derivatives. These rules impose minimum margin requirements on derivatives transactions between a Fund and its counterparties and may increase the amount of margin a Fund is required to provide. They impose regulatory requirements on the timing of transferring margin and the types of collateral that parties are permitted to exchange.

These and other regulations are new and evolving, so their potential impact on the Funds and the financial system are not yet known.

### Commodities

General. The Funds may invest in commodities. There are several additional risks associated with transactions in commodity futures contracts, swaps on commodity futures contracts, commodity forward contracts and other commodities instruments. In the commodity instruments markets, producers of the underlying commodity may decide to hedge the price risk of selling the commodity by selling commodity instruments today to lock in the price of the commodity at delivery tomorrow. In order to induce speculators to purchase the other side of the same commodity instrument, the commodity producer generally must sell the commodity instrument at a lower price than the expected future spot price. Conversely, if most hedgers in the commodity instruments market are purchasing commodity instruments to hedge against a rise in prices, then speculators will only sell the other side of the commodity instrument at a higher future price than the expected future spot price of the commodity. The changing nature of the hedgers and speculators in the commodity markets will influence whether futures prices are above or below the expected future spot price, which can have significant implications for the Funds. If the nature of hedgers and speculators in commodity instruments markets has shifted when it is time for a Fund to reinvest the proceeds of a maturing contract in a new commodity instrument, the Fund might reinvest at a higher or lower future price, or choose to pursue other investments. The commodities which underlie commodity instruments may be subject to additional economic and non-economic variables, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political and regulatory developments. These factors may have a larger impact on commodity prices and commodity-linked instruments than on traditional securities. Certain commodities are also subject to limited pricing flexibility because of supply and demand factors. Others are subject to broad price fluctuations as a result of the volatility of the prices for certain raw materials and the instability of supplies of other materials. These additional variables may create additional investment risks which subject a Fund's or the Subsidiary's investments to greater volatility than other investments. Also, unlike the financial instruments markets, in the commodity instruments markets there are costs of physical storage associated with purchasing the underlying commodity. The price of the commodity instruments contract will reflect the storage costs of purchasing the physical commodity, including the time value of money invested in the physical commodity. To the extent that the storage costs for an underlying commodity change while a Fund or the Subsidiary is invested in instruments on that commodity, the value of the commodity instrument may change proportionately.

A Fund's ability to invest in commodity-linked investments may be limited by the Fund's intention to qualify as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code") and could bear on the ability of a Fund to so qualify. See "Taxation of the Funds" below.

Commodity-Linked Investments. The Funds may invest in commodity-linked investments. The Funds may seek to provide exposure to the investment returns of real assets that trade in the commodity markets through commodity-linked derivative securities, such as structured notes, discussed below, which are designed to provide this exposure without direct investment in physical commodities or commodities futures contracts. Real assets are assets such as oil, gas, industrial and precious metals, livestock, and agricultural or meat products, or other items that have tangible properties, as compared to stocks or bonds, which are financial instruments. In choosing investments, the Adviser seeks to provide exposure to various commodities and commodity sectors. The value of commodity-linked derivative securities held by a Fund may be affected by a variety of factors, including, but not limited to, overall market movements and other factors affecting the value of particular industries or commodities, such as weather, disease, embargoes, acts of war or terrorism, or political and regulatory developments.

The prices of commodity-linked derivative securities may move in different directions than investments in traditional equity and debt securities when the value of those traditional securities is declining due to adverse economic conditions. As an example, during periods of rising inflation, debt securities have historically tended to decline in value due to the general increase in prevailing interest rates. Conversely, during those same periods of rising inflation, the prices of certain commodities, such as oil and metals, have historically tended to increase. Of course, there cannot be any guarantee that these investments will perform in that manner in the future, and at certain times the price movements of commodity-linked instruments have been parallel to those of debt and equity securities. Commodities have historically tended to increase and decrease in value during different parts of the business cycle than financial assets. Nevertheless, at various times, commodities prices may move in tandem with the prices of financial assets and thus may not provide overall portfolio diversification benefits. Under favorable economic conditions, a Fund's investments may be expected to underperform an investment in traditional securities. Over the long term, the returns on the Fund's investments are expected to exhibit low or negative correlation with stocks and bonds.

Because commodity-linked investments are available from a relatively small number of issuers, a Fund's investments will be particularly subject to counterparty risk, which is the risk that the issuer of the commodity-linked derivative (which issuer may also serve as counterparty to a substantial number of the Fund's commodity-linked and other derivative investments) will not fulfill its contractual obligations.

A Fund's ability to invest in commodity-linked investments may be limited by the Fund's intention to qualify as a RIC and could bear on the ability of a Fund to so qualify. See "Taxation of the Funds" below.

Commodities – Wholly-Owned Subsidiary. The Strategic Real Return Portfolio has established a wholly-owned subsidiary organized under the laws of the Cayman Islands that will make commodity-related investments. The Subsidiary may invest principally in commodities and commodity-linked investments, including futures, options and possibly swap contracts, as well as certain fixed-income investments intended to serve as margin or collateral for the Subsidiary's derivatives positions. By investing in the Subsidiary, the Strategic Real Return Portfolio will be exposed to the risks associated with the Subsidiary's commodity-related investments.

While the Subsidiary may be considered similar to an investment company, it is not registered under the Investment Company Act of 1940, as amended (the "1940 Act"), and is not directly subject to all of the investor protections of the 1940 Act and other U.S. regulations. Changes in the laws of the U.S. or the Cayman Islands could result in the inability of the Strategic Real Return Funds or the Subsidiary to operate as intended or may subject the Strategic Real Return Funds or its advisor to new or additional regulatory requirements, and could negatively affect the Fund and its shareholders.

In order to qualify for the special tax treatment accorded RICs and their shareholders, the Strategic Real Return Portfolio and the Strategic Real Return Fund must each, among other things, satisfy several diversification requirements, including the requirement that not more than 25% of the value of the Portfolio's or the Fund's total assets, respectively, may be invested, including through corporations in which the Fund owns a 20% or more voting stock interest, in the securities (other than those of the U.S. government or other RICs) of any one issuer or of two or more issuers which the Portfolio or the Fund controls and which are engaged in the same, similar or related trades or businesses. Therefore, so long as the Portfolio and the Fund are subject to this limit, the Portfolio may not invest any more than 25% of the value of its assets in the Subsidiary.

Furthermore, each of the Portfolio and the Fund must, among other things, derive at least 90% of its income from certain specified sources ("qualifying income"). Income from commodities and certain commodity-linked derivatives would not constitute qualifying income to the Portfolio or the Fund. The tax treatment of commodity-linked notes and certain other derivative instruments in which the Portfolio or the Fund might invest is not certain, in particular with respect to whether income and gains from such instruments constitutes qualifying income. If the Portfolio or the Fund treats income from a particular instrument as qualifying income and the income is later determined not to constitute qualifying income, and, together with any other nonqualifying income, causes the Portfolio or the Fund's nonqualifying income to exceed 10% of its gross income in any taxable year, the Portfolio or the Fund will fail to qualify as a RIC unless it is eligible to and does cure such failure, including by paying a tax at the Portfolio or Fund level and possibly by disposing of certain assets.

The Strategic Real Return Portfolio's ability to invest in the Subsidiary and commodity-related investments may be limited by the Portfolio's intention to qualify as a RIC and could bear on the ability of the Portfolio to so qualify. See "Taxation of the Funds" below.

## Credit Default Swaps

The Funds, except for the Small/Mid Cap Equity Index Fund, may enter into credit default swap transactions. A credit default swap is an agreement between the Fund and a counterparty that enables the Fund to buy or sell protection against a credit event related to a specified issuer. One party, acting as a “protection buyer,” make periodic payments to the other party, a “protection seller,” in exchange for a promise by the protection seller to make a payment to the protection buyer if a negative credit event (such as a delinquent payment or default) occurs with respect to a referenced bond or group of bonds. Acting as a protection seller allows the Fund to create an investment exposure similar to owning a bond. Acting as a protection buyer allows the Fund potentially to reduce its credit exposure to a bond it owns or to take a “short” position in a bond it does not own.

As the protection buyer in a credit default swap, a Fund may pay a premium (by means of periodic payments) in return for the right to deliver specified bonds or loans (such as those of a U.S. or foreign issuer or a basket of such issuers) to the protection seller and receive the par (or other agreed-upon) value upon default (or similar events) by the reference issuer. If no default occurs, the protection seller would keep the stream of payments and would have no further obligations to the Funds. As the protection buyer, a Fund bears the risk that the investment might expire worthless and/or that the protection seller may fail to satisfy its payment obligations to the Fund in the event of a default (or similar event). In addition, when a Fund is a protection buyer, the Fund’s investment would only generate income in the event of an actual default (or similar event) by the issuer of the underlying reference obligation.

A Fund may also use credit default swaps for investment purposes by selling a credit default swap, in which case, the Fund would be required to pay the par (or other agreed-upon) value of a referenced debt obligation to the protection buyer in the event of a default (or similar event) by the issuer of the underlying reference obligation. In return for its obligation, a Fund would receive from the protection buyer a periodic stream of payments over the term of the contract. If no credit event occurs, the Fund would keep the stream of payments and would have no payment obligations. As the protection seller in a credit default swap, a Fund effectively adds economic leverage to its portfolio because, in addition to its total net assets, the Fund is subject to investment exposure on the notional amount of the swap.

The use of credit default swaps, like all swap agreements, is subject to certain risks, such as counterparty risk, leverage risk, hedging risk, correlation risk and liquidity risk. A Fund will enter into a credit default swap only with counterparties that the Adviser determines to meet certain standards of creditworthiness. If a counterparty’s creditworthiness declines, the value of the swap would likely decline because of the heightened risk that the counterparty may be unable to satisfy its payment obligations (particularly if the counterparty was the protection seller under the credit default swap contract). In addition, there is no guarantee that the Fund can eliminate its exposure under an outstanding swap agreement by entering into an offsetting swap agreement with the same or another party.

A Fund’s exposure under a credit default swap may be considered leverage and as such may be subject to the restrictions on leveraged derivatives.

## Custodial Risk

There are risks involved in dealing with the custodians or brokers who hold a Fund’s investments or settle a Fund’s trades. It is possible that, in the event of the insolvency or bankruptcy of a custodian or broker, a Fund would be delayed or prevented from recovering its assets from the custodian or broker, or its estate, and may have only a general unsecured claim against the custodian or broker for those assets. In recent insolvencies of brokers or other financial institutions, the ability of certain customers to recover their assets from the insolvent’s estate has been delayed, limited, or prevented, often unpredictably, and there is no assurance that any assets held by a Fund with a custodian or broker will be readily recoverable by the Fund. In addition, there may be limited recourse against non-U.S. sub-custodians in those situations in which a Fund invests in markets where custodial and/or settlement systems and regulations are not fully developed, including emerging markets, and the assets of the Fund have been entrusted to such sub-custodians. SSGA FM or an affiliate may serve as the custodian of the Funds.

Eurodollar Certificates of Deposit (“ECDs”), Eurodollar Time Deposits (“ETDs”) and Yankee Certificates of Deposit (“YCDs”)

The Funds, except for the Small/Mid Cap Equity Index Fund, may invest in ECDs, ETDs and YCDs. ECDs and ETDs are U.S. dollar denominated certificates of deposit issued by non-U.S. branches of domestic banks and non-U.S. banks. YCDs are U.S. dollar denominated certificates of deposit issued by U.S. branches of non-U.S. banks.

Different risks than those associated with the obligations of domestic banks may exist for ECDs, ETDs and YCDs because the banks issuing these instruments, or their domestic or non-U.S. branches, are not necessarily subject to the same regulatory requirements that apply to domestic banks, such as loan limitations, examinations and reserve, accounting, auditing, recordkeeping and public reporting requirements. Obligations of non-U.S. issuers also involve risks such as future unfavorable political and economic developments, withholding or other taxes, seizures of non-U.S. deposits, currency controls, interest limitations, and other governmental restrictions that might affect repayment of principal or payment of interest, or the ability to honor a credit commitment.

#### Foreign Currency Transactions

The Funds, except for the Small/Mid Cap Equity Index Fund, may enter into a variety of different foreign currency transactions, including, by way of example, currency forward transactions, spot transactions, futures and forward contracts, swaps, or options. Most of these transactions are entered into “over the counter,” and a Fund assumes the risk that the counterparty may be unable or unwilling to perform its obligations, in addition to the risk of unfavorable or unanticipated changes in the values of the currencies underlying the transactions. Certain types of over-the-counter currency transactions may be uncollateralized, and a Fund may not be able to recover all or any of the assets owed to it under such transactions if its counterparty should default. 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 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 such sub-custodian. Accordingly, a Fund may not receive the best pricing of such currency transactions. Regulatory changes in a number of jurisdictions may require that certain currency transactions be subject to central clearing, or be subject to new or increased collateral requirements. These changes could increase the costs of currency transactions to a Fund and may make certain transactions unavailable; they may also increase the credit risk of such transactions to a Fund.

#### Foreign Securities

The Funds are permitted to invest in foreign securities. Foreign securities include securities of foreign companies and foreign governments (or agencies or subdivisions thereof). If a Fund’s securities are held abroad, the countries in which such securities may be held and the sub-custodian holding them must be approved by the Board of Trustees of the Trust (the “Board of Trustees” or the “Board”) or its delegate under applicable rules adopted by the Securities and Exchange Commission (“SEC”). In buying foreign securities, the Fund may convert U.S. dollars into foreign currency, but only to effect securities transactions on foreign securities exchanges and not to hold such currency as an investment.

The globalization and integration of the world economic system and related financial markets have made it increasingly difficult to define issuers geographically. Accordingly, each Fund intends to construe geographic terms such as “foreign,” “non-U.S.” “European,” “Latin American,” and “Asian,” in the manner that affords to the Fund the greatest flexibility in seeking to achieve its investment objective(s). Specifically, in circumstances where the investment objective and/or strategy is to invest at least some percentage of the Fund’s assets in foreign securities, etc., the Funds will take the view that a security meets this description so long as the issuer of a security is tied economically to the particular country or geographic region indicated by words of the relevant investment objective and/or strategy (the “Relevant Language”). For these purposes the issuer of a security is deemed to have that tie if:

- (i) The issuer is organized under the laws of the country or a country within the geographic region suggested by the Relevant Language or maintains its principal place of business in that country or region; or
- (ii) The securities are traded principally in the country or region suggested by the Relevant Language; or
- (iii) The issuer, during its most recent fiscal year, derived at least 50% of its revenues or profits from goods produced or sold, investments made, or services performed in the country or region suggested by the Relevant Language or has at least 50% of its assets in that country or region.

In addition, the Funds intend to treat derivative securities (e.g., call options) by reference to the underlying security. Conversely, if the investment objective and/or strategy of the Fund limits the percentage of assets that may be invested in “foreign securities,” etc. or prohibits such investments altogether, the Funds intend to categorize securities as “foreign,” etc. only if the security possesses all of the attributes described above in clauses (i), (ii) and (iii).



Investments in foreign securities involve special risks and considerations. As foreign companies are not generally subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to domestic companies, there may be less publicly available information about a foreign company than about a domestic company. For example, foreign markets have different clearance and settlement procedures. Delays in settlement could result in temporary periods when assets of a Fund are uninvested. The inability of a Fund to make intended security purchases due to settlement problems could cause it to miss certain investment opportunities. They may also entail certain other risks, such as the possibility of one or more of the following: imposition of dividend or interest withholding or other taxes (in each case, which taxes could potentially be confiscatory), higher brokerage costs, thinner trading markets, currency blockages or transfer restrictions, expropriation, nationalization, military coups or other adverse political or economic developments; less government supervision and regulation of securities exchanges, brokers and listed companies; and the difficulty of enforcing obligations in other countries. Purchases of foreign securities are usually made in foreign currencies and, as a result, a Fund may incur currency conversion costs and may be affected favorably or unfavorably by changes in the value of foreign currencies against the U.S. dollar. Further, it may be more difficult for a Fund's agents to keep currently informed about corporate actions which may affect the prices of portfolio securities. Communications between the United States and foreign countries may be less reliable than within the United States, thus increasing the risk of delayed settlements of portfolio transactions or loss of certificates for portfolio securities. Certain markets may require payment for securities before delivery. A Fund's ability and decisions to purchase and sell portfolio securities may be affected by laws or regulations relating to the convertibility of currencies and repatriation of assets.

A number of current significant political, demographic and economic developments may affect investments in foreign securities and in securities of companies with operations overseas. Such developments include dramatic political changes in government and economic policies in several Eastern European countries and the republics composing the former Soviet Union, as well as the unification of the European Economic Community. The course of any one or more of these events and the effect on trade barriers, competition and markets for consumer goods and services are uncertain. Similar considerations are of concern with respect to developing countries. For example, the possibility of revolution and the dependence on foreign economic assistance may be greater in these countries than in developed countries. Management seeks to mitigate the risks associated with these considerations through diversification and active professional management.

#### Forward Commitments

Each Fund may invest in forward commitments. Each Fund may contract to purchase securities for a fixed price at a future date beyond customary settlement time consistent with the Fund's ability to manage its investment portfolio and meet redemption requests. A Fund may dispose of a commitment prior to settlement if it is appropriate to do so and realize short-term profits or losses upon such sale. When effecting such transactions, cash or other liquid assets (such as liquid high quality debt obligations) held by a Fund of a dollar amount sufficient to make payment for the portfolio securities to be purchased will be segregated on the Fund's records at the trade date and maintained until the transaction is settled. Such segregated assets will be marked to market on a daily basis, and if the market value of such assets declines, additional cash or assets will be segregated so that the market value of the segregated assets will equal the amount of such Fund's obligations. Forward commitments involve a risk of loss if the value of the security to be purchased declines prior to the settlement date, or if the other party fails to complete the transaction.

#### Futures Contracts and Options on Futures

Each Fund may enter into futures contracts on securities in which it may invest or on indices comprised of such securities and may purchase and write call and put options on such contracts.

Futures contracts. A financial futures contract is a contract to buy or sell a specified quantity of financial instruments such as U.S. Treasury bills, notes and bonds at a specified future date at a price agreed upon when the contract is made. An index futures contract is a contract to buy or sell specified units of an index at a specified future date at a price agreed upon when the contract is made. The value of a unit is based on the current value of the index. Under such contracts no delivery of the actual securities making up the index takes place. Rather, upon expiration of the contract, settlement is made by exchanging cash in an amount equal to the difference between the contract price and the closing price of the index at expiration, net of variation margin previously paid. Futures contracts are traded in the United States only on commodity exchanges or boards of trade — known as “contract markets” — approved for such trading by the Commodity Futures Trading Commission (the “CFTC”), and must be executed through a futures commission merchant or brokerage firm which is a member of the relevant contract market.

Although many futures contracts by their terms call for actual delivery or acceptance of commodities or securities, in most cases the contracts are closed out before the settlement date without the making or taking of delivery, but rather by entering into an offsetting contract (a “closing transaction”). Upon entering into a futures contract, a Fund is required to deposit initial margin with the futures broker. The initial margin serves as a “good faith” deposit that a Fund will honor its potential future commitments. Subsequent payments (called “variation margin” or “maintenance margin”) to and from the broker are made on a daily basis as the price of the underlying security or commodity fluctuates, making the long and short positions in the futures contract more or less valuable, a process known as “marking to the market.” If a Fund is unable to enter into a closing transaction, the amount of the Fund’s potential loss may be unlimited. Futures contracts also involve brokerage costs.

Each Fund will not commit more than 5% of the market value of its total assets to initial margin deposits on futures and premiums paid for options on futures.

Registration under the Commodity Exchange Act. The Funds, except for the Strategic Real Return Fund, are operated by persons who have claimed an exclusion from the definition of the term “commodity pool operator” with respect to the Funds, except for the Strategic Real Return Fund, under the Commodity Exchange Act (the “CEA”), and therefore, are not subject to registration or regulation as a commodity pool operator under the CEA. As a result, the Funds, except for the Strategic Real Return Fund, are limited in their ability to trade instruments subject to the CFTC’s jurisdiction, including commodity futures (which include futures on broad-based securities indexes, interest rate futures and currency futures), options on commodity futures, certain swaps or other investments (whether directly or indirectly through investments in other investment vehicles).

Under this exclusion, a Fund must satisfy one of the following two trading limitations whenever it enters into a new commodity trading position: (1) the aggregate initial margin and premiums required to establish the Fund’s positions in CFTC-regulated instruments may not exceed 5% of the liquidation value of the Fund’s portfolio (after accounting for unrealized profits and unrealized losses on any such investments); or (2) the aggregate net notional value of such instruments, determined at the time the most recent position was established, may not exceed 100% of the liquidation value of the Fund’s portfolio (after accounting for unrealized profits and unrealized losses on any such positions). A Fund would not be required to consider its exposure to such instruments if they were held for “bona fide hedging” purposes, as such term is defined in the rules of the CFTC. In addition to meeting one of the foregoing trading limitations, the Fund may not market itself as a commodity pool or otherwise as a vehicle for trading in the markets for CFTC-regulated instruments.

The Strategic Real Return Fund is a commodity pool under the CEA and the Adviser is registered as a “commodity pool operator” and “commodity trading advisor” under the CEA with respect to the Fund. As a result, additional CFTC-mandated disclosure, reporting and recordkeeping obligations apply with respect to the Fund. Compliance with the CFTC’s regulatory requirements could increase Fund expenses, adversely affecting the Fund’s total return.

Options on futures contracts. In return for the premium paid, options on futures contracts give the purchaser the right to assume a position in a futures contract at the specified option exercise price at any time during the period of the option. Options on futures are similar to options on securities except that options on futures give the purchaser the right, in return for the premium paid, to assume a position in a futures contract (a long position if the option is a call and a short position if the option is a put) at a specified exercise price at any time during the period of the option. Upon exercise of the option, the delivery of the futures position by the writer of the option to the holder of the option will be accompanied by delivery of the accumulated balance in the writer’s futures margin account which represents the amount by which the market price of the futures contract, at exercise, exceeds (in the case of a call) or is less than (in the case of a put) the exercise price of the option on the futures. If an option is exercised on the last trading day prior to its expiration date, the settlement will be made entirely in cash. Purchasers of options who fail to exercise their options prior to the exercise date suffer a loss of the premium paid.

As with options on securities, the holder or writer of an option may terminate his position by selling or purchasing an offsetting option. There is no guarantee that such closing transactions can be effected.

A Fund will be required to deposit initial margin and maintenance margin with respect to put and call options on futures contracts written by it pursuant to brokers’ requirements similar to those described above in connection with the discussion of futures contracts.

Risks of transactions in futures contracts and related options. Successful use of futures contracts by a Fund is subject to the Adviser's ability to predict movements in various factors affecting financial markets. Compared to the purchase or sale of futures contracts, the purchase of call or put options on futures contracts involves less potential risk to a Fund because the maximum amount at risk is the premium paid for the options (plus transaction costs). However, there may be circumstances when the purchase of a call or put option on a futures contract would result in a loss to a Fund when the purchase or sale of a futures contract would not, such as when there is no movement in the prices of the hedged investments. The writing of an option on a futures contract involves risks similar to those risks relating to the sale of futures contracts.

The use of options and futures strategies involves the risk of imperfect correlation among movements in the prices of the securities underlying the futures and options purchased and sold by the Fund, of the options and futures contracts themselves, and, in the case of hedging transactions, of the securities which are the subject of a hedge. The successful use of these strategies further depends on the ability of the Adviser to forecast interest rates and market movements correctly.

There is no assurance that higher than anticipated trading activity or other unforeseen events might not, at times, render certain market clearing facilities inadequate, and thereby result in the institution by exchanges of special procedures which may interfere with the timely execution of customer orders.

To reduce or eliminate a position held by a Fund, the Fund may seek to close out such a position. The ability to establish and close out positions will be subject to the development and maintenance of a liquid secondary market. It is not certain that this market will develop or continue to exist for a particular futures contract or option. Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain contracts or options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of contracts or options, or underlying securities; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or a clearing corporation may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of contracts or options (or a particular class or series of contracts or options), in which event the secondary market on that exchange for such contracts or options (or in the class or series of contracts or options) would cease to exist, although outstanding contracts or options on the exchange that had been issued by a clearing corporation as a result of trades on that exchange would likely continue to be exercisable in accordance with their terms.

U.S. Treasury security futures contracts and options. Some U.S. Treasury security futures contracts require the seller to deliver, or the purchaser to take delivery of, the type of U.S. Treasury security called for in the contract at a specified date and price; others may be settled in cash. Options on U.S. Treasury security futures contracts give the purchaser the right in return for the premium paid to assume a position in a U.S. Treasury security futures contract at the specified option exercise price at any time during the period of the option.

Successful use of U.S. Treasury security futures contracts by a Fund is subject to the Adviser's ability to predict movements in the direction of interest rates and other factors affecting markets for debt securities. For example, if a Fund has sold U.S. Treasury security futures contracts in order to hedge against the possibility of an increase in interest rates which would adversely affect the values of securities held in its portfolio, and the prices of the Fund's securities increase instead as a result of a decline in interest rates, the Fund will lose part or all of the benefit of the increased value of its securities which it has hedged because it will have offsetting losses in its futures positions. In addition, in such situations, if the Fund has insufficient cash, it may have to sell securities to meet daily maintenance margin requirements at a time when it may be disadvantageous to do so.

There is also a risk that price movements in U.S. Treasury security futures contracts and related options will not correlate closely with price movements in markets for particular securities. For example, if a Fund has hedged against a decline in the values of tax-exempt securities held by it by selling Treasury security futures and the values of Treasury securities subsequently increase while the values of the Fund's tax-exempt securities decrease, the Fund would incur losses on both the Treasury security futures contracts written by it and the tax-exempt securities held in its portfolio.

### Government Mortgage-Related Securities

The Government National Mortgage Association (“GNMA” or “Ginnie Mae”) is the principal federal government guarantor of mortgage-related securities. GNMA is a wholly owned U.S. Government corporation within the Department of Housing and Urban Development. It guarantees, with the full faith and credit of the United States, full and timely payment of all monthly principal and interest on its mortgage-related securities. GNMA pass-through securities are considered to have a relatively low risk of default in that (1) the underlying mortgage loan portfolio is comprised entirely of government-backed loans and (2) the timely payment of both principal and interest on the securities is guaranteed by the full faith and credit of the U.S. Government, regardless of whether they have been collected. GNMA pass-through securities are, however, subject to the same interest rate risk as comparable privately issued mortgage-related securities. Therefore, the effective maturity and market value of a Fund’s GNMA securities can be expected to fluctuate in response to changes in interest rate levels.

Residential mortgage loans are also pooled by the Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”), a corporate instrumentality of the U.S. Government. The mortgage loans in FHLMC’s portfolio are not government backed; FHLMC, not the U.S. Government, guarantees the timely payment of interest and ultimate collection of principal on FHLMC securities. FHLMC also issues guaranteed mortgage certificates, on which it guarantees semiannual interest payments and a specified minimum annual payment of principal.

The Federal National Mortgage Association (“FNMA” or “Fannie Mae”) is a government-sponsored corporation owned entirely by private stockholders. It is subject to general regulation by the Secretary of Housing and Urban Development. FNMA purchases residential mortgages from a list of approved seller/servicers, which include savings and loan associations, savings banks, commercial banks, credit unions and mortgage bankers. Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest only by FNMA, not the U.S. Government.

### High Yield Securities

The Funds, except for the Small/Mid Cap Equity Index Fund, may invest a portion of their assets in high yield debt securities (commonly known as “junk bonds”). Investment in high yield securities generally provides greater income and increased opportunity for capital appreciation than investments in higher quality securities, but they also typically entail greater price volatility and credit risk. These high yield securities are regarded as predominantly speculative with respect to the issuer’s continuing ability to meet principal and interest payments. Analysis of the creditworthiness of issuers of debt securities that are high yield may be more complex than for issuers of higher quality debt securities. In addition, high yield securities are often issued by smaller, less creditworthy companies or by highly leveraged (indebted) firms, but can also be issued by governments. Such issuers are generally less able than more financially stable issuers to make scheduled payments of interest and principal. The risks posed by securities issued under such circumstances are substantial.

Investing in high yield debt securities involves risks that are greater than the risks of investing in higher quality debt securities. These risks include: (i) changes in credit status, including weaker overall credit conditions of issuers and risks of default; (ii) industry, market and economic risk; and (iii) greater price variability and credit risks of certain high yield securities such as zero coupon and payment-in-kind securities. While these risks provide the opportunity for maximizing return over time, they may result in greater volatility of the value of the Fund than a fund that invests in higher-rated securities.

Furthermore, the value of high yield securities may be more susceptible to real or perceived adverse economic, company or industry conditions than is the case for higher quality securities. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual issuer developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Adverse market, credit or economic conditions could make it difficult at certain times to sell certain high yield securities held by a Fund.

The secondary market on which high yield securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading market could adversely affect the price at which a Fund could sell a high yield security, and could adversely affect the daily net asset value per share of a Fund. When secondary markets for high yield securities are less liquid than the market for higher grade securities, it may be more difficult to value the securities because there is less reliable, objective data available. However, an Index seeks to include primarily high yield securities that the Index provider believes have greater liquidity than the broader high yield securities market as a whole.

The use of credit ratings as a principal method of selecting high yield securities can involve certain risks. For example, credit ratings evaluate the safety of principal and interest payments, not the market value risk of high yield securities. Also, credit rating agencies may fail to change credit ratings in a timely fashion to reflect events since the security was last rated.

### Illiquid Securities

Each Fund may invest in illiquid securities. Each Fund will invest no more than 15% of its net assets in illiquid securities or securities that are not readily marketable, including repurchase agreements and time deposits of more than seven days' duration. The absence of a regular trading market for illiquid securities imposes additional risks on investments in these securities. Illiquid securities may be difficult to value and may often be disposed of only after considerable expense and delay.

### Infrastructure-Related Companies Risk

Infrastructure-related companies include companies that primarily own, manage, develop and/or operate infrastructure assets, including transportation, utility, energy and/or telecommunications assets. Infrastructure-related businesses are subject to a variety of factors that may adversely affect their business or operations, including high interest costs in connection with capital construction programs, insurance costs, costs associated with environmental and other regulations, the effects of an economic slowdown, surplus capacity or technological obsolescence, industry competition, labor relations, rate caps or rate changes, uncertainties concerning availability of fuel at reasonable prices, the effects of energy conservation policies, natural disasters, terrorist attacks and other factors. Certain infrastructure-related entities, particularly telecommunications and utilities companies, are subject to extensive regulation by various governmental authorities. The costs of complying with governmental regulations, delays or failures to receive required regulatory approvals or the enactment of new adverse regulatory requirements may adversely affect infrastructure-related companies. Infrastructure-related companies may also be affected by service interruption and/or legal challenges due to environmental, operational or other conditions or events, and the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards. There is also the risk that corruption may negatively affect publicly-funded infrastructure projects, especially in non-U.S. markets, resulting in work stoppage, delays and cost overruns. Other risks associated with infrastructure-related companies include uncertainties resulting from such companies' diversification into new domestic and international businesses, as well as agreements by any such companies linking future rate increases to inflation or other factors not directly related to the actual operating profits of the enterprise.

### Interest Rate Environment Risk

In the wake of the financial crisis that began in 2007, the Federal Reserve System attempted to stabilize the U.S. economy and support the U.S. economic recovery by keeping the federal funds rate at or near zero percent. In addition, the Federal Reserve has purchased large quantities of securities issued or guaranteed by the U.S. government, its agencies or instrumentalities on the open market (the "quantitative easing program"). As a result, the United States is experiencing historically low interest rate levels. A low interest rate environment may have an adverse impact on a Fund's ability to provide a positive yield to its shareholders and pay expenses out of Fund assets because of the low yields from the Fund's portfolio investments.

However, continued economic recovery and the cessation of the quantitative easing program increase the risk that interest rates will rise in the near future and that the Funds will face a heightened level of interest rate risk. Federal Reserve policy changes may expose fixed-income and related markets to heightened volatility and may reduce liquidity for certain Fund investments, which could cause the value of a Fund's investments and a Fund's share price to decline or create difficulties for the Fund in disposing of investments. A Fund that invests in derivatives tied to fixed-income markets may be more substantially exposed to these risks than a fund that does not invest in derivatives. A Fund could also be forced to liquidate its investments at disadvantageous times or prices, thereby adversely affecting the Fund. To the extent a Fund experiences high redemptions because of these policy changes, the Fund may experience increased portfolio turnover, which will increase the costs that the Fund incurs and lower the Fund's performance.

### Investment Grade Bonds

The Funds may invest in corporate notes and bonds that are rated investment-grade by a nationally recognized statistical rating organization ("NRSRO") or, if unrated, are of comparable quality to the rated securities described above, as determined by the Adviser, in accordance with procedures established by the Board of Trustees. Investment-grade securities include securities rated Baa or higher by Moody's or BBB- or higher by S&P (and securities of comparable quality); securities rated Baa by Moody's or BBB by S&P may have speculative characteristics.

### Lending of Fund Securities

Each Fund may lend portfolio securities with a value of up to 40% of its net assets. For these purposes, net assets shall exclude the value of all assets received as collateral for the loan. Such loans may be terminated at any time, and a Fund will receive cash or other obligations as collateral. In a loan transaction, as compensation for lending its securities, a Fund will receive a portion of the dividends or interest accrued on the securities held as collateral or, in the case of cash collateral, a portion of the income from the investment of such cash. In addition, a Fund will receive the amount of all dividends, interest and other distributions on the loaned securities. However, the borrower has the right to vote the loaned securities. A Fund will call loans to vote proxies if a material issue affecting the investment is to be voted upon. A Fund would have the right to call the loan and obtain the securities loaned at any time on notice of not more than five business days. In the event of bankruptcy or other default of the borrower, a Fund could experience both delays in liquidating the loan collateral or recovering the loaned securities and losses including (a) possible decline in the value of collateral or in the value of the securities loaned during the period while the Fund seeks to enforce its rights thereto, (b) possible sub-normal levels of income and lack of access to income during this period, and (c) expenses of enforcing its rights. A Fund's securities lending agent may be an affiliate of the Adviser, and would be compensated by the Fund for its services.

Loans are made only to borrowers that are deemed by the securities lending agent to be of good financial standing. In a loan transaction, a Fund will also bear the risk of any decline in value of securities acquired with cash collateral. A Fund will minimize this risk by limiting the investment of cash collateral to high quality instruments of short maturity.

### Market Disruption and Geopolitical Risk

The Funds are subject to the risk that geopolitical events will disrupt securities markets and adversely affect global economies and markets. War, terrorism, and related geopolitical events have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. Likewise, natural and environmental disasters and systemic market dislocations may be highly disruptive to economies and markets. Those events as well as other changes in non-U.S. and domestic economic and political conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment, and other factors affecting the value of a Fund's investments. Given the increasing interdependence between global economies and markets, conditions in one country, market, or region might adversely impact markets, issuers and/or foreign exchange rates in other countries, including the U.S. Continuing uncertainty as to the status of the Euro and the European Monetary Union (the "EMU") has created significant volatility in currency and financial markets generally. Any partial or complete dissolution of the EMU, or any continued uncertainty as to its status, could have significant adverse effects on currency and financial markets, and on the values of a Fund's investments.

Securities markets may be susceptible to market manipulation (e.g., the potential manipulation of the London Interbank Offered Rate (LIBOR)) or other fraudulent trade practices, which could disrupt the orderly functioning of these markets or adversely affect the value of investments traded in these markets, including investments of a Fund.

Recent political activity in the U.S. has increased the risk that the U.S. could default on some or any of its obligations. While it is impossible to predict the consequences of such an unprecedented event, it is likely that a default by the U.S. would be highly disruptive to the U.S. and global securities markets and could significantly impair the value of the Funds' investments. Similarly, political events within the U.S. at times have resulted, and may in the future result, in a shutdown of government services, which could negatively affect the U.S. economy, decrease the value of many Fund investments, and increase uncertainty in or impair the operation of the U.S. or other securities markets. To the extent a Fund has focused its investments in the stock market index of a particular region, adverse geopolitical and other events could have a disproportionate impact on the Fund.

### Master Limited Partnerships and Related Investments

The Strategic Real Return Fund may invest in infrastructure companies organized as master limited partnerships ("MLPs"). Very generally, an MLP is an entity treated as a partnership under the Code, and whose interests or "units" are traded on securities exchanges like shares of corporate stock. A typical MLP consists of a general partner and limited partners; however, some entities receiving partnership taxation treatment under the Code are established as limited liability companies. The general partner manages the partnership, has an ownership stake in the partnership, and is typically eligible to receive an incentive distribution. The limited partners provide capital to the partnership, have a limited (if any) role in the operation and management of the partnership, and receive cash distributions. Due to their partnership structure, MLPs generally do not pay income taxes.

Holders of MLP units could potentially become subject to liability for all of the obligations of an MLP, if a court determines that the rights of the unitholders to take certain action under the limited partnership agreement would constitute “control” of the business of that MLP, or if a court or governmental agency determines that the MLP is conducting business in a state without complying with the limited partnership statute of that state.

To be treated as a partnership for U.S. federal income tax purposes, an MLP must derive at least 90% of its gross income for each taxable year from certain qualifying sources, including activities such as the exploration, development, mining, production, processing, refining, transportation, storage and certain marketing of mineral or natural resources. Many MLPs operate oil, gas or petroleum facilities, or other facilities within the energy sector. The Fund may, however, invest in MLPs in any sector of the economy.

Midstream MLPs are generally engaged in the treatment, gathering, compression, processing, transportation, transmission, fractionation, storage and terminalling of natural gas, natural gas liquids, crude oil, refined products or coal. Midstream MLPs may also operate ancillary businesses including marketing of energy products and logistical services. Upstream MLPs are primarily engaged in the exploration, recovery, development and production of crude oil, natural gas and natural gas liquids. Downstream MLPs are primarily engaged in the processing, treatment, and refining of natural gas liquids and crude oil. MLPs may also engage in owning, managing and transporting alternative energy assets, including alternative fuels such as ethanol, hydrogen and biodiesel.

*MLP Equity Securities.* Equity securities issued by MLPs generally consist of common units, subordinated units and preferred units, as described more fully below.

*MLP Common Units.* The common units of many MLPs are listed and traded on U.S. securities exchanges, including the New York Stock Exchange, Inc. (“NYSE”) and the National Association of Securities Dealers Automated Quotations System (“NASDAQ”). The Fund may purchase such common units through open market transactions and underwritten offerings, but may also acquire common units through direct placements and privately negotiated transactions. Holders of MLP common units typically have very limited control and voting rights. Holders of such common units are typically entitled to receive a minimum quarterly distribution (“MQD”) from the issuer, and typically have a right, to the extent that an MLP fails to make a previous MQD, to recover in future distributions the amount by which the MQD was short (“arrearage rights”). Generally, an MLP must pay (or set aside for payment) the MQD to holders of common units before any distributions may be paid to subordinated unit holders. In addition, incentive distributions are typically not paid to the general partner or managing member unless the quarterly distributions on the common units exceed specified threshold levels above the MQD. In the event of a liquidation, common unit holders are intended to have a preference with respect to the remaining assets of the issuer over holders of subordinated units. MLPs issue different classes of common units that may have different voting, trading, and distribution rights. The Fund may invest in different classes of common units.

*MLP LLC Units.* Some energy companies in which the Fund may invest have been organized as limited liability companies (“MLP LLCs”). In general, such MLP LLCs are treated in the same manner as MLPs for federal income tax purposes. Consistent with its investment objective and policies, the Fund may invest in common units or other securities of such MLP LLCs. MLP LLC common units represent an equity ownership interest in an MLP LLC, entitling the holders to a share of the MLP LLC’s success through distributions and/or capital appreciation. Similar to MLPs, MLP LLCs typically do not pay federal income tax at the entity level and are required by their operating agreements to distribute a large percentage of their current operating earnings. MLP LLC common unitholders generally have first right to an MQD prior to distributions to subordinated unitholders and typically have arrearage rights if the MQD is not met. In the event of liquidation, MLP LLC common unitholders have first right to the MLP LLC’s remaining assets after bondholders, other debt holders and preferred unitholders, if any, have been paid in full. MLP LLC common units trade on a national securities exchange or OTC. In contrast to MLPs, MLP LLCs have no general partner and there are generally no incentives that entitle management or other unitholders to increased percentages of cash distributions as distributions reach higher target levels. In addition, MLP LLC common unitholders typically have voting rights with respect to the MLP LLC, whereas MLP common units have limited voting rights.

*MLP Subordinated Units.* Subordinated units, which, like common units, represent limited partner or member interests, are not typically listed or traded on an exchange. The Fund may purchase outstanding subordinated units through negotiated transactions directly with holders of such units or newly issued subordinated units directly from the issuer. Holders of such subordinated units are generally entitled to receive a distribution only after the MQD and any arrearages from prior quarters have been paid to holders of common units. Holders of subordinated units typically have the right to receive distributions before any incentive distributions are payable to the general partner or managing member. Subordinated units generally do

not provide arrearage rights. Most MLP subordinated units are convertible into common units after the passage of a specified period of time or upon the achievement by the issuer of specified financial goals. MLPs issue different classes of subordinated units that may have different voting, trading, and distribution rights. The Fund may invest in different classes of subordinated units.

*MLP Convertible Subordinated Units.* MLP convertible subordinated units are typically issued by MLPs to founders, corporate general partners of MLPs, entities that sell assets to MLPs, and institutional investors. Convertible subordinated units increase the likelihood that, during the subordination period, there will be available cash to be distributed to common unitholders. MLP convertible subordinated units generally are not entitled to distributions until holders of common units have received their specified MQD, plus any arrearages, and may receive less than common unitholders in distributions upon liquidation. Convertible subordinated unitholders generally are entitled to MQD prior to the payment of incentive distributions to the general partner, but are not entitled to arrearage rights. Therefore, MLP convertible subordinated units generally entail greater risk than MLP common units. Convertible subordinated units are generally convertible automatically into senior common units of the same issuer at a one-to-one ratio upon the passage of time or the satisfaction of certain financial tests. Convertible subordinated units do not trade on a national exchange or over-the-counter (“OTC”), and there is no active market for them. The value of a convertible subordinated unit is a function of its worth if converted into the underlying common units. Convertible subordinated units generally have similar voting rights as do MLP common units. Distributions may be paid in cash or in-kind.

*MLP Preferred Units.* MLP preferred units are not typically listed or traded on an exchange. The Fund may purchase MLP preferred units through negotiated transactions directly with MLPs, affiliates of MLPs and institutional holders of such units. Holders of MLP preferred units can be entitled to a wide range of voting and other rights, depending on the structure of each separate security.

*MLP General Partner or MLP LLC Managing Member Interests.* The general partner or managing member interest in an MLP or MLP LLC (as defined below) is typically retained by the original sponsors of an MLP or MLP LLC, such as its founders, corporate partners and entities that sell assets to the MLP or MLP LLC. The holder of the general partner or managing member interest can be liable in certain circumstances for amounts greater than the amount of the holder’s investment in the general partner or managing member. General partner or managing member interests often confer direct board participation rights in, and in many cases control over the operations of, the MLP or MLP LLC. General partner or managing member interests can be privately held or owned by publicly traded entities. General partner or managing member interests receive cash distributions, typically in an amount of up to 2% of available cash, which is contractually defined in the partnership or limited liability company agreement. In addition, holders of general partner or managing member interests typically receive incentive distribution rights (“IDRs”), which provide them with an increasing share of the entity’s aggregate cash distributions upon the payment of per common unit distributions that exceed specified threshold levels above the MQD. Incentive distributions to a general partner are designed to encourage the general partner, who controls and operates the partnership, to maximize the partnership’s cash flow and increase distributions to the limited partners. Due to the IDRs, general partners of MLPs and managing members of MLP LLCs have higher distribution growth prospects than their underlying MLPs or MLP LLCs, but quarterly incentive distribution payments would also decline at a greater rate than the decline rate in quarterly distributions to common and subordinated unit holders in the event of a reduction in the MLP’s or MLP LLC’s quarterly distribution. The ability of the limited partners or members to remove the general partner or managing member without cause is typically very limited. In addition, some MLPs or MLP LLCs permit the holder of IDRs to reset, under specified circumstances, the incentive distribution levels and receive compensation in exchange for the distribution rights given up in the reset.

*MLP Debt Securities.* Debt securities issued by MLPs may include those rated below investment grade. The Fund may invest in MLP debt securities without regard to credit quality or maturity. Investments in such securities may not offer the tax characteristics of equity securities of MLPs.

*MLP Affiliates.* The Fund may invest in equity and debt securities issued by affiliates of MLPs or MLP LLCs, including the general partners or managing members of MLPs and companies that own MLP general partner interests. Such issuers may be organized and/or taxed as corporations and therefore may not offer the advantageous tax characteristics of MLP or MLP LLC units. The Fund may purchase such other MLP-related equity securities through market transactions, but may also do so through direct placements.

*I-Units.* I-Units represent an indirect ownership interest in an MLP or MLP LLC and are issued by an MLP or MLP LLC affiliate. The MLP or MLP LLC affiliate uses the proceeds from the sale of I-Units to purchase interests in its affiliated MLP or MLP LLC. Thus, I-Units



represent an indirect interest in an MLP or MLP LLC. I-Units have limited voting rights and are similar in that respect to MLP or MLP LLC common units. I-Units differ from MLP or MLP LLC common units primarily in that instead of receiving cash distributions, holders of I-Units will receive distributions of additional I-Units in an amount equal to the cash distributions received by common unit holders. I-Units are traded on the NYSE. Issuers of MLP and MLP LLC I-Units are treated as corporations and not partnerships for tax purposes.

### Mortgage-Backed Security Rolls

The Funds, except for the Emerging Markets Equity Index Fund and the Small/Mid Cap Equity Index Fund, may enter into “forward roll” transactions with respect to mortgage-related securities issued by GNMA, FNMA or FHLMC. In a forward roll transaction, a Fund will sell a mortgage-related security to a bank or other permitted entity and simultaneously agree to repurchase a similar security from the institution at a later date at an agreed upon price. The mortgage securities that are repurchased will typically bear the same interest rate as those sold, but generally will be collateralized by different pools of mortgages with different prepayment histories than those sold. A Fund that engages in a forward roll transaction forgoes principal and interest paid on the securities sold during the roll period, but is compensated by the difference between the current sales price and the lower forward price for the future purchase. In addition, a Fund earns interest by investing the transaction proceeds during the roll period. A forward roll transaction may create investment leverage. A Fund is subject to the risk that the value of securities to be purchased pursuant to a forward roll transaction will decline over the roll period, and that the Fund’s counterparty may be unwilling or unable to perform its obligations to the Fund. Upon entering into a mortgage-backed security roll, the participating Fund will segregate on its records cash, U.S. Government securities or other high-grade debt securities in an amount sufficient to cover its obligation under the roll.

### Mortgage-Related Securities

The Funds, except for the Emerging Markets Equity Index Fund and the Small/Mid Cap Equity Index Fund, may invest in mortgage-related securities. Mortgage-related securities represent an interest in a pool of, or are secured by, mortgage loans. Mortgage-related securities may be issued or guaranteed by (i) U.S. Government agencies or instrumentalities such as GNMA, FNMA and FHLMC or (ii) other issuers, including private companies.

Many mortgage-related securities provide regular payments which consist of interest and, in most cases, principal. In contrast, other forms of debt securities normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or specified call dates. In effect, payments on many mortgage-related securities are a “pass-through” of the payments made by the individual borrowers on their mortgage loans, net of any fees paid to the issuer or guarantor of such securities.

Besides the scheduled repayment of principal, repayments of principal may result from the voluntary prepayment, refinancing or foreclosure of the underlying mortgage loans. If property owners make unscheduled prepayments of their mortgage loans, these prepayments will typically result in early payment of the applicable mortgage-related securities. The occurrence of mortgage prepayments is affected by a variety of factors including the level of interest rates, general economic conditions, the location and age of the mortgage, and other social and demographic conditions. During periods of falling interest rates, the rate of mortgage prepayments tends to increase, thereby tending to decrease the life of mortgage-related securities. During periods of rising interest rates, the rate of mortgage prepayments usually decreases, thereby tending to increase the life of mortgage-related securities.

Because of the possibility of prepayments (and due to scheduled repayments of principal), mortgage-related securities are less effective than other types of securities as a means of “locking in” attractive long-term interest rates. Prepayments would have to be reinvested at lower rates. As a result, these securities may have less potential for capital appreciation during periods of declining interest rates than other securities of comparable maturities, although they may have a similar risk of decline in market value during periods of rising interest rates. Prepayments may also significantly shorten the effective maturities of these securities, especially during periods of declining interest rates. Conversely, during periods of rising interest rates, a reduction in prepayments may increase the effective maturities of these securities, subjecting them to a greater risk of decline in market value in response to rising interest rates than traditional debt securities, and, therefore, potentially increasing the volatility of the Funds.

Collateralized mortgage obligations (“CMOs”) may be issued by a U.S. Government agency or instrumentality or by a private issuer. CMOs are typically structured with classes or series that have different maturities and are generally retired in sequence. Each class of obligations receives periodic interest payments according to its terms. However, monthly principal payments and any prepayments from the collateral pool are generally paid first to the holders of the most senior class. Thereafter, payments of principal are generally allocated to the next most senior class of obligations until that class of obligations has been fully repaid. Any or all classes of

obligations of a CMO may be paid off sooner than expected because of an increase in the payoff speed of the pool. Changes in prepayment rates may have significant effects on the values and the volatility of the various classes and series of a CMO. Payment of interest or principal on some classes or series of a CMO may be subject to contingencies or some classes or series may bear some or all of the risk of default on the underlying mortgages.

Stripped mortgage-related securities are usually structured with two classes that receive different portions of the interest and principal distributions on a pool of mortgage loans. The yield to maturity on an interest only or "IO" class of stripped mortgage-related securities is extremely sensitive not only to changes in prevailing interest rates but also to the rate of principal payments (including prepayments) on the underlying assets. A rapid rate of principal prepayments may have a measurable adverse effect on a Fund's yield to maturity to the extent it invests in IOs. If the assets underlying the IO experience greater than anticipated prepayments of principal, the Fund may fail to recoup fully, or at all, its initial investment in these securities. Conversely, principal only securities or "POs" tend to increase in value if prepayments are greater than anticipated and decline if prepayments are slower than anticipated. The secondary market for stripped mortgage-related securities may be more volatile and less liquid than that for other mortgage-related securities, potentially limiting a Fund's ability to buy or sell those securities at any particular time.

### Municipal and Municipal-Related Securities

Municipal securities may bear fixed, floating or variable rates of interest or may be zero coupon securities. Municipal securities are generally of two types: general obligations and revenue obligations. General obligations are backed by the full faith and credit of the issuer. These securities include tax anticipation notes, bond anticipation notes, general obligation bonds and commercial paper. Revenue obligations are backed by the revenues generated from a specific project or facility and include industrial development bonds and private activity bonds. Tax anticipation notes are issued to finance working capital needs of municipalities and are generally issued in anticipation of future tax revenues. Bond anticipation notes are issued in expectation of the issuer obtaining longer-term financing.

### Options

The Funds may purchase and sell put and call options to enhance investment performance and to protect against changes in market prices. There is no assurance that a Fund's use of put and call options will achieve its desired objective, and a Fund's use of options may result in losses to the Fund.

Covered call options. A Fund may write (*i.e.*, sell) covered call options to realize a greater current return through the receipt of premiums than it would realize on its securities alone. Such option transactions may also be used as a limited form of hedging against a decline in the price of securities owned by a Fund.

A call option gives the holder the right to purchase, and obligates the writer to sell, a security at the exercise price at any time before the expiration date. A call option is "covered" if the writer, at all times while obligated as a writer, either owns the underlying securities (or comparable securities satisfying the cover requirements of the securities exchanges), or has the right to acquire such securities through immediate conversion of securities. A Fund may write covered call options or uncovered call options.

A Fund will receive a premium from writing a call option, which increases the Fund's return on the underlying security in the event the option expires unexercised or is closed out at a profit. The amount of the premium reflects, among other things, the relationship between the exercise price and the current market value of the underlying security, the volatility of the underlying security, the amount of time remaining until expiration, current interest rates, and the effect of supply and demand in the options market and in the market for the underlying security.

In return for the premium received when it writes a covered call option, a Fund gives up some or all of the opportunity to profit from an increase in the market price of the securities covering the call option during the life of the option. A Fund retains the risk of loss should the price of such securities decline. If the option expires unexercised, a Fund realizes a gain equal to the premium, which may be offset by a decline in price of the underlying security. If the option is exercised, a Fund realizes a gain or loss equal to the difference between the Fund's cost for the underlying security and the proceeds of sale (exercise price minus commissions) plus the amount of the premium.

A Fund may terminate a call option that it has written before it expires by entering into a closing purchase transaction. A Fund may enter into closing purchase transactions in order to free itself to sell the underlying security or to write another call on the security, realize a profit on a previously written call option, or protect a security from being called in an unexpected market rise. Any profits from a closing purchase transaction may be offset by a decline in the value of the underlying security. Conversely, because increases in the market price of a call option will generally reflect increases in the market price of the underlying security, any loss resulting from a closing purchase transaction is likely to be offset in whole or in part by unrealized appreciation of the underlying security owned by a Fund.

Uncovered call options. Writing uncovered call options may enable a Fund to realize income without committing capital to the ownership of the underlying securities or instruments, however writing uncovered calls are riskier than writing covered calls because there is no underlying security held by a Fund that can act as a partial hedge. When a Fund has written an uncovered call option, the Fund will not necessarily hold securities offsetting the risk to the Fund. As a result of writing a call option without holding the underlying securities, if the call option were exercised, a Fund might be required to purchase the security that is the subject of the call at the market price at the time of exercise. The Fund's exposure on such an option is theoretically unlimited. There is also a risk, especially with less liquid preferred and debt securities, that the security may not be available for purchase. Uncovered calls have speculative characteristics.

Covered put options. A Fund may write covered put options in order to enhance its current return. Such options transactions may also be used as a limited form of hedging against an increase in the price of securities that the Fund plans to purchase. A put option gives the holder the right to sell, and obligates the writer to buy, a security at the exercise price at any time before the expiration date. A put option may be "covered" if the writer earmarks or otherwise segregates liquid assets equal to the price to be paid if the option is exercised minus margin on deposit.

By writing a put option, a Fund assumes the risk that it may be required to purchase the underlying security for an exercise price higher than its then current market value, resulting in a potential capital loss unless the security later appreciates in value.

A Fund may terminate a put option that it has written before it expires by entering into a closing purchase transaction. Any loss from this transaction may be partially or entirely offset by the premium received on the terminated option.

Purchasing put and call options. A Fund may also purchase put options to protect portfolio holdings against a decline in market value. This protection lasts for the life of the put option because a Fund, as a holder of the option, may sell the underlying security at the exercise price regardless of any decline in its market price. In order for a put option to be profitable, the market price of the underlying security must decline sufficiently below the exercise price to cover the premium and transaction costs that a Fund must pay. These costs will reduce any profit the Fund might have realized had it sold the underlying security instead of buying the put option.

A Fund may purchase call options to hedge against an increase in the price of securities that the Fund wants ultimately to buy. Such hedge protection is provided during the life of the call option since a Fund, as holder of the call option, is able to buy the underlying security at the exercise price regardless of any increase in the underlying security's market price. In order for a call option to be profitable, the market price of the underlying security must rise sufficiently above the exercise price to cover the premium and transaction costs. These costs will reduce any profit a Fund might have realized had it bought the underlying security at the time it purchased the call option.

A Fund may also purchase put and call options to attempt to enhance its current return.

Options on foreign securities. A Fund may purchase and sell options on foreign securities if the Adviser believes that the investment characteristics of such options, including the risks of investing in such options, are consistent with the Fund's investment objective. It is expected that risks related to such options will not differ materially from risks related to options on U.S. securities. However, position limits and other rules of foreign exchanges may differ from those in the United States. In addition, options markets in some countries, many of which are relatively new, may be less liquid than comparable markets in the United States.

Options on securities indices. A Fund may write or purchase options on securities indices. Index options are similar to options on individual securities in that the purchaser of an index option acquires the right to buy (in the case of a call) or sell (in the case of a put), and the writer undertakes the obligation to sell or buy (as the case may be), units of an index at a stated exercise price during the

term of the option. Instead of the right to take or make actual delivery of securities, the holder of an index option has the right to receive a cash “exercise settlement amount.” This amount is equal to the amount by which the fixed exercise price of the option exceeds (in the case of a put) or is less than (in the case of a call) the closing value of the underlying index on the date of the exercise, multiplied by a fixed “index multiplier.”

Price movements in securities which a Fund owns or intends to purchase probably will not correlate perfectly with movements in the level of a securities index and, therefore, if the Fund uses an option for hedging purposes, it bears the risk of a loss on a securities index option which is not completely offset by movements in the price of such securities. Because securities index options are settled in cash, a call writer cannot determine the amount of its settlement obligations in advance and, unlike call writing on a specific security, cannot provide in advance for, or cover, its potential settlement obligations by acquiring and holding underlying securities. A Fund may, however, cover call options written on a securities index by holding a mix of securities which substantially replicate the movement of the index or by holding a call option on the securities index with an exercise price no higher than the call option sold.

Compared to the purchase or sale of futures contracts, the purchase of call or put options on an index involves less potential risk to a Fund because the maximum amount at risk is the premium paid for the options plus transactions costs. The writing of a put or call option on an index involves risks similar to those risks relating to the purchase or sale of index futures contracts.

Risks involved in the use of options. The successful use of a Fund’s options strategies depends on the ability of the Adviser to forecast correctly interest rate and market movements. For example, if a Fund were to write a call option based on the Adviser’s expectation that the price of the underlying security would fall, but the price were to rise instead, the Fund could be required to sell the security upon exercise at a price below the current market price. Similarly, if a Fund were to write a put option based on the Adviser’s expectation that the price of the underlying security would rise, but the price were to fall instead, the Fund could be required to purchase the security upon exercise at a price higher than the current market price.

When a Fund purchases an option, it runs the risk that it will lose its entire investment in the option in a relatively short period of time, unless the Fund exercises the option or enters into a closing sale transaction before the option’s expiration. If the price of the underlying security does not rise (in the case of a call) or fall (in the case of a put) to an extent sufficient to cover the option premium and transaction costs, a Fund will lose part or all of its investment in the option. This contrasts with an investment by a Fund in the underlying security, since the Fund will not realize a loss if the security’s price does not change.

The effective use of options also depends on a Fund’s ability to terminate option positions at times when the Adviser deems it desirable to do so. There is no assurance that a Fund will be able to effect closing transactions at any particular time or at an acceptable price.

If a secondary market in options were to become unavailable, a Fund could no longer engage in closing transactions. Lack of investor interest might adversely affect the liquidity of the market for particular options or series of options. A market may discontinue trading of a particular option or options generally. In addition, a market could become temporarily unavailable if unusual events — such as volume in excess of trading or clearing capability — were to interrupt its normal operations.

A market may at times find it necessary to impose restrictions on particular types of options transactions, such as opening transactions. For example, if an underlying security ceases to meet qualifications imposed by the market or the Options Clearing Corporation, new series of options on that security will no longer be opened to replace expiring series, and opening transactions in existing series may be prohibited. If an options market were to become unavailable, a Fund as a holder of an option would be able to realize profits or limit losses only by exercising the option, and the Fund, as option writer, would remain obligated under the option until expiration or exercise.

Disruptions in the markets for the securities underlying options purchased or sold by a Fund could result in losses on the options. If trading is interrupted in an underlying security, the trading of options on that security is normally halted as well. As a result, a Fund as purchaser or writer of an option will be unable to close out its positions until options trading resumes, and it may be faced with considerable losses if trading in the security reopens at a substantially different price. In addition, the Options Clearing Corporation or options markets may impose exercise restrictions. If a prohibition on exercise is imposed at the time when trading in the option has also been halted, a Fund as purchaser or writer of an option will be locked into its position until one of the two restrictions has been lifted. If the Options Clearing Corporation were to determine that the available supply of an underlying security appears insufficient to

permit delivery by the writers of all outstanding calls in the event of exercise, it may prohibit indefinitely the exercise of put options. A Fund, as holder of such a put option, could lose its entire investment if the prohibition remained in effect until the put option's expiration.

Foreign-traded options are subject to many of the same risks presented by internationally-traded securities. In addition, because of time differences between the United States and various foreign countries, and because different holidays are observed in different countries, foreign options markets may be open for trading during hours or on days when U.S. markets are closed. As a result, option premiums may not reflect the current prices of the underlying interest in the United States.

Over-the-counter ("OTC") options purchased by a Fund and assets held to cover OTC options written by the Fund may, under certain circumstances, be considered illiquid securities for purposes of any limitation on the Fund's ability to invest in illiquid securities.

#### Other Asset-Backed Securities

The Funds, except for the Small/Mid Cap Equity Index Fund, may invest in asset-backed securities that are not mortgage-related. Asset-backed securities other than mortgage-related securities represent undivided fractional interests in pools of instruments, such as consumer loans, and are typically similar in structure to mortgage-related pass-through securities. Payments of principal and interest are passed through to holders of the securities and are typically supported by some form of credit enhancement, such as a letter of credit, surety bond, limited guarantee by another entity, or by priority to certain of the borrower's other securities. The degree of credit-enhancement, if any, varies, applying only until exhausted and generally covering only a fraction of the security's par value.

The value of such asset-backed securities is affected by changes in the market's perception of the asset backing the security, changes in the creditworthiness of the servicing agent for the instrument pool, the originator of the instruments, or the financial institution providing any credit enhancement and the expenditure of any portion of any credit enhancement. The risks of investing in asset-backed securities are ultimately dependent upon payment of the underlying instruments by the obligors, and a Fund would generally have no recourse against the obligee of the instruments in the event of default by an obligor. The underlying instruments are subject to prepayments which shorten the duration of asset-backed securities and may lower their return, in generally the same manner as described above for prepayments of pools of mortgage loans underlying mortgage-related securities.

#### Pre-Refunded Municipal Securities

The interest and principal payments on pre-refunded municipal securities are typically paid from the cash flow generated from an escrow fund consisting of U.S. Government securities. These payments have been "pre-refunded" using the escrow fund.

#### Purchase of Other Investment Company Shares

The Funds may, to the extent permitted under the 1940 Act and exemptive rules and orders thereunder, invest in shares of other investment companies, which include funds managed by SSGA FM, which invest exclusively in money market instruments or in investment companies with investment policies and objectives which are substantially similar to those of the Funds. These investments may be made temporarily, for example, to invest uncommitted cash balances or, in limited circumstances, to assist in meeting shareholder redemptions.

#### Real Estate Investment Trusts ("REITs")

The Funds, except for the Emerging Markets Equity Index Fund and the Small/Mid Cap Equity Index Fund, may invest in REITs. REITs pool investors' funds for investment primarily in income producing real estate or real estate loans or interests. A REIT is not taxed on income distributed to shareholders if it complies with several requirements relating to its organization, ownership, assets, and income and a requirement that it distribute to its shareholders at least 90% of its taxable income (other than net capital gains) for each taxable year. REITs can generally be classified as Equity REITs, Mortgage REITs and Hybrid REITs. Equity REITs, which invest the majority of their assets directly in real property, derive their income primarily from rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Mortgage REITs, which invest the majority of their assets in real estate mortgages, derive their income primarily from interest payments. Hybrid REITs combine the characteristics of both Equity REITs and Mortgage REITs. A Fund will not invest in real estate directly, but only in securities issued by real estate companies. However, a Fund

may be subject to risks similar to those associated with the direct ownership of real estate (in addition to securities markets risks) because of its policy of concentration in the securities of companies in the real estate industry. These include declines in the value of real estate, risks related to general and local economic conditions, dependency on management skill, heavy cash flow dependency, possible lack of availability of mortgage funds, overbuilding, extended vacancies of properties, increased competition, increases in property taxes and operating expenses, changes in zoning laws, losses due to costs resulting from the clean-up of environmental problems, liability to third parties for damages resulting from environmental problems, casualty or condemnation losses, limitations on rents, changes in neighborhood values, the appeal of properties to tenants and changes in interest rates. Investments in REITs may subject Fund shareholders to duplicate management and administrative fees.

In addition to these risks, Equity REITs may be affected by changes in the value of the underlying property owned by the trusts, while Mortgage REITs may be affected by the quality of any credit extended. Further, Equity and Mortgage REITs are dependent upon management skills and generally may not be diversified. Equity and Mortgage REITs are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. In addition, if applicable, Equity and Mortgage REITs could possibly fail to qualify for the beneficial tax treatment available to REITs under the Code, or to maintain their exemptions from registration under the 1940 Act. The above factors may also adversely affect a borrower's or a lessee's ability to meet its obligations to the REIT. In the event of a default by a borrower or lessee, the REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting investments.

#### Repurchase Agreements

The Funds may enter into repurchase agreements with banks and other financial institutions, such as broker-dealers. Under a repurchase agreement, a Fund purchases securities from a financial institution that agrees to repurchase the securities at the Fund's original purchase price plus interest within a specified time (normally one business day). A Fund will limit repurchase transactions to those member banks of the Federal Reserve System, broker-dealers and other financial institutions whose creditworthiness the Adviser considers satisfactory. Should the counterparty to a transaction fail financially, the Fund may encounter delay and incur costs before being able to sell the securities, or may be prevented from realizing on the securities. Further, the amount realized upon the sale of the securities may be less than that necessary to fully compensate the Fund.

#### Reverse Repurchase Agreements

The Funds may enter into reverse repurchase agreements. Under reverse repurchase agreements, a Fund transfers possession of portfolio securities to financial institutions in return for cash in an amount equal to a percentage of the portfolio securities' market value and agrees to repurchase the securities at a future date by repaying the cash with interest. Each Fund retains the right to receive interest and principal payments from the securities. Cash or liquid high quality debt obligations from a Fund's portfolio equal in value to the repurchase price including any accrued interest will be segregated by the Custodian on the Fund's records while a reverse repurchase agreement is in effect. Reverse repurchase agreements involve the risk that the market value of securities sold by a Fund may decline below the price at which it is obligated to repurchase the securities. Reverse repurchase agreements involve the risk that the buyer of the securities sold might be unable to deliver them when a Fund seeks to repurchase the securities. If the buyer files for bankruptcy or becomes insolvent, a Fund may be delayed or prevented from recovering the security that it sold.

#### Section 4(a)(2) Commercial Paper/Rule 144A Securities

Each Fund, except for the Small/Mid Cap Equity Index Fund, may invest in commercial paper issued in reliance on the so called "private placement" exemption from registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended ("1933 Act") ("Section 4(a)(2) paper").

Section 4(a)(2) paper is restricted as to disposition under the federal securities laws and generally is sold to investors who agree that they are purchasing the paper for investment and not with a view to public distribution. Any resale by the purchaser must be a transaction exempt from the registration requirements of the 1933 Act. Section 4(a)(2) paper normally is resold to other institutional investors like the Funds through or with the assistance of the issuer or investment dealers that make a market in Section 4(a)(2) paper. Rule 144A securities generally must be sold only to other institutional investors.

Section 4(a)(2) paper and Rule 144A securities will not be considered illiquid for purposes of each Fund's percentage limitations on illiquid securities when the Adviser (pursuant to guidelines adopted by the Board of Trustees) determines that a liquid trading market exists for the securities in question. There can be no assurance that a liquid trading market will exist at any time for any particular Section 4(a)(2) paper or Rule 144A securities.

#### Total Return Swaps, Equity Swaps and Interest Rate Swaps

The Funds may contract with a counterparty to pay a stream of cash flows and receive the total return of an index or a security for purposes of attempting to obtain a particular desired return at a lower cost to a Fund than if the Fund had invested directly in an instrument that yielded that desired return. A Fund's return on a swap will depend on the ability of its counterparty to perform its obligations under the swap. The Adviser will cause a Fund to enter into swap agreements only with counterparties that would be eligible for consideration as repurchase agreement counterparties under the Fund's repurchase agreement guidelines.

The Funds may enter into interest rate swap transactions with respect to any security they are entitled to hold. Interest rate swaps involve the exchange by a Fund with another party of their respective rights to receive interest, e.g., an exchange of floating rate payments for fixed rate payments. The Funds expect to enter into these transactions primarily to preserve a return or spread on a particular investment or portion of its portfolio or to protect against any increase in the price of securities it anticipates purchasing at a later date. The Funds generally intend to use these transactions as a hedge and not as a speculative investment. For example, a Fund may enter into an interest rate swap in order to protect against declines in the value of fixed income securities held by the Funds. In such an instance, the Fund may agree with a counterparty to pay a fixed rate (multiplied by a notional amount) and the counterparty to pay a floating rate multiplied by the same notional amount. If interest rates rise, resulting in a diminution in the value of a Fund, the Fund would receive payments under the swap that would offset, in whole or in part, such diminution in value; if interest rates fall, the Fund would likely lose money on the swap transaction.

#### Treasury Inflation-Protected Securities

The Funds, except for the Small/Mid Cap Equity Index Fund, may invest in Inflation-Protection Securities ("TIPSs"), a type of inflation-indexed Treasury security. TIPSs typically provide for semiannual payments of interest and a payment of principal at maturity. In general, each payment will be adjusted to take into account any inflation or deflation that occurs between the issue date of the security and the payment date based on the Consumer Price Index for All Urban Consumers ("CPI-U").

Each semiannual payment of interest will be determined by multiplying a single fixed rate of interest by the inflation-adjusted principal amount of the security for the date of the interest payment. Thus, although the interest rate will be fixed, the amount of each interest payment will vary with changes in the principal of the security as adjusted for inflation and deflation.

TIPSs also provide for an additional payment (a "minimum guarantee payment") at maturity if the security's inflation-adjusted principal amount for the maturity date is less than the security's principal amount at issuance. The amount of the additional payment will equal the excess of the security's principal amount at issuance over the security's inflation-adjusted principal amount for the maturity date.

#### U.S. Government Securities

The Funds may purchase U.S. Government securities. The types of U.S. Government obligations in which the Funds may at times invest include: (1) U.S. Treasury obligations and (2) obligations issued or guaranteed by U.S. Government agencies and instrumentalities which are supported by any of the following: (a) the full faith and credit of the U.S. Treasury, (b) the right of the issuer to borrow an amount limited to a specific line of credit from the U.S. Treasury, (c) discretionary authority of the U.S. Government agency or instrumentality, or (d) the credit of the instrumentality (examples of agencies and instrumentalities are: Federal Land Banks, Federal Housing Administration, Federal Farm Credit Bank, Farmers Home Administration, Export-Import Bank of the United States, Central Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Banks, General Services Administration, Maritime Administration, Tennessee Development Bank, Asian-American Development Bank, International Bank for Reconstruction and Development and Federal National Mortgage Association). No assurance can be given that in the future the U.S. Government will provide financial support to U.S. Government securities it is not obligated to support.

### U.S. Registered Securities of Non-U.S. Issuers

The Funds may purchase publicly traded common stocks of non-U.S. corporations.

Investing in U.S. registered, dollar-denominated, securities issued by non-U.S. issuers involves some risks and considerations not typically associated with investing in U.S. companies. These include differences in accounting, auditing and financial reporting standards, the possibility of expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations, political instability which could affect U.S. investments in non-U.S. countries, and potential restrictions of the flow of international capital. Non-U.S. companies may be subject to less governmental regulation than U.S. issuers. Moreover, individual non-U.S. economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payment positions.

A Fund's investment in common stock of non-U.S. corporations may also be in the form of American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs") and European Depositary Receipts ("EDRs") (collectively "Depositary Receipts"). Depositary Receipts are receipts, typically issued by a bank or trust company, which evidence ownership of underlying securities issued by a non-U.S. corporation. For ADRs, the depository is typically a U.S. financial institution and the underlying securities are issued by a non-U.S. issuer. For other Depositary Receipts, the depository may be a non-U.S. or a U.S. entity, and the underlying securities may have a non-U.S. or a U.S. issuer. Depositary Receipts will not necessarily be denominated in the same currency as their underlying securities. Generally, ADRs, in registered form, are designed for use in the U.S. securities markets, and EDRs, in bearer form, are designated for use in European securities markets. GDRs are tradable both in the United States and in Europe and are designed for use throughout the world. A Fund may invest in unsponsored Depositary Receipts. The issuers of unsponsored Depositary Receipts are not obligated to disclose material information in the United States, and, therefore, there may be less information available regarding such issuers and there may not be a correlation between such information and the market value of the Depositary Receipts.

### Variable Amount Master Demand Notes

The Funds, except for the Small/Mid Cap Equity Index Fund, may invest in variable amount master demand notes which are unsecured obligations that are redeemable upon demand and are typically unrated. These instruments are issued pursuant to written agreements between their issuers and holders. The agreements permit the holders to increase (subject to an agreed maximum) and the holders and issuers to decrease the principal amount of the notes, and specify that the rate of interest payable on the principal fluctuates according to an agreed formula. Generally, changes in interest rates will have a smaller effect on the market value of these securities than on the market value of comparable fixed income obligations. Thus, investing in these securities generally allows less opportunity for capital appreciation and depreciation than investing in comparable fixed income securities. There may be no active secondary market with respect to a particular variable rate instrument.

### Variable and Floating Rate Securities

The Funds, except for the Small/Mid Cap Equity Index Fund, may invest in variable and floating rate securities. In general, variable rate securities are instruments issued or guaranteed by entities such as (1) U.S. Government, or an agency or instrumentality thereof, (2) corporations, (3) financial institutions, (4) insurance companies or (5) trusts that have a rate of interest subject to adjustment at regular intervals but less frequently than annually. A variable rate security provides for the automatic establishment of a new interest rate on set dates. Interest rates on these securities are ordinarily tied to, and are a percentage of, a widely recognized interest rate, such as the yield on 90-day U.S. Treasury bills or the prime rate of a specified bank. These rates may change as often as twice daily. Generally, changes in interest rates will have a smaller effect on the market value of variable and floating rate securities than on the market value of comparable fixed income obligations. Thus, investing in variable and floating rate securities generally allows less opportunity for capital appreciation and depreciation than investing in comparable fixed income securities. Variable rate obligations will be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate.

### When-Issued Securities and Delayed Delivery Securities

Each Fund, except for the Small/Mid Cap Equity Index Fund, may purchase securities on a when-issued basis, and may purchase or sell those securities for delayed delivery. Delivery of and payment for these securities may take place as long as a month or more after



the date of the purchase commitment. The value of these securities is subject to market fluctuation during this period, and no income accrues to a Fund until settlement takes place. When entering into a when-issued or delayed-delivery transaction, a Fund will rely on the other party to consummate the transaction; if the other party fails to do so, the Fund may be disadvantaged. A Fund will not accrue income with respect to a when-issued or delayed delivery security prior to its stated delivery date.

Securities purchased on a when-issued or delayed-delivery basis and held by a Fund are subject to changes in market value based upon actual or perceived changes in the level of interest rates. Generally, the value of such securities will fluctuate inversely to changes in interest rates — *i.e.*, they will appreciate in value when interest rates decline and decrease in value when interest rates rise. Therefore, if in order to achieve higher interest income a Fund remains substantially fully invested at the same time that it has purchased securities on a “when-issued” or delayed-delivery basis, there will be a greater possibility of fluctuation in the Fund’s net asset value (“NAV”).

#### Zero Coupon Securities

The Funds, except for the Small/Mid Cap Equity Index Fund, may invest in zero coupon securities. Zero coupon securities are notes, bonds and debentures that: (1) do not pay current interest and are issued at a substantial discount from par value; (2) have been stripped of their unmatured interest coupons and receipts; or (3) pay no interest until a stated date one or more years into the future. These securities also include certificates representing interests in such stripped coupons and receipts. Generally, changes in interest rates will have a greater impact on the market value of a zero coupon security than on the market value of the comparable securities that pay interest periodically during the life of the instrument. The Funds will not receive cash payments on a current basis from the issuer in respect of accrued original issue discount (“OID”), but investors will be required to accrue OID for U.S. federal income tax purposes. To generate sufficient cash to make the requisite distributions to maintain its qualification for treatment as a RIC, a Fund (or a Portfolio or Underlying Fund, as applicable) may be required to sell investments, including at a time when it may not be advantageous to do so.

Privately-issued stripped securities are not themselves guaranteed by the U.S. Government, but the future payment of principal or interest on U.S. Treasury obligations which they represent is so guaranteed.

#### Asset Segregation and Coverage

A Fund may be required to earmark or otherwise segregate liquid assets in respect of its obligations under derivatives transactions that involve contractual obligations to pay in the future, or a Fund may engage in other measures to “cover” its obligations with respect to such transactions. The amounts that are earmarked or otherwise segregated may be based on the notional value of the derivative or on the daily mark-to-market obligation under the derivatives contract and may be reduced by amounts on deposit with the applicable broker or counterparty to the derivatives transaction. In certain circumstances, a Fund may enter into an offsetting position rather than earmarking or segregating liquid assets. A Fund may modify its asset segregation and coverage policies from time to time. Although earmarking or segregating may in certain cases have the effect of limiting a Fund’s ability to engage in derivatives transactions, the extent of any such limitation will depend on a variety of factors, including the method by which the Fund determines the nature and amount of assets to be earmarked or segregated.

#### Master/Feeder Structure

The Target Retirement Funds, the Small Cap Emerging Markets Equity Fund, the Emerging Markets Equity Index Fund, the Disciplined U.S. Equity Fund, Disciplined International Equity Fund, the Hedged International Developed Equity Index Fund, Global Value Spotlight Fund, International Value Spotlight Fund, European Value Spotlight Fund, Asia Pacific Value Spotlight Fund and U.S. Value Spotlight Fund may in the future determine to become a “feeder” fund that invests all of its assets in another open-end investment company (a “master fund”) that has substantially similar investment strategies as the Fund. This structure is sometimes called a “master/feeder” structure.

## Fundamental Investment Restrictions

The Portfolios in which the Feeder Funds invest each have substantially the same investment restrictions as their corresponding Funds. In reviewing the description of a Feeder Fund's investment restrictions below, you should assume that the investment restrictions of the corresponding Portfolio are the same in all material respects as those of the Feeder Fund.

The Trust has adopted the following restrictions applicable to the Funds, which may not be changed without the affirmative vote of a "majority of the outstanding voting securities" of a Fund, which is defined in the 1940 Act to mean the affirmative vote of the lesser of (1) more than 50% of the outstanding shares of the Fund and (2) 67% or more of the shares present at a meeting if more than 50% of the outstanding shares are present at the meeting in person or by proxy.

1. A Fund may borrow money and issue senior securities to the extent consistent with applicable law from time to time.
2. A Fund may make loans, including to affiliated investment companies, to the extent consistent with applicable law from time to time.
3. A Fund may purchase or sell commodities to the extent consistent with applicable law from time to time.
4. A Fund may purchase, sell or hold real estate to the extent consistent with applicable law from time to time.
5. A Fund may underwrite securities to the extent consistent with applicable law from time to time.

For the State Street Equity 500 Index Fund, State Street Global Equity ex-U.S. Index Fund, State Street Aggregate Bond Index Fund, the Hedged International Developed Equity Index Fund, the International Developed Equity Index Fund, the Emerging Markets Equity Index Fund, the Small/Mid Cap Equity Index Fund, the Disciplined Global Equity Fund, the Disciplined U.S. Equity Fund and the Disciplined International Equity Fund:

6. A Fund may not purchase any security if, as a result, 25% or more of the Fund's total assets (taken at current value) would be invested in a particular industry (for purposes of this restriction, investment companies are not considered to constitute a particular industry or group of industries), except as is consistent with applicable law from time to time and as follows: each Fund is permitted to invest without limit in "government securities" (as defined in the 1940 Act) and tax-exempt securities issued by a U.S. territory or possession, a state or local government, or a political subdivision of any of the foregoing. Each Fund may concentrate its investments in securities of issuers in the same industry as may be necessary to approximate the composition of the Fund's underlying Index.

For the Target Retirement Funds, the Strategic Real Return Fund, the Small Cap Emerging Markets Equity Fund, the Disciplined Global Equity Fund, the Disciplined U.S. Equity Fund, the Disciplined International Equity Fund, the Global Value Spotlight Fund, the International Value Spotlight Fund, the European Value Spotlight Fund, the Asia Pacific Value Spotlight Fund and the U.S. Value Spotlight Fund:

6. A Fund may not purchase any security if, as a result, 25% or more of the Fund's total assets (taken at current value) would be invested in a particular industry (for purposes of this restriction, investment companies are not considered to constitute a particular industry or group of industries), except as is consistent with applicable law from time to time and as follows: each Fund is permitted to invest without limit in "government securities" (as defined in the 1940 Act) and tax-exempt securities issued by a U.S. territory or possession, a state or local government, or a political subdivision of any of the foregoing.

For purposes of the above investment limitation number 6, in the case of a tax-exempt bond issued by a non-governmental user, where the tax-exempt bond is backed only by the assets and revenues of the non-governmental user, then such non-governmental user would be deemed to be the sole issuer. For each Fund, all percentage limitations (except the limitation to borrowings) on investments will apply at the time of the making of an investment and shall not be considered violated unless an excess or deficiency occurs or exists immediately after and as a result of such investment. Except for the investment restrictions expressly identified as fundamental, or to the extent designated as such in the Prospectus with respect to a Fund, the other investment policies described in this SAI or in the Prospectus are not fundamental and may be changed by approval of the Trustees without shareholder approval.

## **Non-Fundamental Investment Restrictions**

In addition, it is contrary to the present policies of the Equity 500 Index Fund and Global Equity Ex-U.S. Index Fund to invest in securitized instruments (including asset-backed securities, mortgage-backed securities, or asset-backed commercial paper) nor sweep excess cash into any non-governmental money market fund.

### Names Rule Policy

To the extent a Fund is subject to Rule 35d-1 under the 1940 Act, the Fund has an investment policy, described in the Fund's prospectus, to, under normal circumstances, invest at least 80% of its assets in the particular types of investments suggested by the Fund's name (a "Name Policy"). "Assets" for the purposes of a Name Policy are net assets plus the amount of any borrowings for investment purposes. The percentage limitation applies at the time of purchase of an investment. A Fund's Name Policy may be changed by the Board of Trustees of the Trust without shareholder approval. However, to the extent required by SEC regulations, shareholders will be provided with at least sixty (60) days' notice prior to any change in a Fund's Name Policy.

### **Additional Information**

Fundamental Investment Restrictions (1) through (5), as numbered above limit a Fund's ability to engage in certain investment practices and purchase securities or other instruments to the extent consistent with applicable law as that law changes from time to time. Applicable law includes the 1940 Act, the rules or regulations thereunder and applicable orders of the SEC as are currently in place. In addition, interpretations and guidance provided by the SEC staff may be taken into account, where deemed appropriate by a Fund, to determine if an investment practice or the purchase of securities or other instruments is permitted by applicable law. As such, the effects of these limitations will change as the statute, rules, regulations or orders (or, if applicable, interpretations) change, and no shareholder vote will be required or sought when such changes permit or require a resulting change in practice.

### Additional Strategy Information

*For Disciplined Global Equity Fund, Disciplined U.S. Equity Fund, and Disciplined International Equity Fund:*

- At least 90% of each Fund's net assets will be invested in publically traded equity securities

*For the Target Retirement Funds:*

- With respect to Target Retirement 2015 Fund (the "2015 Fund"), at least 40% of the 2015 Fund's assets will be invested in underlying equity funds that each invest at least 80% of their respective assets in public equity securities included in such underlying equity fund's index, and at least 17% of the 2015 Fund's assets will be invested in underlying government securities index funds that each invest at least 80% of their respective assets in government securities included in such underlying government fund's index.
- With respect to Target Retirement 2020 Fund (the "2020 Fund"), at least 53% of the 2020 Fund's assets will be invested in underlying equity funds that each invest at least 80% of their respective assets in public equity securities included in such underlying equity fund's index, and at least 10% of the 2020 Fund's assets will be invested in underlying government securities index funds that each invest at least 80% of their respective assets in government securities included in such underlying government fund's index.
- With respect to Target Retirement 2025 Fund (the "2025 Fund"), at least 63% of the 2025 Fund's assets will be invested in underlying equity funds that each invest at least 80% of their respective assets in public equity securities included in such underlying equity fund's index, and at least 8% of the 2025 Fund's assets will be invested in underlying government securities index funds that each invest at least 80% of their respective assets in government securities included in such underlying government fund's index.
- With respect to Target Retirement 2030 Fund (the "2030 Fund"), at least 70% of the 2030 Fund's assets will be invested in underlying equity funds that each invest at least 80% of their respective assets in public equity securities included in such underlying equity fund's index, and at least 6% of the 2030 Fund's assets will be invested in underlying government securities index funds that each invest at least 80% of their respective assets in government securities included in such underlying government fund's index.
- With respect to Target Retirement 2035 Fund (the "2035 Fund"), at least 77% of the 2035 Fund's assets will be invested in underlying equity funds that each invest at least 80% of their respective assets in public equity securities included in such underlying equity fund's index, and at least 4% of the 2035 Fund's assets will be invested in underlying government securities index funds that each invest at least 80% of their respective assets in government securities included in such underlying government fund's index.



- With respect to Target Retirement 2040 Fund (the “2040 Fund”), at least 82% of the 2040 Fund’s assets will be invested in underlying equity funds that each invest at least 80% of their respective assets in public equity securities included in such underlying equity fund’s index, and at least 4% of the 2040 Fund’s assets will be invested in underlying government securities index funds that each invest at least 80% of their respective assets in government securities included in such underlying government fund’s index.
- With respect to Target Retirement 2045 Fund (the “2045 Fund”), at least 85% of the 2045 Fund’s assets will be invested in underlying equity funds that each invest at least 80% of their respective assets in public equity securities included in such underlying equity fund’s index, and at least 4% of the 2045 Fund’s assets will be invested in underlying government securities index funds that each invest at least 80% of their respective assets in government securities included in such underlying government fund’s index.
- With respect to Target Retirement 2050 Fund (the “2050 Fund”), at least 85% of the 2050 Fund’s assets will be invested in underlying equity funds that each invest at least 80% of their respective assets in public equity securities included in such underlying equity fund’s index, and at least 4% of the 2050 Fund’s assets will be invested in underlying government securities index funds that each invest at least 80% of their respective assets in government securities included in such underlying government fund’s index.
- With respect to Target Retirement 2055 Fund (the “2055 Fund”), at least 85% of the 2055 Fund’s assets will be invested in underlying equity funds that each invest at least 80% of their respective assets in public equity securities included in such underlying equity fund’s index, and at least 4% of the 2055 Fund’s assets will be invested in underlying government securities index funds that each invest at least 80% of their respective assets in government securities included in such underlying government fund’s index.
- With respect to Target Retirement 2060 Fund (the “2060 Fund”), at least 85% of the 2060 Fund’s assets will be invested in underlying equity funds that each invest at least 80% of their respective assets in public equity securities included in such underlying equity fund’s index, and at least 4% of the 2060 Fund’s assets will be invested in underlying government securities index funds that each invest at least 80% of their respective assets in government securities included in such underlying government fund’s index.
- With respect to Target Retirement Fund (the “Retirement Fund”), at least 30% of the Retirement Fund’s assets will be invested in underlying equity funds that each invest at least 80% of their respective assets in public equity securities included in such underlying equity fund’s index, and at least 28% of the Retirement Fund’s assets will be invested in underlying government securities index funds that each invest at least 80% of their respective assets in government securities included in such underlying government fund’s index.

## Disclosure of Portfolio Holdings

### *Introduction*

The policies set forth below to be followed by State Street Bank and Trust Company (“State Street”) and SSGA FM (collectively, the “Service Providers”) for the disclosure of information about the portfolio holdings of the SSGA Funds, State Street Master Funds, and State Street Institutional Investment Trust (each, a “Trust”). These disclosure policies are intended to ensure compliance by the Service Providers and the Trust with applicable regulations of the federal securities laws, including the 1940 Act and the Investment Advisers Act of 1940, as amended. The Board of Trustees of the Trust must approve all material amendments to the policy.

### *General Policy*

It is the policy of the Service Providers to protect the confidentiality of client holdings and prevent the selective disclosure of non-public information concerning the Trust.

No information concerning the portfolio holdings of the Trust may be disclosed to any party (including shareholders) except as provided below. The Service Providers are not permitted to receive compensation or other consideration in connection with disclosing information about a Fund’s portfolio to third parties. In order to address potential conflicts between the interest of Fund shareholders, on the one hand, and those of the Service Providers or any affiliated person of those entities or of the Fund, on the other hand, the Fund’s policies require that non-public disclosures of information regarding the Fund’s portfolio may be made only if there is a legitimate business purpose consistent with fiduciary duties to all shareholders of the Fund.

Publicly Available Information. Any party may disclose portfolio holdings information after the holdings are publicly available.

Disclosure of the complete holdings of each Fund is required to be made quarterly within 60 days of the end of the Fund’s fiscal quarter in the Annual Report and Semi-Annual Report to Fund shareholders and in the quarterly holdings report on Form N-Q (filed after the first and third fiscal quarters). These reports are available, free of charge, on the EDGAR database on the SEC’s website at [www.sec.gov](http://www.sec.gov). Information about a Fund’s 10 largest holdings generally is posted on the Fund’s website at [SSGAFUNDS.com](http://SSGAFUNDS.com), within 30 days following the end of each month. Each Fund will also make complete portfolio holdings available generally no later than 60 calendar days after the end of the Funds’ fiscal quarter or subsequent to periodic portfolio holdings disclosure in the Fund’s filings with the SEC or on their website.

### *Press Interviews Brokers and Other Discussions*

Portfolio managers and other senior officers or spokespersons of the Service Providers or the Trust may disclose or confirm the ownership of any individual portfolio holding position to reporters, brokers, shareholders, consultants or other interested persons only if such information has been previously publicly disclosed in accordance with these disclosure policies. For example, a portfolio manager discussing the Trust may indicate that he owns XYZ Company for the Trust only if the Trust’s ownership of such company has previously been publicly disclosed.

### *Trading Desk Reports*

State Street Global Advisors’ (“SSGA”) trading desk may periodically distribute lists of investments held by its clients (including the Trust) for general analytical research purposes. In no case may such lists identify individual clients or individual client position sizes. Furthermore, in the case of equity securities, such lists shall not show aggregate client position sizes.

## *Miscellaneous*

**Confidentiality Agreement.** No non-public disclosure of the Fund's portfolio holdings will be made to any party unless such party has signed a written Confidentiality Agreement. For purposes of the disclosure policies, any Confidentiality Agreement must be in a form and substance acceptable to, and approved by, the Trust's officers.

**Evaluation Service Providers.** There are numerous mutual fund evaluation services (such as Morningstar, Inc. and Broadridge Financial Solutions, Inc., formerly Lipper, Inc.) and due diligence departments of broker-dealers and wirehouses that regularly analyze the portfolio holdings of mutual funds in order to monitor and report on various attributes. These services and departments then distribute the results of their analysis to the public, paid subscribers and/or in-house brokers. In order to facilitate the review of the Trust by these services and departments, the Trust may distribute (or authorize the Service Providers and the Trust's custodian or fund accountants to distribute) month-end portfolio holdings to such services and departments only if such entity has executed a confidentiality agreement.

**Additional Restrictions.** Notwithstanding anything herein to the contrary, the Trust's Board of Trustees, State Street and SSGA FM may, on a case-by-case basis, impose additional restrictions on the dissemination of portfolio information beyond those found in these disclosure policies.

**Waivers of Restrictions.** These disclosure policies may not be waived, or exceptions made, without the consent of the Trust's officers. All waivers and exceptions involving the Trust will be disclosed to the Board of Trustees of the Trust no later than its next regularly scheduled quarterly meeting.

**Disclosures Required by Law.** Nothing contained herein is intended to prevent the disclosure of portfolio holdings information as may be required by applicable law. For example, SSGA FM, State Street, the Trust or any of its affiliates or service providers may file any report required by applicable law (such as Schedules 13D, 13G and 13F or Form N-MFP), respond to requests from regulators and comply with valid subpoenas.

**SSGA Active Trust's and State Street Master Funds' Disclosure of Portfolio Holdings Policy:** Each of SSGA Active Trust and State Street Master Funds have adopted a policy regarding the disclosure of information about their portfolio holdings. The Boards of Trustees of SSGA Active Trust and State Street Master Funds must approve all material amendments to each policy. A Portfolio's portfolio holdings are publicly disseminated each day the Portfolio is open for business through financial reporting and news services including publicly accessible Internet web sites. SSGA Active Trust, the Adviser, or State Street will not disseminate non-public information concerning SSGA Active Trust, except information may be made available prior to its public availability: (i) to a party for a legitimate business purpose related to the day-to-day operations of the SSGA Active Trust, including (a) a service provider, (b) the stock exchanges upon which the ETF is listed, (c) the NSCC, (d) the Depository Trust Company, and (e) financial data/research companies such as Morningstar, Bloomberg L.P., and Reuters, or (ii) to any other party for a legitimate business or regulatory purpose, upon waiver or exception, with the consent of an applicable officer of such Trust. State Street Master Funds, the Adviser, or State Street will not disseminate non-public information concerning State Street Master Funds to any party unless such party has signed a written confidentiality agreement.

## **MANAGEMENT OF THE TRUST AND STATE STREET MASTER FUNDS**

The Board of Trustees is responsible for overseeing generally the management, activities and affairs of the Funds and has approved contracts with various organizations to provide, among other services, day-to-day management required by the Trust (see the section called "Investment Advisory and Other Services"). The Board has engaged the Adviser to manage the Funds on a day-to day basis. The Board is responsible for overseeing the Adviser and other service providers in the operation of the Trust in accordance with the provisions of the 1940 Act, applicable Massachusetts law and regulation, other applicable laws and regulations, and the Amended and Restated Declaration of Trust. The Trustees listed below are also Trustees of the SSGA Funds, the State Street Master Funds and the State Street Navigator Securities Lending Trust (the "Navigator Trust") and their respective series. Except for Messrs. Holland and Taber, the Trustees listed below are also Trustees of Elfun Diversified Fund, Elfun Government Money Market Fund, Elfun Tax-Exempt Income Fund, Elfun Income Fund, Elfun International Equity Fund and Elfun Trusts (collectively, the "Elfun Funds"). The following table provides information with respect to each Trustee, including those Trustees who are not considered to be "interested" as that term is defined in the 1940 Act (the "Independent Trustees"), and each officer of the Trusts.

<u>NAME, ADDRESS, AND YEAR OF BIRTH</u>	<u>POSITION(S) HELD WITH TRUST</u>	<u>TERM OF OFFICE AND LENGTH OF TIME SERVED</u>	<u>PRINCIPAL OCCUPATION DURING PAST FIVE YEARS AND RELEVANT EXPERIENCE</u>	<u>NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE†</u>	<u>OTHER DIRECTORSHIPS HELD BY TRUSTEE DURING PAST FIVE YEARS</u>
<b>INDEPENDENT TRUSTEES</b>					
Michael F. Holland c/o SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1944	Trustee and Co-Chairman of the Board	Term: Indefinite Elected: 7/99	Chairman, Holland & Company L.L.C. (investment adviser) (1995- present).	69	Director, the Holland Series Fund, Inc.; Director, The China Fund, Inc.; Director, The Taiwan Fund, Inc.; Director, Reaves Utility Income Fund, Inc.; and Director, Blackstone/GSO Loans (and Real Estate) Funds.
Patrick J. Riley c/o SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1948	Trustee and Co-Chairman of the Board	Term: Indefinite Elected: 1/14	2002 to May 2010, Associate Justice of the Superior Court, Commonwealth of Massachusetts; 1985 to 2002, Partner, Riley, Burke & Donahue, L.L.P. (law firm); 1998 to Present, Independent Director, State Street Global Advisers Ireland, Ltd. (investment company); 1998 to Present, Independent Director, SSGA Liquidity plc (formerly, SSGA Cash Management Fund plc); January 2009 to Present, Independent Director, SSGA Fixed Income plc; and January 2009 to Present, Independent Director, SSGA Qualified Funds PLC.	75	Board Director and Chairman, SPDR Europe 1PLC Board (2011-Present); Board Director and Chairman, SPDR Europe II, PLC (2013- Present).
William L. Marshall c/o SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1942	Trustee and Co-Chairman of the Audit Committee	Term: Indefinite Elected: 1/14	July 2016 to Present, Chief Executive Officer and Chief Compliance Officer, The Marshall Financial Group, Inc; 2015 to present, Board member, The Doylestown Health Foundation Board; April 2011 to June 2016, Chairman (until April 2011, Chief Executive Officer and President), Wm. L. Marshall Associates, Inc., Wm. L. Marshall Companies, Inc. and the Marshall Financial Group, Inc. (a registered investment adviser and provider of financial and related consulting services); Certified Financial Planner; Member, Financial Planners Association.	75	



<u>NAME, ADDRESS, AND YEAR OF BIRTH</u>	<u>POSITION(S) HELD WITH TRUST</u>	<u>TERM OF OFFICE AND LENGTH OF TIME SERVED</u>	<u>PRINCIPAL OCCUPATION DURING PAST FIVE YEARS AND RELEVANT EXPERIENCE</u>	<u>NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE†</u>	<u>OTHER DIRECTORSHIPS HELD BY TRUSTEE DURING PAST FIVE YEARS</u>
Richard D. Shirk c/o SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1945	Trustee and Co-Chairman of the Qualified Legal and Compliance Committee	Term: Indefinite Elected: 1/14	March 2001 to April 2002, Chairman (1996 to March 2001, President and Chief Executive Officer), Cerulean Companies, Inc. (holding company) (Retired); 1992 to March 2001, President and Chief Executive Officer, Blue Cross Blue Shield of Georgia (health insurer, managed healthcare); 1998 to December 2008, Chairman, Board Member and December 2008 to Present, Investment Committee Member, Healthcare Georgia Foundation (private foundation); September 2002 to 2012, Lead Director and Board Member, Amerigroup Corp. (managed health care); 1999 to 2013, Board Member and (since 2001) Investment Committee Member, Woodruff Arts Center; 2003 to 2009, Trustee, Gettysburg College; Board member, AeroCare Holdings (privately held healthcare services company) (February 2003-Present); Board member, Regenesys Biomedical (health care services) (April 2012-present), Chairman, (January 2014 – present).	75	
Rina K. Spence c/o SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1948	Trustee and Co-Chairman of the Qualified Legal and Compliance Committee and Co-Chairman of the Governance Committee	Term: Indefinite Elected: 7/99	President of SpenceCare International LLC (international healthcare consulting) (1999 – present); Chief Executive Officer, IEmily.com (health internet company) (2000 – 2001); Chief Executive Officer of Consensus Pharmaceutical, Inc. (1998 – 1999); Founder, President and Chief Executive Officer of Spence Center for Women’s Health (1994 –1998); President and CEO, Emerson Hospital (1984 – 1994); Honorary Consul for Monaco in Boston (2015 – present).	75	Trustee, Eastern Enterprise (utilities) (1988 – 2000); Director, Berkshire Life Insurance Company of America (1993 – 2009).

<u>NAME, ADDRESS, AND YEAR OF BIRTH</u>	<u>POSITION(S) HELD WITH TRUST</u>	<u>TERM OF OFFICE AND LENGTH OF TIME SERVED</u>	<u>PRINCIPAL OCCUPATION DURING PAST FIVE YEARS AND RELEVANT EXPERIENCE</u>	<u>NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE†</u>	<u>OTHER DIRECTORSHIPS HELD BY TRUSTEE DURING PAST FIVE YEARS</u>
Bruce D. Taber c/o SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1943	Trustee and Co-Chairman of the Valuation Committee and Co- Chairman of the Governance Committee	Term: Indefinite Elected: 1/14	1999 to Present, Partner, Zenergy LLC (a technology company providing Computer Modeling and System Analysis to the General Electric Power Generation Division); Until December 2008, Independent Director, SSGA Cash Management Fund plc; Until December 2008, Independent Director, State Street Global Advisers Ireland, Ltd. (investment companies); and Until August 1994, President, Alonzo B. Reed, Inc., (a Boston architect-engineering firm).	69	
Douglas T. Williams c/o SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1940	Trustee and Co-Chairman of the Audit Committee	Term: Indefinite Elected: 7/99	Retired Executive Vice President and member of Executive Committee, Chase Manhattan Bank (1987 - 1999); President, Boston Stock Exchange Depository Trust Company, 1981-1982; Treasurer, Nantucket Educational Trust, (2002-2007); Executive Vice President and Global Head of Technology and Operations, JP Morgan Chase (2017-present).	75	
Michael A. Jessee c/o SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1946	Trustee and Co-Chairman of the Valuation Committee	Term: Indefinite Appointed: 7/16	Retired; formerly, President and Chief Executive Officer of the Federal Home Loan Bank of Boston (1989 – 2009); Trustee, Randolph-Macon College (2004 – 2016).	75	

<u>NAME, ADDRESS, AND YEAR OF BIRTH</u>	<u>POSITION(S) HELD WITH TRUST</u>	<u>TERM OF OFFICE AND LENGTH OF TIME SERVED</u>	<u>PRINCIPAL OCCUPATION DURING PAST FIVE YEARS AND RELEVANT EXPERIENCE</u>	<u>NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE†</u>	<u>OTHER DIRECTORSHIPS HELD BY TRUSTEE DURING PAST FIVE YEARS</u>
<b>INTERESTED TRUSTEE<sup>(1)</sup></b>					
James E. Ross SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1965	Trustee	Term: Indefinite Appointed: 2/07	Chairman and Director, SSGA Funds Management, Inc. (2005-present); Executive Vice President, State Street Global Advisors (2012-present); Chief Executive Officer and Director, State Street Global Advisors Funds Distributors, LLC (May 2017 – present); Director, State Street Global Markets, LLC (2013 - April 2017); President, SSGA Funds Management, Inc. (2005 – 2012); Principal, State Street Global Advisors (2000-2005).	262	SSGA SPDR ETFs Europe I plc (Director) (November 2016 – present); SSGA SPDR ETFs Europe II plc (Director) (November 2016 – present).

<sup>(1)</sup> Mr. Ross is an Interested Trustee because of his employment by SSGA FM an affiliate of the Trust.

† For the purpose of determining the number of portfolios overseen by the Trustees, “Fund Complex” comprises registered investment companies for which SSGA FM serves as investment adviser.

The following lists the principal officers for the Trust, as well as their mailing addresses and ages, positions with the Trust and length of time served, and present and principal occupations:

<u>NAME, ADDRESS, AND YEAR OF BIRTH</u>	<u>POSITION(S) HELD WITH TRUST</u>	<u>TERM OF OFFICE AND LENGTH OF TIME SERVED</u>	<u>PRINCIPAL OCCUPATION DURING PAST FIVE YEARS</u>
<b>OFFICERS:</b>			
Ellen M. Needham SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1967	President	Term: Indefinite Elected: 10/12	President and Director, SSGA Funds Management, Inc. (2001 – present)*; Senior Managing Director, State Street Global Advisors (1992-present); Director, State Street Global Advisors Funds Distributors, LLC (May 2017 – present)*

<p>Bruce S. Rosenberg SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1961</p>	<p>Treasurer</p>	<p>Term: Indefinite Elected: 2/16</p>	<p>Managing Director, State Street Global Advisors and SSGA Funds Management, Inc. (July 2015 – present); Director, Credit Suisse (April 2008 – July 2015).</p>
<p>Ann M. Carpenter SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1966</p>	<p>Vice President and Deputy Treasurer</p>	<p>Term: Indefinite Elected: 10/12 Term: Indefinite Elected: 2/16</p>	<p>Chief Operating Officer, SSGA Funds Management, Inc. (2005- present)*; Managing Director, State Street Global Advisors (2005 – present).*</p>
<p>Chad C. Hallett SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1969</p>	<p>Deputy Treasurer</p>	<p>Term: Indefinite Elected: 2/16</p>	<p>Vice President, State Street Global Advisors and SSGA Funds Management, Inc. (November 2014 – present); Vice President, State Street Bank and Trust Company (2001 – November 2014).*</p>
<p>Darlene Anderson-Vasquez SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1969</p>	<p>Deputy Treasurer</p>	<p>Term: Indefinite Elected: 11/16</p>	<p>Managing Director, State Street Global Advisors and SSGA Funds Management, Inc. (May 2016 – present); Senior Vice President, John Hancock Investments (September 2007 – May 2016).</p>
<p>Sujata Upreti SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1974</p>	<p>Assistant Treasurer</p>	<p>Term: Indefinite Elected: 2/16</p>	<p>Vice President, State Street Global Advisors and SSGA Funds Management, Inc. (May 2015 – present); Assistant Director, Cambridge Associates, LLC (July 2014 – January 2015); Vice President, Bank of New York Mellon (July 2012 – August 2013); Manager, PricewaterhouseCoopers, LLP (September 2003 – July 2012).</p>
<p>Daniel Foley SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1972</p>	<p>Assistant Treasurer</p>	<p>Term: Indefinite Elected: 2/16</p>	<p>Vice President, State Street Global Advisors and SSGA Funds Management, Inc. (April 2007 – present).*</p>
<p>Brian Harris SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1973</p>	<p>Chief Compliance Officer, Anti- Money Laundering Officer and Code of Ethics Compliance Officer</p>	<p>Term: Indefinite Elected: 11/13 Term: Indefinite Elected: 9/16</p>	<p>Managing Director, State Street Global Advisors and SSGA Funds Management, Inc. (2013 – Present)*; Senior Vice President and Global Head of Investment Compliance, BofA Global Capital Management (September 2010 to May 2013); Director of Compliance, AARP Financial Inc. (July 2008 to August 2010).</p>

Joshua A. Weinberg SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111-2900 YOB: 1978	Chief Legal Officer	Term: Indefinite Elected: 2/15	Managing Director and Managing Counsel, State Street Global Advisors (2011 – present)*; Clerk, SSGA Funds Management, Inc. (2013 – present); Associate, Financial Services Group, Dechert LLP (2005 – 2011).
Jesse D. Hallee State Street Bank and Trust Company 100 Summer Street, 7 <sup>th</sup> Floor Boston, MA 02111-2900 YOB: 1976	Secretary	Term: Indefinite Elected: 9/16	Vice President and Managing Counsel, State Street Bank and Trust Company (2013 – present); Vice President and Counsel, Brown Brothers Harriman & Co. (2007- 2013).
Khimmara Greer State Street Bank and Trust Company 100 Summer Street, 7 <sup>th</sup> Floor Boston, MA 02111-2900 YOB: 1983	Assistant Secretary	Term: Indefinite Elected: 5/16	Vice President and Counsel, State Street Bank and Trust Company (2015- present); Regulatory Advisor, JPMorgan (2014 – 2015); Claims Case Manager, Liberty Mutual Insurance (2012 – 2014); Contract Attorney, Various Law Firms (2011 – 2012).

\* Served in various capacities and/or with various affiliated entities during noted time period.

The By-Laws of the Trust provide that the Trust shall indemnify each person who is or was a Trustee of the Trust against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceedings if the person in good faith and reasonably believes that his or her conduct was in the Trust's best interest. The Trust, at its expense, provides liability insurance for the benefit of its Trustees and officers.

#### Summary of Trustees' Qualifications

Following is a summary of the experience, attributes and skills which qualify each Trustee to serve on the Boards of Trustees of the Trust and State Street Master Funds.

Michael F. Holland: Mr. Holland is an experienced business executive with over 46 years of experience in the financial services industry including 21 years as a portfolio manager of another registered mutual fund; his experience includes service as a trustee, director or officer of various investment companies. He has served on the Board of Trustees and related Committees of State Street Institutional Investment Trust and State Street Master Funds for 17 years (since the Trusts' inception) and possesses significant experience regarding the operations and history of those Trusts. He also serves as a Trustee of the Navigator Trust.

Rina K. Spence: Ms. Spence is an experienced business executive with over 36 years of experience in the health care industry; her experience includes service as a trustee, director or officer of various investment companies, charities and utility companies and chief executive positions for various health care companies. She has served on the Board of Trustees and related Committees of the State Street Institutional Investment Trust and the State Street Master Funds for 17 years (since the Trusts' inception) and possesses significant experience regarding the operations and history of those Trusts. She also serves as a Trustee of the Navigator Trust and the Elfun Funds.

Douglas T. Williams: Mr. Williams is an experienced business executive with over 43 years of experience in the banking industry; his experience includes service as a trustee or director of various investment companies and charities and senior executive positions of major bank organizations. He has served on the Board of Trustees and related Committees of the State Street Institutional Investment Trust and the State Street Master Funds for 17 years (since the Trusts' inception) and possesses significant experience regarding the operations and history of those Trusts. He also serves as a Trustee of the Navigator Trust and the Elfun Funds.

James E. Ross: Mr. Ross is an experienced business executive with over 27 years of experience in the financial services industry; his experience includes service as a trustee, director or officer of various investment companies. He has served on the Board of Trustees of the State Street Institutional Investment Trust and the State Street Master Funds for 10 years and as President of the

Trusts for over 10 years and possesses significant experience regarding the Trusts' operations and history. He also serves as a Trustee of the Navigator Trust, the Elfun Funds and additional trusts that include series for which SSGA FM serves as investment adviser. Mr. Ross is also a senior executive officer of State Street Global Advisors and Chief Executive Officer of State Street Global Advisors Funds Distributors, LLC. Mr. Ross is also on the Board of Governors of the Investment Company Institute.

William L. Marshall: Mr. Marshall is an experienced business executive with over 47 years of experience in the financial services industry; his experience includes service as an advisor trustee or officer of various investment companies and charities. He has served on the Board of Trustees and related Committees of SSGA Funds for 28 years and possesses significant experience regarding the operations and history of the Trust. He also serves as a Trustee of the Navigator Trust and the Elfun Funds.

Patrick J. Riley: Mr. Riley is an experienced business executive with over 40 years of experience in the legal and financial services industries; his experience includes service as a trustee or director of various investment companies and Associate Justice of the Superior Court of the Commonwealth of Massachusetts. He has served on the Board of Trustees and related Committees of SSGA Funds for 28 years and possesses significant experience regarding the operations and history of the Trust. He also serves as a Trustee of the Navigator Trust and the Elfun Funds.

Richard D. Shirk: Mr. Shirk is an experienced business executive with over 48 years of experience in the health care and insurance industries and with investment matters; his experience includes service as a trustee, director or officer of various health care companies and nonprofit organizations. He has served on the Board of Trustees and related Committees of SSGA Funds for 28 years and possesses significant experience regarding the operations and history of the Trust. He also serves as a Trustee of the Navigator Trust and the Elfun Funds.

Bruce D. Taber: Mr. Taber is an experienced business executive with over 43 years of experience in the power generation, technology and engineering industries; his experience includes service as a trustee or director of various investment companies. He has served on the Board of Trustees and related Committees of SSGA Funds for 25 years and possesses significant experience regarding the operations and history of the Trust. He also serves as a Trustee of the Navigator Trust.

Michael A. Jessee: Mr. Jessee is an experienced business executive with approximately 40 years of experience in the banking industry. He previously served as President and Chief Executive Officer of the Federal Home Loan Bank of Boston as well as various senior executive positions of major banks. Mr. Jessee has served on the Navigator Trust's Board of Trustees and related committees for 21 years and possesses significant experience regarding the Trust's operations and history. He also serves as a Trustee of the Elfun Funds.

References to the experience, attributes and skills of Trustees above are pursuant to requirements of the SEC, do not constitute holding out of the Board or any Trustee as having any special expertise or experience, and shall not impose any greater responsibility or liability on any such person or on the Board by reason thereof.

#### Standing Committees

The Board of Trustees has established various committees to facilitate the timely and efficient consideration of various matters of importance to Independent Trustees, the Trust, and the Trust's shareholders and to facilitate compliance with legal and regulatory requirements. Currently, the Board has created an Audit Committee, Governance Committee, Valuation Committee and Qualified Legal and Compliance Committee.

The Audit Committee is composed of all of the Independent Trustees. The Audit Committee meets twice a year, or more often as required, in conjunction with meetings of the Board of Trustees. The Audit Committee oversees and monitors the Trust's internal accounting and control structure, its auditing function and its financial reporting process. The Audit Committee is responsible for selecting and retaining the independent accountants for the Trust. The Audit Committee is responsible for approving the audit plans, fees and other material arrangements in respect of the engagement of the independent accountants, including non-audit services performed. The Audit Committee reviews the qualifications of the independent accountant's key personnel involved in the foregoing activities and monitors the independent accountant's independence. During the fiscal year ended December 31, 2016, the Audit Committee held four meetings.

The Governance Committee is composed of all the Independent Trustees. The primary functions of the Governance Committee, including the Nominating Committee (a sub-committee of the Governance Committee), is to review and evaluate the composition and performance of the Board; make nominations for membership on the Board and committees; review the responsibilities of each committee; and review governance procedures, compensation of Independent Trustees, and independence of outside counsel to the Trustees. The Nominating Committee will consider nominees to the Board recommended by shareholders. Recommendations should be submitted in accordance with the procedures set forth in the Nominating Committee Charter and should be submitted in writing to the Trust, to the attention of the Trust's Secretary, at the address of the principal executive offices of the Trust. Shareholder recommendations must be delivered to, or mailed and received at, the principal executive offices of the Trust not less than sixty (60) calendar days nor more than ninety (90) calendar days prior to the date of the Board or shareholder meeting at which the nominee candidate would be considered for election. The Governance Committee performs an annual self-evaluation of Board members. During the fiscal year ended December 31, 2016, the Governance Committee held four meetings.

The Valuation Committee is composed of all the Independent Trustees. The Valuation Committee's primary purpose is to review the actions and recommendations of the Adviser's Oversight Committee no less often than quarterly. The Trust has established procedures and guidelines for valuing portfolio securities and making fair value determinations from time to time through the Valuation Committee, with the assistance of the Oversight Committee, State Street and SSGA FM. During the fiscal year ended December 31, 2016, the Valuation Committee held four meetings.

The Qualified Legal and Compliance Committee (the "QLCC") is composed of all the Independent Trustees. The primary functions of the QLCC are to receive quarterly reports from the Trust's chief compliance officer (the "Chief Compliance Officer"); to oversee generally the Trust's responses to regulatory inquiries; and to investigate matters referred to it by the Chief Legal Officer and make recommendations to the Board regarding the implementation of an appropriate response to evidence of a material violation of the securities laws or breach of fiduciary duty or similar violation by the Trust, its officers or the Trustees. During the fiscal year ended December 31, 2016, the QLCC held four meetings.

#### Leadership Structure and Risk Management Oversight

The Board has chosen to select different individuals as Co-Chairpersons of the Board of the Trust and as President of the Trust. Currently, Mr. Holland and Mr. Riley, both Independent Trustees, serve as Co-Chairpersons of the Board, Mr. Marshall and Mr. Williams serve as Co-Chairpersons of the Audit Committee, Mr. Shirk and Ms. Spence serve as Co-Chairpersons of the QLCC, Mr. Jessee and Mr. Taber serve as Co-Chairpersons of the Valuation Committee and Mr. Taber and Ms. Spence serve as Co-Chairpersons of the Governance Committee.

Mr. Ross, who is also an employee of the Adviser, serves as a Trustee of the Trust and Ellen Needham, who is also an employee of the Adviser, serves as President of the Trust. The Board believes that this leadership structure is appropriate, since Mr. Ross and Ms. Needham provide the Board with insight regarding the Trust's day-to-day management, while Mr. Holland and Mr. Riley provide an independent perspective on the Trust's overall operation and Mr. Marshall and Mr. Williams provide a specialized perspective on audit matters.

The Board has delegated management of the Trust to service providers who are responsible for the day-to-day management of risks applicable to the Trust. The Board oversees risk management for the Trust in several ways. The Board receives regular reports from both the Chief Compliance Officer and administrator for the Trust, detailing the results of the Trust's compliance with its Board-adopted policies and procedures, the investment policies and limitations of the Funds, and applicable provisions of the federal securities laws and the Code. As needed, the Adviser discusses management issues regarding the Trust with the Board, soliciting the Board's input on many aspects of management, including potential risks to the Funds. The Board's Audit Committee also receives reports on various aspects of risk that might affect the Trust and offers advice to management, as appropriate. The Trustees also meet in executive session with the independent counsel to the Independent Trustees, the independent registered public accounting firm, counsel to the Trust, the Chief Compliance Officer and representatives of management, as needed. Through these regular reports and interactions, the Board oversees the risk management parameters for the Trust, which are effected on a day-to-day basis by service providers to the Trust.

Trustee Ownership of Securities of the Trust, Adviser and Distributor

As of December 31, 2016 none of the Independent Trustees or their immediate family members had any ownership of securities of the Adviser, State Street Global Advisors Funds Distributors, LLC (“SSGA FD” or the “Distributor”), the Trust’s distributor, or any person directly or indirectly controlling, controlled by or under common control with the Adviser or SSGA FD.

The following table sets forth information describing the dollar range of the Trust’s equity securities beneficially owned by each Trustee as of December 31, 2016.

<u>Name of Independent Trustee</u>	<u>Dollar Range Of Equity Securities In The Funds</u>	<u>Aggregate Dollar Range Of Equity Securities In All Registered Investment Companies Overseen By Trustees In Family of Investment Companies</u>
Michael F. Holland	None	None
William L. Marshall	None	Over \$100,000
Patrick J. Riley	None	Over \$100,000
Richard D. Shirk	None	Over \$100,000
Rina K. Spence	None	None
Bruce D. Taber	None	Over \$100,000
Douglas T. Williams	None	None
Michael A. Jessee <sup>1</sup>	None	None
<u>Name of Interested Trustee</u>		
James E. Ross	None	Over \$100,000

<sup>1</sup> Mr. Jessee was appointed to the Board effective as of July 28, 2016.

Trustee Compensation

As of July 1, 2016, except as noted below, each Independent Trustee receives for his or her services to the State Street Master Funds, the State Street Institutional Investment Trust, the SSGA Funds, the Elfun Funds and the Navigator Trust, a \$170,000 annual base retainer in addition to \$22,500 for each in-person meeting \$6,000 for each special in-person meeting and \$2,500 for each telephonic meeting from the Trusts. The Trust pays a fixed allocation of \$18,000 per Fund. The Co-Chairmen receive an additional \$50,000 annual retainer. The annual base retainer payable to Mr. Holland and to Mr. Taber is \$164,000, and the annual Co-Chairmen retainer payable to Mr. Holland is \$49,000 in light of the fact that neither Mr. Holland nor Mr. Taber serves as a member of the Board of Trustees of the Elfun Funds. The Independent Trustees are reimbursed for travel and other out-of-pocket expenses in connection with meeting attendance. As of the date of this SAI, the Trustees were not paid pension or retirement benefits as part of the Trust’s expenses.

The Trust’s officers are compensated by the Adviser and its affiliates.

The following table sets forth the total remuneration of Trustees and officers of the Trust for the fiscal year ended December 31, 2016:

<u>NAME OF INDEPENDENT TRUSTEE</u>	<u>AGGREGATE COMPENSATION FROM THE TRUST</u>	<u>PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF TRUST EXPENSES</u>	<u>ESTIMATED ANNUAL BENEFITS UPON RETIREMENT</u>	<u>TOTAL COMPENSATION FROM TRUST &amp; FUND COMPLEX PAID TO TRUSTEES</u>
William L. Boyan <sup>1</sup>	\$ 226,640	\$ 0	\$ 0	\$ 279,250
Michael F. Holland	\$ 270,927	\$ 0	\$ 0	\$ 322,750
William L. Marshall	\$ 226,640	\$ 0	\$ 0	\$ 279,250
Patrick J. Riley	\$ 263,277	\$ 0	\$ 0	\$ 326,250
Richard D. Shirk	\$ 226,640	\$ 0	\$ 0	\$ 279,250
Rina K. Spence	\$ 227,038	\$ 0	\$ 0	\$ 279,250



	AGGREGATE COMPENSATION FROM THE TRUST	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF TRUST EXPENSES	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT	TOTAL COMPENSATION FROM TRUST & FUND COMPLEX PAID TO TRUSTEES
Bruce D. Taber, Trustee	\$ 232,843.10	\$ 0	\$ 0	\$ 276,250.00
Douglas T. Williams, Trustee	\$ 226,640.41	\$ 0	\$ 0	\$ 279,250.00
Michael A. Jessee, Trustee <sup>2</sup>	\$ 209,446.47	\$ 0	\$ 0	\$ 231,766.30
<b><u>NAME OF INTERESTED TRUSTEE</u></b>				
James E. Ross, Trustee	\$ 0	\$ 0	\$ 0	\$ 0

<sup>1</sup> Mr. Boyan served as a Trustee until February 2017.

<sup>2</sup> Mr. Jessee was appointed to the Board effective as of July 28, 2016.

#### Trustees and Officers of the SSGA Active Trust

The trustees of the SSGA Active Trust are responsible for generally overseeing the SSGA Active Trust's business. The following table provides biographical information with respect to each trustee and officer of the SSGA Active Trust. The Trustees and Officers listed below are responsible for overseeing the Disciplined Global Equity Portfolio, in which the Disciplined Global Equity Fund invests substantially all of its assets.

TRUSTEES

<u>NAME, ADDRESS AND YEAR OF BIRTH</u>	<u>POSITION(S) WITH TRUST</u>	<u>TERM OF OFFICE AND LENGTH OF TIME SERVED</u>	<u>PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS</u>	<u>NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY TRUSTEE†</u>	<u>OTHER DIRECTORSHIPS HELD BY TRUSTEE DURING THE PAST 5 YEARS</u>
<b>INDEPENDENT TRUSTEES</b>					
FRANK NESVET c/o SSGA Active Trust State Street Financial Center One Lincoln Street Boston, MA 02111-2900 1943	Independent Trustee, Chairman, Trustee Committee Chair	Term: Unlimited Served: since March 2011	Retired.	206	None.
DAVID M. KELLY c/o SSGA Active Trust State Street Financial Center One Lincoln Street Boston, MA 02111-2900 1938	Independent Trustee, Audit Committee Chair	Term: Unlimited Served: since March 2011	Retired.	206	Chicago Stock Exchange (Former Director, retired); Penson Worldwide Inc. (Former Director, retired).
BONNY EUGENIA BOATMAN c/o SSGA Active Trust State Street Financial Center One Lincoln Street Boston, MA 02111-2900 1950	Independent Trustee	Term: Unlimited Served: since March 2011	Retired.	206	None.
DWIGHT D. CHURCHILL c/o SSGA Active Trust State Street Financial Center One Lincoln Street Boston, MA 02111-2900 1953	Independent Trustee	Term: Unlimited Served: since March 2011	Self-employed consultant since 2010; CEO and President, CFA Institute (June 2014-January 2015).	206	Affiliated Managers Group, Inc. (Director).
CARL G. VERBONCOEUR c/o SSGA Active Trust State Street Financial Center One Lincoln Street Boston, MA 02111-2900 1952	Independent Trustee	Term: Unlimited Served: since March 2011	Self-employed consultant since 2009.	206	The Motley Fool Funds Trust (Trustee).

<u>NAME, ADDRESS AND YEAR OF BIRTH</u>	<u>POSITION(S) WITH TRUST</u>	<u>TERM OF OFFICE AND LENGTH OF TIME SERVED</u>	<u>PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS</u>	<u>NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY TRUSTEE†</u>	<u>OTHER DIRECTORSHIPS HELD BY TRUSTEE DURING THE PAST 5 YEARS</u>
<b>INTERESTED TRUSTEE</b>					
JAMES E. ROSS* SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111 1965	Interested Trustee	Term: Unlimited Served as Trustee: since March 2011	Chairman and Director, SSGA Funds Management, Inc. (2005-present); Executive Vice President and Principal, State Street Global Advisors (2006-present); Chief Executive Officer, State Street Global Advisors Funds Distributors, LLC (May 2017 – present); Director, State Street Global Markets, LLC (2013 - April 2017); President, SSGA Funds Management, Inc. (2005-2012).	294	SSGA SPDR ETFs Europe I plc (Director) (November 2016 – present); SSGA SPDR ETFs Europe II plc (Director) (November 2016 – present).

† For the purpose of determining the number of portfolios overseen by the Trustees, “Fund Complex” comprises registered investment companies for which SSGA Fund Management, Inc. serves as investment adviser.

\* Mr. Ross is an Interested Trustee because of his employment with the Adviser and ownership interest in an affiliate of the Adviser.

OFFICERS

<u>NAME, ADDRESS AND YEAR OF BIRTH</u>	<u>POSITION(S) WITH TRUST</u>	<u>TERM OF OFFICE AND LENGTH OF TIME SERVED</u>	<u>PRINCIPAL OCCUPATION(S) DURING THE PAST 5 YEARS</u>
ELLEN M. NEEDHAM SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111 1967	President	Term: Unlimited Served: since October 2012	President and Director, SSGA Funds Management, Inc. (2001—present)*; Senior Managing Director, State Street Global Advisors (1992—present); Director, State Street Global Advisors Funds Distributors, LLC (May 2017 – present).*
ANN M. CARPENTER SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111 1966	Vice President; Deputy Treasurer	Term: Unlimited Served: since August 2012	Chief Operating Officer, SSGA Funds Management, Inc. (2005—Present)*; Managing Director, State Street Global Advisors (2005—present).*
MICHAEL P. RILEY SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111 1969	Vice President	Term: Unlimited Served: since March 2011	Managing Director, State Street Global Advisors (2005—present).*
JOSHUA A. WEINBERG SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111 1978	Chief Legal Officer	Term: Unlimited Served: since February 2015	Managing Director and Managing Counsel, State Street Global Advisors (2011—present)*; Clerk, SSGA Funds Management, Inc. (2013 –present); Associate, Financial Services Group, Dechert LLP (2006–2011).
CHRISTOPHER A. MADDEN State Street Bank and Trust Company One Hundred Summer Street, SUM0703 Boston, MA 02116 1967	Secretary	Term: Unlimited Served: since August 2013	Vice President and Senior Counsel, State Street Bank and Trust Company (2013—present); Counsel, Atlantic Fund Services (2009–2013).*
PATRICIA A. MORISETTE State Street Bank and Trust Company One Hundred Summer Street, SUM0703 Boston, MA 02116 1973	Assistant Secretary	Term: Unlimited Served: since February 2015	Vice President and Counsel, State Street Bank and Trust Company (2014—present); Assistant Vice President and Counsel, John Hancock Financial Services (2011–2013); Independent legal consultant (2009–2011); Associate, Bingham McCutchen LLP (2003–2009).*,**
BRUCE S. ROSENBERG SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111 1961	Treasurer	Term: Unlimited Served: since February 2016	Managing Director, State Street Global Advisors and SSGA Funds Management, Inc. (July 2015 –present); Director, Credit Suisse (April 2008 –July 2015).

<u>NAME, ADDRESS AND YEAR OF BIRTH</u>	<u>POSITION(S) WITH TRUST</u>	<u>TERM OF OFFICE AND LENGTH OF TIME SERVED</u>	<u>PRINCIPAL OCCUPATION(S) DURING THE PAST 5 YEARS</u>
CHAD C. HALLETT SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111 1969	Deputy Treasurer	Term: Unlimited Served: since February 2016	Vice President, State Street Global Advisors and SSGA Funds Management, Inc. (November 2014-present); Vice President, State Street Bank and Trust Company (2001-November 2014).*
DARLENE ANDERSON-VASQUEZ SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111 YOB: 1969	Deputy Treasurer	Term: Indefinite Elected: 11/16	Managing Director, State Street Global Advisors and SSGA Funds Management, Inc. (May 2016 – present); Senior Vice President, John Hancock Investments (September 2007 – May 2016).
SUJATA UPRETI SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111 1974	Assistant Treasurer	Term: Unlimited Served: since February 2016	Vice President, State Street Global Advisors and SSGA Funds Management, Inc. (May 2015 –present); Assistant Director, Cambridge Associates, LLC (July 2014–January 2015); Vice President, Bank of New York Mellon (July 2012-August 2013); Manager, PricewaterhouseCoopers, LLP (September 2003 – July 2012).
DANIEL FOLEY SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111 1972	Assistant Treasurer	Term: Unlimited Served: since February 2016	Vice President, State Street Global Advisors and SSGA Funds Management, Inc. (April 2007—present).*
BRIAN HARRIS SSGA Funds Management, Inc. State Street Financial Center One Lincoln Street Boston, MA 02111 1973	Chief Compliance Officer; Anti-Money Laundering Officer; Code of Ethics Compliance Officer	Term: Unlimited Served: since November 2013	Managing Director, State Street Global Advisors and SSGA Funds Management, Inc. (June 2013—present)*; Senior Vice President and Global Head of Investment Compliance, BofA Global Capital Management (2010-2013); Director of Compliance, AARP Financial Inc. (2008-2010).

\* Served in various capacities and/or with various affiliated entities during noted time period.

\*\* Served in various capacities and/or with unaffiliated mutual funds or closed-end funds for which State Street Bank and Trust Company or its affiliates act as a provider of services during the noted time period.

## Summary of Trustees' Qualifications – SSGA Active Trust

The SSGA Active Trust has concluded that each of the Trustees should serve on the SSGA Active Trust's Board because of his or her ability to review and understand information about the Portfolios provided to him or her by management, to identify and request other information he or she may deem relevant to the performance of his or her duties, to question management and other service providers regarding material factors bearing on the management and administration of the Portfolio, and to exercise his or her business judgment in a manner that serves the best interests of each Portfolio's shareholders. The SSGA Active Trust's Board has concluded that each of the Trustees should serve as a Trustee based on his or her own experience, qualifications, attributes and skills as described below.

The SSGA Active Trust's Board has concluded that Mr. Nesvet should serve as Trustee because of the experience he has gained serving as the Chief Executive Officer of a financial services consulting company, serving on the boards of other investment companies, and serving as chief financial officer of a major financial services company; his knowledge of the financial services industry, and the experience he has gained serving as Trustee of SPDR Index Shares Funds and SPDR Series Trust since 2000.

The SSGA Active Trust's Board has concluded that Mr. Kelly should serve as Trustee because of the experience he gained serving as the President and Chief Executive Officer of the National Securities Clearing Corporation, his previous directorship experience, and the experience he has gained serving as Trustee of SPDR Index Shares Funds and SPDR Series Trust since 2000.

The SSGA Active Trust's Board has concluded that Ms. Boatman should serve as Trustee because of the experience she gained serving as Managing Director of the primary investment division of one of the nation's leading financial institutions, her knowledge of the financial services industry and the experience he has gained serving as Trustee of SPDR Index Shares Funds and SPDR Series Trust since April 2010.

The SSGA Active Trust's Board has concluded that Mr. Churchill should serve as Trustee because of the experience he gained serving as the Chief Executive Officer and President of the CFA Institute, the Head of the Fixed Income Division of one of the nation's leading mutual fund companies and provider of financial services, his knowledge of the financial services industry and the experience he has gained serving as Trustee of SPDR Index Shares Funds and SPDR Series Trust since April 2010.

The SSGA Active Trust's Board has concluded that Mr. Verboncoeur should serve as Trustee because of the experience he gained serving as the Chief Executive Officer of a large financial services and investment management company, his knowledge of the financial services industry and his experience serving on the boards of other investment companies, including SPDR Index Shares Funds and SPDR Series Trust since April 2010.

The SSGA Active Trust's Board has concluded that Mr. Ross should serve as Trustee because of the experience he has gained in his various roles with the Adviser, his knowledge of the financial services industry, and the experience he has gained serving as Trustee of SPDR Index Shares Funds and SPDR Series Trust since 2005 (Mr. Ross did not serve as Trustee of SPDR Index Shares Funds or SPDR Series Trust from December 2009 until April 2010).

In its periodic assessment of the effectiveness of the SSGA Active Trust's Board, the SSGA Active Trust's Board considers the complementary individual skills and experience of the individual Trustees primarily in the broader context of the SSGA Active Trust's Board's overall composition so that the SSGA Active Trust's Board, as a body, possesses the appropriate (and appropriately diverse) skills and experience to oversee the business of the Portfolios.

## Codes of Ethics

The Trust, the Adviser, the Sub-Adviser and SSGA FD have each adopted a code of ethics (together, the "Codes of Ethics") as required by applicable law, which is designed to prevent affiliated persons of the Trust, the Adviser, the Sub-Adviser and the Distributor from engaging in deceptive, manipulative or fraudulent activities in connection with securities held or to be acquired by the Funds (which may also be held by persons subject to the Codes of Ethics). The Codes of Ethics permit personnel, subject to the Codes of Ethics and their provisions, to invest in securities for their personal investment accounts, subject to certain limitations, including securities that may be purchased or held by the Trust, Adviser, the Sub-Adviser, State Street or SSGA FD.

## PROXY VOTING PROCEDURES

The Trust has adopted proxy voting procedures pursuant to which the Trust delegates the responsibility for voting proxies relating to portfolio securities held by the Funds and Portfolios to the Adviser or Sub-Adviser, as applicable, as part of the Adviser's and Sub-Adviser's general management of the Funds and Portfolios, subject to the Board's continuing oversight. A copy of the Trust's proxy voting procedures is located in Appendix B, a copy of the Adviser's and Sub-Adviser's proxy voting procedures are located in Appendix C.

Shareholders may receive information regarding how the Funds voted proxies relating to portfolio securities during the most recent 12-month period ending June 30 (i) by calling (877) 521-4083 or (ii) on the SEC's website at [www.sec.gov](http://www.sec.gov).

## CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

As of April 3, 2017, the Trustees and officers of the Trust owned in the aggregate less than 1% of the shares of each class (if applicable) of each Fund.

Persons or organizations owning 25% or more of the outstanding shares of a Fund may be presumed to "control" (as that term is defined in the 1940 Act) a Fund. As a result, these persons or organizations could have the ability to approve or reject those matters submitted to the shareholders of such Fund for their approval.

As of April 3, 2017, to the knowledge of the Trust, the following persons held of record or beneficially through one or more accounts 25% or more of the outstanding shares of a Fund.

<u>Name and Address</u>	<u>Percentage</u>
State Street Equity 500 Index Fund- Administrative Shares	
American United Life Insurance Company American Unit Trust Attn: Separate Accounts P.O. Box 368 Indianapolis, IN 46206	91.40%

<u>Name and Address</u>	<u>Percentage</u>
<b>State Street Equity 500 Index Fund- Class R Shares</b>	
American United Life Insurance Company American Unit Trust Attn: Separate Accounts P.O. Box 368 Indianapolis, IN 46206	97.93%
<b>State Street Equity 500 Index Fund- Service Shares</b>	
Nationwide Trust Company FSB FBO Participating Retirement Plans NTC/PLNS C/O IPO Portfolio Accounting P.O. Box 182029 Columbus, OH 43218-2029	67.29%
Nationwide Life Insurance Company NACO C/O IPO Portfolio Accounting P.O. Box 182029 Columbus, OH 43218-2029	32.71%
<b>State Street Equity 500 Index Fund- Class A</b>	
Mid Atlantic Trust Company FBO Radiology Associates 401(k) Profits 1251 Waterfront Place, Suite 525 Pittsburgh, PA 15222-4228 5	73.43%
<b>State Street Equity 500 Index Fund- Class I</b>	
Pershing LLC PO Box 2052 Jersey City, NJ 07303-2052	31.74%
Great-West Trust Company LLC TTEE F Retirement Plans 8515 East Orchard Road 2T2 Greenwood Village, CO 80111-5002	66.76%
<b>State Street Aggregate Bond Index Fund- Class A</b>	
Mid Atlantic Trust Company FBO Datatalk Telecom, Inc. 401(k) Profits 1251 Waterfront Place, Suite 525 Pittsburgh, PA 15222-4228	25.87%
Mid Atlantic Trust Company FBO Stenberg Group Inc. 401(k) Profits 1251 Waterfront Place, Suite 525 Pittsburgh, PA 15222-4228	25.46%
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	45.54%



<u>Name and Address</u>	<u>Percentage</u>
<b>State Street Aggregate Bond Index Fund- Class I</b>	
Asbestos Workers Local 6 Health & Welfare 303 Freeport Street Boston, MA 02122-3513	28.34%
Brown Brothers Harriman & Co. As Custodian for 66595510 140 Broadway St. New York, NY 01005-1108	56.73%

State Street Aggregate Bond Index Fund- Class K

Indian River Memorial Hospital Inc.  
1000 36<sup>th</sup> Street  
Vero Beach, FL 32960-6592 24.23%

Office of Hawaiian Affairs  
560 N Nimitz Highway Ste 200  
Honolulu, HI 96817-5330 26.28%

State Street Global Equity ex-U.S. Index Fund- Class A

Mid Atlantic Trust Company FBO  
Radiology Associates 401(k) Profits  
1251 Waterfront Place, Suite 525  
Pittsburgh, PA 15222-4228 84.97%

State Street Global Equity ex-U.S. Index Fund- Class I

Pershing LLC  
PO Box 2052  
Jersey City, NJ 07303-2052 95.15%

State Street Global Equity ex-U.S. Index Fund- Class K

SEI Private Trust Company  
One Freedom Valley Drive  
Attn: Mutual Funds Admin  
C/O ID 370  
Oaks, PA 19456-9989 40.00%

<b>State Street Target Retirement Fund- Class A</b>	
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	95.53%
<b>State Street Target Retirement Fund- Class I</b>	
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	68.14%
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4th Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	31.86%
<b>State Street Target Retirement Fund- Class K</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4th Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	91.37%
<b>State Street Target Retirement 2015 Fund- Class A</b>	
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	78.06%
<b>State Street Target Retirement 2015 Fund- Class I</b>	
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	73.34%
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4th Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	42.86%

<b>State Street Target Retirement 2015 Fund- Class K</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	94.96%
<b>State Street Target Retirement 2020 Fund- Class A</b>	
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	71.13%
<b>State Street Target Retirement 2020 Fund- Class I</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	80.87%
<b>State Street Target Retirement 2020 Fund- Class K</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	97.09%
<b>State Street Target Retirement 2025 Fund- Class A</b>	
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	97.45%
<b>State Street Target Retirement 2025 Fund- Class I</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	96.91%
<b>State Street Target Retirement 2025 Fund- Class K</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	97.23%

<b>State Street Target Retirement 2030 Fund- Class A</b>	
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	97.25%
<b>State Street Target Retirement 2030 Fund- Class I</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	94.58%
<b>State Street Target Retirement 2030 Fund- Class K</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	96.98%
<b>State Street Target Retirement 2035 Fund- Class A</b>	
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	86.12%
<b>State Street Target Retirement 2035 Fund- Class I</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	41.28%
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	58.72%
<b>State Street Target Retirement 2035 Fund- Class K</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	95.85%

<b>State Street Target Retirement 2040 Fund- Class A</b>	
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	80.89%
<b>State Street Target Retirement 2040 Fund- Class I</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	86.70%
<b>State Street Target Retirement 2040 Fund- Class K</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	95.03%
<b>State Street Target Retirement 2045 Fund- Class A</b>	
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	89.85%
<b>State Street Target Retirement 2045 Fund- Class I</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	57.04%
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	42.96%
<b>State Street Target Retirement 2045 Fund- Class K</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	94.05%

State Street Target Retirement 2050 Fund- Class A

SSGA Funds Management, Inc.  
Attn: Fund Services  
1 Lincoln Street  
Floor 22  
Boston, MA 02111-2905 75.07%

State Street Target Retirement 2050 Fund- Class I

National Financial Services Corporation  
For the Exclusive Benefits of our Customers  
Attn: Mutual Funds  
4<sup>th</sup> Floor  
499 Washington Blvd.  
Jersey City, NJ 07310-2010 51.28%

SSGA Funds Management, Inc.  
Attn: Fund Services  
1 Lincoln Street  
Floor 22  
Boston, MA 02111-2905 45.41%

State Street Target Retirement 2050 Fund- Class K

National Financial Services Corporation  
For the Exclusive Benefits of our Customers  
Attn: Mutual Funds  
4<sup>th</sup> Floor  
499 Washington Blvd.  
Jersey City, NJ 07310-2010 94.26%

State Street Target Retirement 2055 Fund- Class A

SSGA Funds Management, Inc.  
Attn: Fund Services  
1 Lincoln Street  
Floor 22  
Boston, MA 02111-2905 100%

State Street Target Retirement 2055 Fund- Class I

SSGA Funds Management, Inc.  
Attn: Fund Services  
1 Lincoln Street  
Floor 22  
Boston, MA 02111-2905 62.08%

State Street Target Retirement 2055 Fund- Class K

National Financial Services Corporation  
For the Exclusive Benefits of our Customers  
Attn: Mutual Funds  
4<sup>th</sup> Floor  
499 Washington Blvd.  
Jersey City, NJ 07310-2010 93.54%

SSGA Funds Management, Inc.  
Attn: Fund Services  
1 Lincoln Street  
Floor 22  
Boston, MA 02111-2905

84.88%



<b>State Street Target Retirement 2060 Fund- Class I</b>	
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	98.86%
<b>State Street Target Retirement 2060 Fund- Class K</b>	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	92.74%
<b>State Street Emerging Markets Equity Index Fund- Class K</b>	
Goldman Sachs & Co. c/o Mutual Funds Ops. 222 S. Main Street Salt Lake City, UT 84101-2199	75.08%
<b>State Street Small/Mid Cap Equity Index Fund- Class A</b>	
SSGA Private Funds LLC Attn: Fund Services Team 1 Lincoln Street Boston, MA 02111-2901	90.15%
<b>State Street Small/Mid Cap Equity Index Fund- Class I</b>	
Pershing LLC PO Box 2052 Jersey City, NJ 07303-2052	85.99%
<b>State Street Small/Mid Cap Equity Index Fund- Class K</b>	
The Spence School 22 E 91 <sup>st</sup> Street New York, NY 10128-0657	26.63%
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	73.37%
<b>State Street Hedged International Developed Equity Index Fund- Class K</b>	
Goldman Sachs & Co. c/o Mutual Funds Ops. 222 S. Main Street Salt Lake City, UT 84101-2199	88.70%

<b>State Street Disciplined Global Equity Fund- Class I</b>	
SSGA Private Funds LLC Attn: Fund Services Team 1 Lincoln Street Boston, MA 02111-2901	88.15%
<b>State Street Disciplined U.S. Equity Fund- Class I</b>	
SSGA Private Funds LLC Attn: Fund Services Team 1 Lincoln Street Boston, MA 02111-2901	100%
<b>State Street Disciplined International Equity Fund- Class I</b>	
SSGA Private Funds LLC Attn: Fund Services Team 1 Lincoln Street Boston, MA 02111-2901	100%
<b>State Street Asia Pacific Value Spotlight Fund- Class K</b>	
SSGA Private Funds LLC Attn: Fund Services Team 1 Lincoln Street Boston, MA 02111-2901	100%
<b>State Street European Value Spotlight Fund- Class K</b>	
SSGA Private Funds LLC Attn: Fund Services Team 1 Lincoln Street Boston, MA 02111-2901	100%
<b>State Street Global Value Spotlight Fund- Class K</b>	
SSGA Private Funds LLC Attn: Fund Services Team 1 Lincoln Street Boston, MA 02111-2901	100%
<b>State Street U.S. Value Spotlight Fund- Class K</b>	
SSGA Private Funds LLC Attn: Fund Services Team 1 Lincoln Street Boston, MA 02111-2901	100%
<b>State Street International Value Spotlight Fund- Class K</b>	
SSGA Private Funds LLC Attn: Fund Services Team 1 Lincoln Street Boston, MA 02111-2901	100%

As of April 3, 2017, to the knowledge of the Trust, the following persons held of record or beneficially through one or more accounts 5% or more of the outstanding shares of each class of the Funds.

<b>State Street Equity 500 Index Fund- Administrative Shares</b>	
Nationwide Trust Company FSB FBO Participating Retirement Plans NTC/PLNS C/O IPO Portfolio Accounting P.O. Box 182029 Columbus, OH 43218-2029	8.57%
<b>State Street Equity 500 Index Fund- Class A</b>	
Great-West Trust Company LLC TTEE F Retirement Plans 8515 East Orchard Road 2T2 Greenwood Village, CO 80111-5002	12.43%
Great-West Trust Company LLC TTEE F Recordkeeping for Various Benefit P 8525 East Orchard Road C/O Mutual Fund Trading Greenwood Village, CO 80111-5002	7.13%
<b>State Street Equity 500 Index Fund- Class K</b>	
MAC & CO A/C 703987 Mutual Fund Operations 500 GRANT ST RM 151-1010 PO Box 3198 Pittsburgh, PA 15219-2502	21.25%
National Financial Services LLC Mutual Funds Department 499 Washington Blvd. Jersey City, NJ 07310-1995	19.87%
MAC & CO A/C 703987 Mutual Fund Operations 500 GRANT ST RM 151-1010 PO Box 3198 Pittsburgh, PA 15219-2502	9.96%
MAC & CO A/C 474191 Mutual Fund Operations PO Box 3198 525 William Penn Place Pittsburgh, PA 15230-3198	9.84%
Office of Hawaiian Affairs 560 North Nimitz Hwy STE 200 Honolulu HI 96817-5330	9.61%
MAC & CO A/C 703994 Mutual Fund Operations 500 GRANT ST RM 151-1010 PO Box 3198 Pittsburgh, PA 15219-2502	8.38%

MAC & CO A/C 703988 Mutual Fund Operations 500 GRANT ST RM 151-1010 PO Box 3198 Pittsburgh, PA 15219-2502	6.63%
State Street Aggregate Bond Index Fund- Class I	
Brown Brother Harriman & Co. AS Custodian for 6659510 140 Broadway St. New York, NY 10005-1108	12.64%
State Street Aggregate Bond Index Fund- Class K	
Indian River Memorial Hospital Inc. 100 36 <sup>th</sup> St. Vero Beach, FL 32690-6592	24.23%
The Community Foundation of Louisville Inc. 325 W. Main St. Waterfront Plaza Ste. 1110 Louisville, KY 40202-4254	13.87%
National Financial Services LLC Mutual Funds Department 499 Washington Blvd. Jersey City, NJ 07310-1995	13.60%
US Bank NA FBO Douglas County Employees Retirement Trust PO Box 1787 Milwaukee, WI 53201-1787	9.62%
Maryland Electrical Industry Pension Fund 9411 Philadelphia Rd. Ste. S Baltimore, MD 21237-4168	5.01%
State Street Global Equity ex-U.S. Index Fund- Class K	
National Financial Services LLC Mutual Funds Department 499 Washington Blvd. Jersey City, NJ 07310-1995	23.47%
Office of Hawaiian Affairs 560 North Nimitz Hwy STE 200 Honolulu HI 96817-5330	12.1%
Olathe Medical Center 560 N. Nimitz Hwy. Ste. 200 Olathe, KS 66061-7211	11.33%

Saint Mary's College of California Inc. PO Box 3554 Moraga, CA 94575	6.13%
State Street Disciplined Global Equity Fund- Class I	
National Financial Services LLC For the Exclusive Benefit of Our Customers Attn: Mutual Funds Department 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-1995	11.85%
State Street Global Equity ex-U.S. Index Fund- Class A	
ICMA-RC RHS Omnibus Account C/O ICMA Retirement Corporation 777 North Capitol Street, NE Washington D.C. 20002-4239	11.24%
State Street Small/Mid Cap Equity Index Fund- Class I	
SSGA Private Funds LLC Attn: Fund Services Team 1 Lincoln St Boston, MA 02111-2901	14.01%
State Street Target Retirement 2015 Fund- Class A	
NFS LLC FEBO FMT CO Cust IRA Rollover FBO Michael Wisniewski 3856 Vineyard Green Dr. Cincinnati, OH 45255-5632	19.36%
State Street Target Retirement 2015 Fund- Class I	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	20.50%
Reliance Trust Company FBO CapTrust Financial PO Box 48529 Atlanta, GA 30362-1529	6.16%
State Street Target Retirement 2020 Fund- Class I	
Reliance Trust Company FBO CapTrust Financial PO Box 48529 Atlanta, GA 30362-1529	15.39%
State Street Target Retirement 2020 Fund- Class K	
NFS LLC FEBO FMT CO Cust. IRA Rollover FBO Teresa Louise Brown 58 Rosetta Ct Auburn Hills, MI 48326-2963	10.36%

NFS LLC FEBO FMT CO Cust. IRA Rollover FBO Jon Lehew 1470 Spruce Ave Liberty, MO 64068-1030	16.46%
State Street Target Retirement 2035 Fund- Class A	
NFS LLC FEBO FMT CO IRA Rollover FBO ENAS FALTAS 150 Pinion Ln Alpharetta, GA 30005-4673	11.41%
State Street Target Retirement 2040 Fund- Class A	
NFS LLC FEBO FM CO Cust IRA Rollover FBO Priyanka S. Khati 8 Norfolk Dr. West Windsor, NJ 08550-2210	12.9%
State Street Target Retirement 2040 Fund- Class I	
SSGA Funds Management, Inc. Attn: Fund Services 1 Lincoln Street Floor 22 Boston, MA 02111-2905	13.3%
State Street Target Retirement 2045 Fund- Class A	
NFS LLC FEBO FM CO Cust IRA Rollover FBO Thomas Strassner 7 Norumbega Cir Franklin, MA 02038-4310	6.76%
State Street Target Retirement 2050 Fund- Class A	
NFS LLC FEBO FMTC Custodian- Roth IRA FBO Carol I Donahue 22231 Grandview Place Glenview, IL 60025-4952	15.74%
State Street Target Retirement 2055 Fund- Class I	
National Financial Services Corporation For the Exclusive Benefits of our Customers Attn: Mutual Funds 4 <sup>th</sup> Floor 499 Washington Blvd. Jersey City, NJ 07310-2010	16.66%

Reliance Trust Company FBO CapTrust Financial PO Box 48529 Atlanta, GA 30362-1529	21.27%
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State Street Target Retirement 2060 Fund- Class A

NFS LLC FEBO Alexander W. Seiff NFS/FMTC IRA-BDA U/A 3/07/2016 10434 Westward Ct San Diego, CA 92131-6153	10.41%
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## INVESTMENT ADVISORY AND OTHER SERVICES

### Investment Advisory Agreement

SSGA FM is responsible for the investment management of the Funds pursuant to the Amended and Restated Investment Advisory Agreement dated November 17, 2015, as amended from time to time (the "Advisory Agreement"), by and between the Adviser and the Trust. The Adviser and State Street are wholly-owned subsidiaries of State Street Corporation, a publicly held financial holding company.

For the services provided under the Advisory Agreement, each Fund pays the Adviser a fee at an annual rate set forth below of the Fund's average daily net assets.

<u>Fund</u>	<u>Fee Rate</u>
Equity 500 Index Fund	0.02%
Global Equity ex-U.S. Index Fund	0.06%
Aggregate Bond Index Fund	0.03%
Strategic Real Return Fund	0.20%
Target Retirement 2015 Fund	0.05%
Target Retirement 2020 Fund	0.05%
Target Retirement 2025 Fund	0.05%
Target Retirement 2030 Fund	0.05%
Target Retirement 2035 Fund	0.05%
Target Retirement 2040 Fund	0.05%
Target Retirement 2045 Fund	0.05%
Target Retirement 2050 Fund	0.05%
Target Retirement 2055 Fund	0.05%
Target Retirement 2060 Fund	0.05%
Target Retirement Fund	0.05%
Small Cap Emerging Markets Equity Fund	1.15%
Small/Mid Cap Equity Index Fund	0.03%
Emerging Markets Equity Index Fund	0.14%
Hedged International Developed Equity Index Fund	0.14%
International Developed Equity Index Fund	0.11%
Disciplined U.S. Equity Fund	0.65%
Disciplined International Equity Fund	0.75%
Disciplined Global Equity Fund	0.75%
Global Value Spotlight Fund	0.75%
International Value Spotlight Fund	0.75%
European Value Spotlight Fund	0.75%
Asia Pacific Value Spotlight Fund	0.75%
U.S. Value Spotlight Fund	0.65%

Each Feeder Fund currently invests all of its assets in a related Portfolio, which has substantially similar investment strategies as the relevant Fund. The Equity 500 Index II Portfolio, Aggregate Bond Index Portfolio, Strategic Real Return Portfolio Global Equity ex-U.S. Index Portfolio, and the Small/Mid Cap Equity Index Portfolio pay no investment advisory fees to SSGA FM.

For the Disciplined Global Equity Fund, the Adviser has agreed to waive its entire fee under its Investment Advisory Agreement with the Disciplined Global Equity Portfolio until the later of April 30, 2018 or such time as the shares of the Portfolio cease to be the only investment security held by the Disciplined Global Equity Fund. The waiver may be terminated only by the Portfolio's Board of Trustees. In the absence of the waiver, the Portfolio would pay the Adviser an investment advisory fee at an annual rate of 0.25% of the Portfolio's average daily net assets. The Adviser pays all operating expenses of the Portfolio other than management fees, distribution fees pursuant to the Portfolio's Distribution and Service Plan, if any, brokerage, taxes, interest, fees and expenses of the Independent Trustees (including any Trustees' counsel fees), litigation expenses, and other extraordinary expenses.

For the Hedged International Developed Equity Index Fund and the International Developed Equity Index Fund, the amount each Fund pays under its Investment Advisory Agreement is reduced by the amount of the advisory fee it bears indirectly through its investment in the International Developed Equity Index Portfolio. For the services provided under its Investment Advisory Agreement, the Portfolio pays the Adviser a management fee at the annual rate of 0.11% of the Portfolio's average daily net assets.

For the Global Value Spotlight Fund, the International Value Spotlight Fund, the European Value Spotlight Fund, the Asia Pacific Value Spotlight Fund and the U.S. Value Spotlight Fund, the Adviser performs certain oversight and supervisory functions with respect to SSGA Ireland as sub-adviser to the Funds, including: (i) conducting periodic analysis and review of the performance by SSGA Ireland of its obligations to the Funds and provides periodic reports to the Board regarding such performance; (ii) reviewing any changes to SSGA Ireland's ownership, management, or personnel responsible for performing its obligations to the Funds and making appropriate reports to the Board; (iii) performing periodic due diligence meetings with representatives of SSGA Ireland; and (iv) assisting the Board and management of the Trust, as applicable, concerning the initial approval, continued retention or replacement of SSGA Ireland as sub-adviser to the Funds. SSGA Ireland's address is Two Park Place, Hatch Street Upper, Ranelagh, Dublin, Ireland.

The Adviser has entered into sub-advisory agreements with SSGA Ireland pursuant to which SSGA Ireland will be responsible for the day-to-day management of any assets of each of the Global Value Spotlight Fund, the International Value Spotlight Fund, the European Value Spotlight Fund, the Asia Pacific Value Spotlight Fund and the U.S. Value Spotlight Fund. SSGA Ireland receives fees from SSGA FM based on the net investment advisory fee received by SSGA FM from the Funds, if any, for its services provided to the Funds.

The Advisory Agreement will continue from year to year provided that such continuance is specifically approved at least annually by (a) the Trustees or by the vote of a majority of the outstanding voting securities of a Fund, and (b) vote of a majority of the Independent Trustees, cast in person at a meeting called for the purpose of voting on such approval. The Advisory Agreement may be terminated by the Adviser or the Trust without penalty upon sixty days' notice and will terminate automatically upon its assignment.

The Adviser and its affiliates may have deposit, loan and other commercial banking relationships with the issuers of obligations that may be purchased on behalf of the Funds, including outstanding loans to such issuers that could be repaid in whole or in part with the proceeds of securities so purchased. Such affiliates deal, trade and invest for their own accounts in such obligations and are among the leading dealers of various types of such obligations. The Adviser has informed the Funds that, in making its investment decisions, it will not obtain or use material non-public information in its possession or in the possession of any of its affiliates. In making investment recommendations for a Fund, the Adviser will not inquire or take into consideration whether an issuer of securities proposed for purchase or sale by the Fund is a customer of the Adviser, its parent or its subsidiaries or affiliates and, in dealing with its customers, the Adviser, its parent, subsidiaries and affiliates will not inquire or take into consideration whether securities of such customers were held by any fund managed by the Adviser or any such affiliate.

In certain instances there may be securities that are suitable for a Fund as well as for one or more of the Adviser's other clients. Investment decisions for the Trust and for the Adviser's other clients are made with a view to achieving their respective investment objectives. It may develop that a particular security is bought or sold for only one client even though it might be held by, or bought or sold for, other clients. Likewise, a particular security may be bought for one or more clients when one or more clients are selling that same security. Some simultaneous transactions are inevitable when several clients receive investment advice from the same investment adviser, particularly when the same security is suitable for the investment objectives of more than one client. When two or



more clients are simultaneously engaged in the purchase or sale of the same security, the securities are allocated among clients in a manner believed to be equitable to each. The Trust recognizes that in some cases this system could have a detrimental effect on the price or volume of the security as far as a Fund is concerned. However, it is believed that the ability of each Fund to participate in volume transactions will produce better executions for the Funds.

The advisory fees paid to SSGA FM for the last three fiscal years are as follows.

<b>Fund</b>	<b>Fiscal year ended December 31, 2014</b>	<b>Fiscal year ended December 31, 2015</b>	<b>Fiscal year ended December 31, 2016</b>
Equity 500 Index Fund	\$ 31,235	\$ 86,528	\$ 130,694
Aggregate Bond Index Fund <sup>(1)</sup>	\$ 4,821	\$ 15,237	\$ 19,500
Global Equity ex-U.S. Index Fund <sup>(2)</sup>	\$ 7,245	\$ 27,364	\$ 77,982
Target Retirement 2015 Fund <sup>(3)</sup>	\$ 237	\$ 1,949	\$ 20,335
Target Retirement 2020 Fund <sup>(3)</sup>	\$ 387	\$ 23,094	\$ 71,724
Target Retirement 2025 Fund <sup>(3)</sup>	\$ 323	\$ 7,947	\$ 55,565
Target Retirement 2030 Fund <sup>(3)</sup>	\$ 294	\$ 19,292	\$ 66,324
Target Retirement 2035 Fund <sup>(3)</sup>	\$ 224	\$ 5,136	\$ 43,443
Target Retirement 2040 Fund <sup>(3)</sup>	\$ 203	\$ 13,575	\$ 44,277
Target Retirement 2045 Fund <sup>(3)</sup>	\$ 127	\$ 2,783	\$ 20,556
Target Retirement 2050 Fund <sup>(3)</sup>	\$ 63	\$ 1,996	\$ 12,969
Target Retirement 2055 Fund <sup>(3)</sup>	\$ 63	\$ 1,194	\$ 5,093
Target Retirement 2060 Fund <sup>(3)</sup>	\$ 63	\$ 304	\$ 888
Target Retirement Fund <sup>(3)</sup>	\$ 173	\$ 9,818	\$ 20,885
Hedged International Developed Equity Index Fund <sup>(4)</sup>	—	\$ 442,375	\$ 2,080,898
Small/Mid Cap Equity Index Fund <sup>(5)</sup>	—	\$ 479	\$ 2,185
Emerging Markets Equity Index Fund <sup>(6)</sup>	—	\$ 7,065	\$ 421,748
Disciplined U.S. Equity Fund <sup>(7)</sup>	—	—	\$ 18,400
Disciplined International Equity Fund <sup>(7)</sup>	—	—	\$ 23,102
Disciplined Global Equity Fund <sup>(7)</sup>	—	—	\$ 21,006
Global Value Spotlight Fund <sup>(8)</sup>	—	—	\$ 4,133
European Value Spotlight Fund <sup>(8)</sup>	—	—	\$ 2,050
Asia Pacific Value Spotlight Fund <sup>(8)</sup>	—	—	\$ 3,999
U.S. Value Spotlight Fund <sup>(8)</sup>	—	—	\$ 1,814
International Value Spotlight Fund <sup>(9)</sup>	—	—	\$ 7,522

(1) Commencement of Operations September 19, 2014.

(2) Commencement of Operations September 17, 2014.

(3) Commencement of Operations September 30, 2014.

(4) Commencement of Operations May 29, 2015.

(5) Commencement of Operations August 11, 2015.

(6) Commencement of Operations December 18, 2015.

(7) Commencement of Operations February 18, 2016.

(8) Commencement of Operations September 22, 2016.

(9) Commencement of Operations July 13, 2016.

During the period from January 1, 2014 through August 7, 2014, the Equity 500 Index Fund paid no investment advisory fee directly, but incurred indirectly its proportionate share of the investment advisory fee paid by the portfolio in which it invested.

The advisory fees paid by the Strategic Real Return Fund, the Small Cap Emerging Markets Equity Fund and the International Developed Equity Index Fund to SSGA FM for the last three fiscal years have been omitted because the Funds had not commenced investment operations as of December 31, 2016.

From time to time, the Adviser may contractually agree to waive the advisory fee and/or reimburse certain Fund expenses in excess of a certain percentage of average daily net assets on an annual basis (an “expense limitation”). The amount of advisory fees waived and/or reimbursed during the past fiscal year is shown below.

<b>Fund</b>	<b>Fiscal Year Ended December 31, 2016</b>
Equity 500 Index Fund	\$ 130,694
Aggregate Bond Index Fund	\$ 19,500
Global Equity ex-U.S. Index Fund	\$ 77,982
Target Retirement 2015 Fund	\$ 20,335
Target Retirement 2020 Fund	\$ 71,724
Target Retirement 2025 Fund	\$ 55,565
Target Retirement 2030 Fund	\$ 66,324
Target Retirement 2035 Fund	\$ 43,443
Target Retirement 2040 Fund	\$ 44,277
Target Retirement 2045 Fund	\$ 20,556
Target Retirement 2050 Fund	\$ 12,969
Target Retirement 2055 Fund	\$ 5,093
Target Retirement 2060 Fund	\$ 888
Target Retirement Fund	\$ 20,885
Hedged International Developed Equity Index Fund	\$ 2,080,898
Small/Mid Cap Equity Index Fund	\$ 2,185
Emerging Markets Equity Index Fund	\$ 421,748
Disciplined U.S. Equity Fund	\$ 18,400
Disciplined International Equity Fund	\$ 23,102
Disciplined Global Equity Fund	\$ 21,006
Global Value Spotlight Fund	\$ 4,133
European Value Spotlight Fund	\$ 2,050
Asia Pacific Value Spotlight Fund	\$ 3,999
U.S. Value Spotlight Fund	\$ 1,184
International Value Spotlight Fund	\$ 7,522

The sub-advisory fees paid to SSGA Ireland are as follows:

<b>Fund</b>	<b>Fiscal year ended December 31, 2014</b>	<b>Fiscal year ended December 31, 2015</b>	<b>Fiscal year ended December 31, 2016</b>
Global Value Spotlight Fund <sup>(1)</sup>	—	—	\$ 0
European Value Spotlight Fund <sup>(1)</sup>	—	—	\$ 0
Asia Pacific Value Spotlight Fund <sup>(1)</sup>	—	—	\$ 0
U.S. Value Spotlight Fund <sup>(1)</sup>	—	—	\$ 0
International Value Spotlight Fund <sup>(2)</sup>	—	—	\$ 0

(1) Commencement of Operations September 23, 2016.

(2) Commencement of Operations July 14, 2016.

#### Administrator

SSGA FM serves as the administrator for the Funds pursuant to an Amended and Restated Administration Agreement. Under the Amended and Restated Administration Agreement, SSGA FM is obligated to continuously provide business management services to the Trust and the Funds and will generally, subject to the general oversight of the Trustees and except as otherwise provided in the Amended and Restated Administration Agreement, manage all of the business and affairs of the Trust. The nature and amount of

services provided by SSGA FM under the Amended and Restated Administration Agreement may vary as between classes of shares of a Fund, and a Fund may pay fees to SSGA FM under that Agreement at different rates in respect of its different share classes.

As consideration for SSGA FM's services as administrator with respect to each Fund, SSGA FM receives a fee at the annual rate of 0.05% of the average daily net assets attributable to each class of shares of the Fund. The fees are accrued daily at the rate of 1/365th and payable monthly on the first business day of each month.

Prior to February 10, 2015, State Street served as the administrator for each Fund in this SAI, except for Equity 500 Index Fund, Global Equity ex-U.S. Fund, Aggregate Bond Index Fund, Strategic Real Return Fund, Hedged International Developed Equity Index Fund, International Developed Equity Index Fund, Small/Mid Cap Equity Index Fund, Disciplined International Equity Fund, Disciplined U.S. Equity Fund, pursuant to an Administration Agreement between the Trust and State Street.

The administration fees paid to SSGA FM as the administrator for the period from February 10, 2015 to December 31, 2015 and the fiscal year ended December 31, 2016 are set forth in the table below:

<b>Fund</b>	<b>Fiscal period ended December 31, 2015</b>	<b>Fiscal year ended December 31, 2016</b>
Equity 500 Index Fund	\$ 216,320	\$ 326,734
Aggregate Bond Index Fund	\$ 25,394	\$ 32,500
Global Equity ex-U.S. Index Fund	\$ 22,803	\$ 64,985
Target Retirement 2015 Fund	\$ 1,336	\$ 20,335
Target Retirement 2020 Fund	\$ 15,977	\$ 71,724
Target Retirement 2025 Fund	\$ 5,623	\$ 55,565

<b>Fund</b>	<b>Fiscal period ended December 31, 2015</b>	<b>Fiscal year ended December 31, 2016</b>
Target Retirement 2030 Fund	\$ 13,518	\$ 66,324
Target Retirement 2035 Fund	\$ 3,653	\$ 43,443
Target Retirement 2040 Fund	\$ 9,525	\$ 44,277
Target Retirement 2045 Fund	\$ 2,015	\$ 20,556
Target Retirement 2050 Fund	\$ 1,452	\$ 12,969
Target Retirement 2055 Fund	\$ 852	\$ 5,055
Target Retirement 2060 Fund	\$ 181	\$ 888
Target Retirement Fund	\$ 6,796	\$ 20,885
Hedged International Developed Equity Index Fund <sup>(1)</sup>	\$ 157,991	\$ 743,178
Small/Mid Cap Equity Index Fund <sup>(2)</sup>	\$ 799	\$ 3,642
Emerging Markets Equity Index Fund <sup>(3)</sup>	\$ 2,523	\$ 150,624
Disciplined U.S. Equity Fund <sup>(4)</sup>	—	\$ 1,415
Disciplined International Equity Fund <sup>(4)</sup>	—	\$ 1,359
Disciplined Global Equity Fund <sup>(4)</sup>	—	\$ 1,400
Global Value Spotlight Fund <sup>(5)</sup>	—	\$ 276
International Value Spotlight Fund <sup>(6)</sup>	—	\$ 502
European Value Spotlight Fund <sup>(5)</sup>	—	\$ 137
Asia Pacific Value Spotlight Fund <sup>(5)</sup>	—	\$ 267
U.S. Value Spotlight Fund <sup>(5)</sup>	—	\$ 140

- (1) Commencement of Operations May 29, 2015.  
(2) Commencement of Operations October 15, 2015.  
(3) Commencement of Operations December 18, 2015.  
(4) Commencement of Operations February 18, 2016.  
(5) Commencement of Operations September 23, 2016.  
(6) Commencement of Operations July 13, 2016.

The administration fees paid to State Street as the administrator for the period from the fiscal year ended December 31, 2014 and the period from January 1, 2015 to May 31, 2015 are set forth in the table below:

<b>Fund</b>	<b>Fiscal year ended December 31, 2014</b>	<b>Fiscal period ended May 31, 2015</b>
Equity 500 Index Fund	\$ 193,330	\$ 20,833
Aggregate Bond Index Fund	\$ 14,113	\$ 20,833
Global Equity ex-U.S. Index Fund	\$ 14,382	\$ 20,833
Target Retirement 2015 Fund	\$ 12,500	\$ 20,833
Target Retirement 2020 Fund	\$ 12,500	\$ 20,833
Target Retirement 2025 Fund	\$ 12,500	\$ 20,833
Target Retirement 2030 Fund	\$ 12,500	\$ 20,833
Target Retirement 2035 Fund	\$ 12,500	\$ 20,833
Target Retirement 2040 Fund	\$ 12,500	\$ 20,833
Target Retirement 2045 Fund	\$ 12,500	\$ 20,833
Target Retirement 2050 Fund	\$ 12,500	\$ 20,833
Target Retirement 2055 Fund	\$ 12,500	\$ 20,833
Target Retirement 2060 Fund	\$ 12,500	\$ 20,833
Target Retirement Fund	\$ 12,500	\$ 20,833
Hedged International Developed Equity Index Fund <sup>(1)</sup>	—	—

Fund	Fiscal year ended December 31, 2014	Fiscal period ended May 31, 2015
Small/Mid Cap Equity Index Fund <sup>(2)</sup>	—	—
Emerging Markets Equity Index Fund <sup>(3)</sup>	—	—
Disciplined U.S. Equity Fund <sup>(4)</sup>	—	—
Disciplined International Equity Fund <sup>(4)</sup>	—	—
Disciplined Global Equity Fund <sup>(4)</sup>	—	—
Global Value Spotlight Fund <sup>(5)</sup>	—	—
International Value Spotlight Fund <sup>(6)</sup>	—	—
European Value Spotlight Fund <sup>(5)</sup>	—	—
Asia Pacific Value Spotlight Fund <sup>(5)</sup>	—	—
U.S. Value Spotlight Fund <sup>(5)</sup>	—	—

- (1) Commencement of Operations May 29, 2015.
- (2) Commencement of Operations October 15, 2015.
- (3) Commencement of Operations December 18, 2015.
- (4) Commencement of Operations February 18, 2016.
- (5) Commencement of Operations September 23, 2016.
- (6) Commencement of Operations July 13, 2016.

The administration fees paid by the Strategic Real Return Fund, the Small Cap Emerging Markets Equity Fund and the International Developed Equity Index Fund have been omitted because the Funds had not commenced investment operations as of December 31, 2016.

The Adviser may retain State Street, an affiliate of the Adviser, to provide certain administrative services in connection with regulatory reporting for the Strategic Real Return Fund, the Strategic Real Return Portfolio and the Subsidiary on Form PQR to the Commodity Futures Trading Commission and the National Futures Association. The Strategic Real Return Fund, the Strategic Real Return Portfolio and the Subsidiary may bear the portion of the fees that the Adviser pays to State Street that is attributable to the Strategic Real Return Fund, the Strategic Real Return Portfolio and the Subsidiary, respectively.

#### Sub-Administrator, Custodian and Transfer Agent

State Street serves as the sub-administrator to each series of the Trust, pursuant to a Sub-Administration Agreement dated June 1, 2015 (the "Sub-Administration Agreement"). Under the Sub-Administration Agreement, State Street is obligated to provide certain sub-administrative services to the Trust and the Funds. State Street is a wholly owned subsidiary of State Street Corporation, a publicly held bank holding company, and is affiliated with the Adviser. State Street's mailing address is State Street Financial Center, One Lincoln Street, Boston, MA 02111-2900.

State Street serves as custodian and fund accountant for the Funds pursuant to a Custody Agreement and holds the Funds' assets.

Boston Financial Data Services, Inc. serves as Transfer Agent to the Funds.

As consideration for State Street's services as custodian and fund accountant to the Funds, State Street shall receive from each Fund an annual fee as described below. Additionally, as consideration for State Street's services as sub-administrator, State Street shall receive from the Adviser an annual fee as described below. The fees received by State Street in connection with sub-administration and custodian and fund accounting services are accrued daily at the rate of 1/365th and payable monthly on the first business day of each month, pursuant to the following schedules:

#### Index Funds (except for the Emerging Markets Equity Index Fund), Strategic Real Return Fund, Disciplined Global Equity Fund, Global Value Spotlight Fund, International Value Spotlight Fund, European Value Spotlight Fund, Asia Pacific Value Spotlight Fund and U.S. Value Spotlight Fund

\$25,000 for Sub-Administration Services

\$12,000 for Custody and Fund Accounting Services for the first two feeder funds

\$ 9,600 for Custody and Fund Accounting Services for each additional feeder fund

## Target Retirement Funds

\$50,000 for Sub-Administration Services

\$25,000 for Custody and Fund Accounting Services

## Small Cap Emerging Markets Equity Fund, Emerging Markets Equity Index Fund, Disciplined U.S. Equity Fund and Disciplined International Equity Fund

Total net assets of the Funds and other funds that are series of State Street Institutional Investment Trust and are not feeder funds or funds of funds (collectively, “Stand-Alone Funds”) will be used to calculate the fee by multiplying their combined net assets by the rate shown below. The minimum fee will be calculated by multiplying the minimum per fund fee by the number of Stand-Alone Funds to arrive at the total minimum fee. The greater of the asset based fee or the minimum fee will be charged to the Funds and the Stand-Alone Funds.

### *Custody Fees:*

<u>Average Net Assets</u>	<u>As a Percentage of Average Net Assets</u>
First \$50 Billion	0.0025%
Next \$50 Billion	0.0020%
Thereafter	0.0010%

### *Sub-Administration Fees:*

<u>Average Net Assets</u>	<u>As a Percentage of Average Net Assets</u>
First \$10 Billion	0.0136%
Next \$10 Billion	0.0086%
Next \$10 Billion	0.0075%
Thereafter	0.005%

The administration, sub-administration and custodian and transfer agency fees (if applicable) paid to State Street for the last three fiscal years are set forth in the table below.

<u>Fund</u>	<u>Fiscal year ended December 31, 2014</u>	<u>Fiscal year ended December 31, 2015</u>	<u>Fiscal year ended December 31, 2016</u>
Equity 500 Index Fund <sup>(1)</sup>	\$ 115,296	\$ 37,592	\$ 36,775
Aggregate Bond Index Fund <sup>(2)</sup>	\$ 0	\$ 44,746	\$ 40,198
Global Equity ex-U.S. Index Fund <sup>(3)</sup>	\$ 0	\$ 44,689	\$ 40,373
Target Retirement 2015 Fund <sup>(4)</sup>	\$ 19,141	\$ 84,042	\$ 76,037
Target Retirement 2020 Fund <sup>(4)</sup>	\$ 19,291	\$ 84,574	\$ 76,346
Target Retirement 2025 Fund <sup>(4)</sup>	\$ 19,227	\$ 84,582	\$ 76,389
Target Retirement 2030 Fund <sup>(4)</sup>	\$ 19,198	\$ 84,553	\$ 76,776
Target Retirement 2035 Fund <sup>(4)</sup>	\$ 19,128	\$ 84,610	\$ 76,407
Target Retirement 2040 Fund <sup>(4)</sup>	\$ 19,107	\$ 84,475	\$ 76,288

Fund	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Target Retirement 2045 Fund <sup>(4)</sup>	\$ 19,031	\$ 84,041	\$ 76,004
Target Retirement 2050 Fund <sup>(4)</sup>	\$ 18,967	\$ 84,003	\$ 75,909
Target Retirement 2055 Fund <sup>(4)</sup>	\$ 18,967	\$ 83,988	\$ 75,884
Target Retirement 2060 Fund <sup>(4)</sup>	\$ 18,967	\$ 83,792	\$ 75,645
Target Retirement Fund <sup>(4)</sup>	\$ 19,077	\$ 84,518	\$ 76,146
Hedged International Developed Equity Index Fund <sup>(5)</sup>	—	\$ 478,858	\$ 496,179
Small/Mid Cap Equity Index Fund <sup>(6)</sup>	—	\$ 16,933	\$ 38,618
Emerging Markets Equity Index Fund <sup>(7)</sup>	—	\$ 6,119	\$ 1,035,262
Disciplined U.S. Equity Fund <sup>(8)</sup>	—	—	\$ 17,341
Disciplined International Equity Fund <sup>(8)</sup>	—	—	\$ 31,673
Disciplined Global Equity Fund <sup>(8)</sup>	—	—	\$ 33,523
Global Value Spotlight Fund <sup>(9)</sup>	—	—	\$ 8,913
International Value Spotlight Fund <sup>(10)</sup>	—	—	\$ 15,845
European Value Spotlight Fund <sup>(9)</sup>	—	—	\$ 12,252
Asia Pacific Value Spotlight Fund <sup>(9)</sup>	—	—	\$ 7,421
U.S. Value Spotlight Fund <sup>(9)</sup>	—	—	\$ 4,495

- (1) State Street served as the Administrator of the Equity 500 Index Fund, until August 7, 2014. Effective August 8, 2014, State Street serves as the Sub-Administrator of the Fund.
- (2) Commencement of Operations September 19, 2014.
- (3) Commencement of Operations September 17, 2014.
- (4) Commencement of Operations September 30, 2014.
- (5) Commencement of Operations May 29, 2015.
- (6) Commencement of Operations August 11, 2015.
- (7) Commencement of Operations December 18, 2015.
- (8) Commencement of Operations February 18, 2016.
- (9) Commencement of Operations September 23, 2016.
- (10) Commencement of Operations July 14, 2016.

The sub-administration and custodian fees paid by the Strategic Real Return Fund, the Small Cap Emerging Markets Equity Fund and the International Developed Equity Index Fund have been omitted because the Funds had not commenced investment operations as of December 31, 2016.

Boston Financial Data Services, Inc. (“BFDS”) serves as the Transfer and Dividend Paying Agent. Prior to April 2017, BFDS was a joint venture of State Street Corporation and DST Systems, Inc. (“DST”). Following the acquisition of State Street Corporation’s ownership interest in BFDS, DST is the sole owner of BFDS, which is no longer an affiliate of the Funds or the Adviser. BFDS is paid for the following annual account services and activities including but not limited to: establishment and maintenance of each shareholder’s account; closing an account; acceptance and processing of trade orders; preparation; and transmission of payments for dividends and distributions declared by each Fund; customer service support including receipt of correspondence and responding to shareholder and financial intermediary inquiries; investigation services; individual retirement account (“IRA”) custodial services; tax related support; sales charge and 12b-1 payment processing; and charges related to compliance and regulatory services.

Portfolio fees are allocated to each Fund based on the average net asset value of each Fund and are billable on a monthly basis at the rate of 1/12 of the annual fee. BFDS is reimbursed by each Fund for supplying certain out-of-pocket expenses including confirmation statements, investor statements, banking fees, postage, forms, audio response, telephone, records retention, customized programming/enhancements, reports, transcripts, microfilm, microfiche, and expenses incurred at the specific direction of the Fund. BFDS’s principal business address is 2000 Crown Colony Drive, Quincy, MA 02169.

The transfer agency fees paid to BFDS for the last three fiscal years are set forth in the table below.

<b>Fund</b>	<b>Fiscal year ended December 31, 2014</b>	<b>Fiscal year ended December 31, 2015</b>	<b>Fiscal year ended December 31, 2016</b>
Equity 500 Index Fund <sup>(1)</sup>	\$ 46,470	\$ 149,206	\$ 118,416
Aggregate Bond Index Fund <sup>(2)</sup>	\$ 28,027	\$ 53,176	\$ 36,635
Global Equity ex-U.S. Index Fund <sup>(3)</sup>	\$ 25,381	\$ 55,764	\$ 37,794
Target Retirement 2015 Fund <sup>(4)</sup>	\$ 26,714	\$ 42,982	\$ 43,683
Target Retirement 2020 Fund <sup>(4)</sup>	\$ 26,714	\$ 44,593	\$ 46,464
Target Retirement 2025 Fund <sup>(4)</sup>	\$ 20,987	\$ 37,148	\$ 45,766
Target Retirement 2030 Fund <sup>(4)</sup>	\$ 18,265	\$ 35,204	\$ 46,453
Target Retirement 2035 Fund <sup>(4)</sup>	\$ 18,077	\$ 32,486	\$ 44,041
Target Retirement 2040 Fund <sup>(4)</sup>	\$ 18,076	\$ 36,008	\$ 37,872
Target Retirement 2045 Fund <sup>(4)</sup>	\$ 17,889	\$ 32,370	\$ 37,794
Target Retirement 2050 Fund <sup>(4)</sup>	\$ 17,703	\$ 32,553	\$ 38,152
Target Retirement 2055 Fund <sup>(4)</sup>	\$ 17,703	\$ 32,547	\$ 37,672
Target Retirement 2060 Fund <sup>(4)</sup>	\$ 17,703	\$ 32,430	\$ 37,548
Target Retirement Fund <sup>(4)</sup>	\$ 20,537	\$ 48,118	\$ 65,625
Hedged International Developed Equity Index Fund <sup>(5)</sup>	—	\$ 7,182	\$ 15,881
Small/Mid Cap Equity Index Fund <sup>(6)</sup>	—	\$ 8,055	\$ 30,976
Emerging Markets Equity Index Fund <sup>(7)</sup>	—	\$ 964	\$ 11,097
Disciplined U.S. Equity Fund <sup>(8)</sup>	—	—	\$ 11,123
Disciplined International Equity Fund <sup>(8)</sup>	—	—	\$ 11,134
Disciplined Global Equity Fund <sup>(8)</sup>	—	—	\$ 11,049
Global Value Spotlight Fund <sup>(9)</sup>	—	—	\$ 3,661
International Value Spotlight Fund <sup>(10)</sup>	—	—	\$ 11,149
European Value Spotlight Fund <sup>(9)</sup>	—	—	\$ 3,660
Asia Pacific Value Spotlight Fund <sup>(9)</sup>	—	—	\$ 3,661
U.S. Value Spotlight Fund <sup>(9)</sup>	—	—	\$ 3,660

(1) Effective August 8, 2014, BFDS serves as the Transfer Agent of the Fund.

(2) Commencement of Operations September 19, 2014.

(3) Commencement of Operations September 17, 2014.

(4) Commencement of Operations September 30, 2014.

(5) Commencement of Operations May 29, 2015.

(6) Commencement of Operations August 11, 2015.

(7) Commencement of Operations December 18, 2015.

(8) Commencement of Operations February 18, 2016.

(9) Commencement of Operations September 23, 2016.

(10) Commencement of Operations July 14, 2016.

The transfer agency fees paid by the Strategic Real Return Fund, the Small Cap Emerging Markets Equity Fund and the International Developed Equity Index Fund have been omitted because the Funds had not commenced investment operations as of December 31, 2016.



## Distributor

SSGA FD serves as the distributor of the Funds. SSGA FD is an indirect wholly-owned subsidiary of State Street Corporation. SSGA FD's mailing address is State Street Financial Center, One Lincoln Street, Boston, MA 02111-2900. Prior to May 1, 2017, State Street Global Advisors Funds Distributors, LLC was known as State Street Global Markets, LLC. The distribution expenses each Fund accrued to SSGA FD for the last three fiscal years are set forth in the table below.

<u>Fund</u>	<u>Fiscal Year Ended December 31, 2014</u>	<u>Fiscal Year Ended December 31, 2015</u>	<u>Fiscal Year Ended December 31, 2016</u>
Equity 500 Index Fund			
Administrative Shares	\$ 353,830	\$ 379,884	\$ 399,453
Service Shares	\$ 286,261	\$ 311,339	\$ 268,969
Class R Shares	\$ 217,989	\$ 246,906	\$ 226,943
Class A	\$ 36	\$ 149	\$ 7,000
Target Retirement 2015 Fund <sup>(1)</sup>			
Class A	\$ 370	\$ 1,503	\$ 1,507
Target Retirement 2020 Fund <sup>(1)</sup>			
Class A	\$ 529	\$ 2,089	\$ 342
Target Retirement 2025 Fund <sup>(1)</sup>			
Class A	\$ 423	\$ 1,680	\$ 412
Target Retirement 2030 Fund <sup>(1)</sup>			
Class A	\$ 423	\$ 1,678	\$ 410
Target Retirement 2035 Fund <sup>(1)</sup>			
Class A	\$ 317	\$ 1,282	\$ 1,317
Target Retirement 2040 Fund <sup>(1)</sup>	\$ 317		
Class A	\$ 317	\$ 1,258	\$ 364
Target Retirement 2045 Fund <sup>(1)</sup>			
Class A	\$ 211	\$ 845	\$ 835
Target Retirement 2050 Fund <sup>(1)</sup>			
Class A	\$ 106	\$ 422	\$ 415
Target Retirement 2055 Fund <sup>(1)</sup>			
Class A	\$ 106	\$ 422	\$ 412
Target Retirement 2060 Fund <sup>(1)</sup>			
Class A	\$ 106	\$ 422	\$ 407
Target Retirement Fund <sup>(1)</sup>			
Class A	\$ 264	\$ 1,053	\$ 1,048
Global Equity ex U.S. Index Fund <sup>(2)</sup>			
Class A	\$ 35	\$ 116	\$ 1,532
Aggregate Bond Index Fund <sup>(3)</sup>			
Class A	\$ 34	\$ 185	\$ 490
Small/Mid Cap Equity Index Fund <sup>(4)</sup>			
Class A	—	\$ 53	\$ 253

(1) Commencement of Operations September 30, 2014.

(2) Commencement of Operations September 17, 2014.

(3) Commencement of Operations September 19, 2014.

(4) Commencement of Operations October 15, 2015.

The distribution expenses accrued to SSGA FD by the Strategic Real Return Fund, the Small Cap Emerging Markets Equity Fund and the International Developed Equity Index Fund have been omitted because the Funds had not commenced investment operations as of December 31, 2016.

### Distribution Plan

To compensate SSGA FD for the services it provides and for the expenses it bears in connection with the distribution of shares of the Funds, SSGA FD will be entitled to receive any front-end sales load applicable to the sale of shares of the Fund. Each Fund may make payments from the assets attributable to certain classes of its shares to SSGA FD under a distribution plan adopted pursuant to Rule 12b-1 under the 1940 Act (the “Distribution Plan”). The Distribution Plan is a compensation plan that provides for payments at annual rates (based on average daily net assets) described below. Because Rule 12b-1 Fees are paid on an ongoing basis, they will increase the cost of your investment and may cost you more than paying other types of sales loads. The principal business address of SSGA FD is One Lincoln Street, Boston, MA 02111.

The Board, including all of the Trustees who are not interested persons (as defined in the 1940 Act) of the Trust (the “Independent Trustees”) and who have no direct or indirect financial interest in the Distribution Plan or any related agreements, (the “Qualified Distribution Plan Trustees”) approved the Distribution Plan. The Distribution Plan will continue in effect with respect to a class of shares of a Fund only if such continuance is specifically approved at least annually by a vote of both a majority of the Board of Trustees of the Trust and a majority of the Qualified Distribution Plan Trustees. The Distribution Plan may not be amended to increase materially the amount of a Fund’s permitted expenses thereunder without the approval of a majority of the outstanding shares of the affected share class and may not be materially amended in any case without a vote of the majority of both the Trustees and the Qualified Distribution Plan Trustees. As of December 31, 2016 none of the Independent Trustees had a direct or indirect financial interest in the operation of the Distribution Plan. The Distribution Plan calls for payments at an annual rate (based on each Fund’s average net assets) as follows:

<u>Class</u>	<u>Annual 12b-1 Fee</u>
Administrative Shares	0.15%
Service Shares	0.25%
Class R Shares	0.60%
Class A	0.25%
Class I	None
Class K	None

The Distribution Plan may benefit the Funds by increasing sales of shares and reducing redemptions of shares, resulting potentially, for example, in economies of scale and more predictable flows of cash into and out of the Funds. Because Rule 12b-1 fees are paid out of a Fund’s assets, all shareholders share in that expense; however, because shareholders hold their shares through varying arrangements (for example, directly or through financial intermediaries), they may not share equally in the benefits of the Distribution Plan.

### Payments to Financial Intermediaries

Financial intermediaries are firms that, for compensation, sell shares of mutual funds, including the Funds, and/or provide certain administrative and account maintenance services to mutual fund shareholders. Financial intermediaries may include, among others, brokers, financial planners or advisors, banks, and insurance companies. In some cases, a financial intermediary may hold its clients’ Fund shares in nominee or street name. Shareholder services provided by a financial intermediary may (though they will not necessarily) include, among other things: processing and mailing trade confirmations, periodic statements, prospectuses, annual reports, semi-annual reports, shareholder notices, and other SEC-required communications; capturing and processing tax data; issuing and mailing dividend checks to shareholders who have selected cash distributions; preparing record date shareholder lists for proxy solicitations; collecting and posting distributions to shareholder accounts; and establishing and maintaining systematic withdrawals and automated investment plans and shareholder account registrations. Some portion of SSGA FD’s payments to financial intermediaries will be made out of amounts received by SSGA FD under the Funds’ Distribution Plans. In addition, the Funds may

reimburse SSGA FD for payments SSGA FD makes to financial intermediaries that provide recordkeeping, shareholder servicing, sub-transfer agency, administrative and/or account maintenance services (collectively, “servicing”). The amount of the reimbursement for servicing compensation and the manner in which it is calculated are reviewed by the Trustees periodically. The compensation paid by SSGA FD to a financial intermediary may be paid continually over time, during the period when the intermediary’s clients hold investments in the Funds. The compensation to financial intermediaries may include networking fees and account-based fees. The amount of continuing compensation paid by SSGA FD to different financial intermediaries varies. In the case of most financial intermediaries, compensation for servicing in excess of any amount covered by payments under a Distribution Plan is generally paid at an annual rate of 0.10% – 0.20% of the aggregate average daily net asset value of Fund shares held by that financial intermediary’s customers, although in some cases the compensation may be paid at higher annual rates (which may, but will not necessarily, reflect enhanced or additional services provided by the financial intermediary). SSGA FD and its affiliates (including SSGA FM), at their own expense and out of their own assets, may also provide compensation to financial intermediaries in connection with sales of the Funds’ shares or the servicing of shareholders or shareholder accounts by financial intermediaries. Such compensation may include, but is not limited to, ongoing payments, financial assistance to financial intermediaries in connection with conferences, sales, or training programs for their employees, seminars for the public, advertising or sales campaigns, or other financial intermediary-sponsored special events. In some instances, this compensation may be made available only to certain financial intermediaries whose representatives have sold or are expected to sell significant amounts of shares. Financial intermediaries may not use sales of the Funds’ shares to qualify for this compensation to the extent prohibited by the laws or rules of any state or any self-regulatory agency, such as the Financial Industry Regulatory Authority, Inc. (“FINRA”). The level of payments made to a financial intermediary in any given year will vary and, in the case of most financial intermediaries, will not exceed 0.20% of the value of assets attributable to the financial intermediary invested in shares of funds in the SSGA FM-fund complex. In certain cases, the payments described in the preceding sentence are subject to minimum payment levels.

If payments to financial intermediaries by the distributor or adviser for a particular mutual fund complex exceed payments by other mutual fund complexes, your financial advisor and the financial intermediary employing him or her may have an incentive to recommend that fund complex over others. Please speak with your financial advisor to learn more about the total amounts paid to your financial advisor and his or her firm by SSGA FD and its affiliates, and by sponsors of other mutual funds he or she may recommend to you. You should also consult disclosures made by your financial intermediary at the time of purchase.

Because the Funds pay distribution, service and other fees for the sale of their shares and for services provided to shareholders out of the Funds’ assets on an ongoing basis, over time those fees will increase the cost of an investment in a Fund.

A Fund may pay distribution fees, service fees and other amounts described above at a time when shares of the Fund are not being actively promoted to new investors generally, or when shares of that Fund are unavailable for purchase.

For the fiscal year ended December 31, 2016 the Funds have been informed by SSGA FD that the following expenditures were made using the amounts each Fund paid under its Distribution Plan:

<b>Fund</b>	<b>Advertising</b>	<b>Printing</b>	<b>Compensation to Dealers</b>	<b>Compensation to Sales Personnel</b>	<b>Interest, Carrying or Other Financing Charges</b>	<b>Other*</b>
Equity 500 Index Fund	\$ 0	\$ 0	\$ 880,435	\$ 21,930	\$ 0	\$ 0
Aggregate Bond Index Fund	\$ 0	\$ 0	\$ 55	\$ 12	\$ 0	\$ 0
Global Equity ex-U.S. Index Fund	\$ 0	\$ 0	\$ 77	\$ 27	\$ 0	\$ 0
Target Retirement 2015 Fund	\$ 0	\$ 0	\$ 0	\$ 203	\$ 0	\$ 0
Target Retirement 2020 Fund	\$ 0	\$ 0	\$ 0	\$ 61	\$ 0	\$ 0
Target Retirement 2025 Fund	\$ 0	\$ 0	\$ 0	\$ 60	\$ 0	\$ 0
Target Retirement 2030 Fund	\$ 0	\$ 0	\$ 0	\$ 73	\$ 0	\$ 0
Target Retirement 2035 Fund	\$ 0	\$ 0	\$ 0	\$ 193	\$ 0	\$ 0
Target Retirement 2040 Fund	\$ 0	\$ 0	\$ 0	\$ 70	\$ 0	\$ 0
Target Retirement 2045 Fund	\$ 0	\$ 0	\$ 0	\$ 131	\$ 0	\$ 0
Target Retirement 2050 Fund	\$ 0	\$ 0	\$ 0	\$ 69	\$ 0	\$ 0
Target Retirement 2055 Fund	\$ 0	\$ 0	\$ 0	\$ 72	\$ 0	\$ 0
Target Retirement 2060 Fund	\$ 0	\$ 0	\$ 0	\$ 74	\$ 0	\$ 0
Target Retirement Fund	\$ 0	\$ 0	\$ 0	\$ 227	\$ 0	\$ 0

<u>Fund</u>	<u>Advertising</u>	<u>Printing</u>	<u>Compensation to Dealers</u>	<u>Compensation to Sales Personnel</u>	<u>Interest, Carrying or Other Financing Charges</u>	<u>Other*</u>
Small/Mid Cap Equity Index Fund	\$ 0	\$ 0	\$ 0	\$ 5	\$ 0	\$ 0

\* Includes such items as compensation for travel, conferences and seminars for staff, subscriptions, office charges and professional fees.

Rule 12b-1 fees paid by the Strategic Real Return Fund, the Small Cap Emerging Markets Equity Fund and the International Developed Equity Index Fund have been omitted because the Funds had not commenced investment operations as of December 31, 2016.

Set forth below is a list of those financial intermediaries to which SSGA FD (and its affiliates) expects, as of May 1, 2017, to pay compensation in the manner described in this "Payments to Financial Intermediaries" section.

- ADP Broker- Dealer Inc.
- American Portfolios Financial Services, Inc.
- American United Life Insurance Company
- Apex Clearing Corp.
- Ariel Distributor, Inc.
- Ascensus Inc.
- AXA Advisors, LLC
- Bank of America Merrill Lynch
- Benefit Trust Company
- Chicago Mercantile Exchange Inc.
- Calvert Shareholder Services, Inc.
- Charles Schwab & Co., Inc.
- ETrade Securities
- Edward Jones
- Fidelity Brokerage Services, LLC
- Fidelity Investments Institutional Operations Co.
- First Clearing, LLC
- GWFS Equities Inc.
- Hartford Life Insurance Company
- Hewitt Services LLC
- Interactive Brokers LLC
- Janney Montgomery Scott LLC
- John Hancock Trust Co.
- Peoples Securities, Inc.
- Pershing LLC
- Principal Life Insurance Company
- Putnam Investor Services, Inc.
- RBC Capital Markets Corp.
- Reliance Trust Company
- Royal Alliance Associate, Inc.
- RWB Securities Inc.
- Scottrade, Inc.
- SEI Private Trust Company
- Slavic Investment Corporation
- Southwest Securities, Inc.
- State Street Bank and Trust Company- Wealth Manager Services
- State Street Global Advisors Funds Distributors, LLC
- Stifel, Nicolaus & Company, Inc.
- FIS (formerly Sungard Institutional Brokerage Inc.)
- TD Ameritrade, Inc.
- The Bank Of New York Mellon
- The O.N. Equity Sales Company
- Trust Company of America
- UBS Financial Services, Inc.
- US Bank N.A.

- JP Morgan Chase Bank, N.A.
- LaSalle Street Securities
- Lincoln Financial Advisors
- Marshall & Ilsley Trust Company, N.A.
- Metlife Securities Inc.
- Mid Atlantic Capital Corp.
- Morgan Stanley Smith Barney LLC
- MSCS Financial Services LLC
- National Financial Services, LLC
- Nationwide Financial Services, Inc.
- NFP Securities, Inc.
- VALIC Retirement Services Co.
- Voya Financial Advisors, LLC
- Voya Life Insurance and Annuity Company
- Voya Institutional Plan Services, LLC
- Wells Fargo Bank, N.A.
- William Blair & Co, LLC

**Counsel and Independent Registered Public Accounting Firm**

Ropes & Gray LLP serves as counsel to the Trust. The principal business address of Ropes & Gray LLP is 800 Boylston Street, Boston, Massachusetts 02199. Joseph P. Barri LLC, located at 259 Robbins Street, Milton, Massachusetts 02186, serves as independent counsel to the Independent Trustees.

Ernst & Young LLP serves as the independent registered public accounting firm for the Trust and provides (i) audit services and (ii) tax services. In connection with the audit of the 2016 financial statements, the Trust entered into an engagement agreement with Ernst & Young LLP that sets forth the terms of Ernst & Young LLP’s audit engagement. The principal business address of Ernst & Young LLP is 200 Clarendon Street, Boston, Massachusetts 02116.

**PORTFOLIO MANAGERS**

The following persons serve as the portfolio managers of the Funds as of the date of this SAI. The following table lists the number and types of accounts managed by each individual and assets under management in those accounts as of December 31, 2016:

<b>Portfolio Manager</b>	<b>Portfolio</b>	<b>Registered Investment Company Accounts</b>	<b>Assets Managed (\$ billions)</b>	<b>Other Pooled Investment Vehicle Accounts</b>	<b>Assets Managed (\$billions)</b>	<b>Other Accounts</b>	<b>Assets Managed (\$ billions)</b>	<b>Total Assets Managed (\$ billions)</b>
Michael Feehily	Equity 500 Index Fund, Global Equity ex-U.S. Index Fund, Emerging Markets Equity Index Fund, Small/Mid Cap Equity Index Fund, Hedged International Developed Equity Index Fund and International Developed Equity Index Fund	144	\$ 210.99	383	\$ 554.20	343	\$ 240.54	\$1005.73
Karl Schneider	Equity 500 Index Fund, Global Equity ex-U.S. Index Fund, Small/Mid Cap Equity Index Fund, Hedged International Developed Equity Index Fund and International Developed Equity Index Fund	144	\$ 210.99	383	\$ 554.20	343	\$ 240.54	\$1005.73
David Chin	Hedged International Developed Equity Index Fund and International Developed Equity Index Fund	144	\$ 210.99	383	\$ 554.20	343	\$ 240.54	\$1005.73

Portfolio Manager	Portfolio	Registered Investment Company Accounts	Assets Managed (\$ billions)	Other Pooled Investment Vehicle Accounts	Assets Managed (\$billions)	Other Accounts	Assets Managed (\$ billions)	Total Assets Managed (\$ billions)
Thomas Coleman	Emerging Markets Equity Index Fund	144	\$ 210.99	383	\$ 554.20	343	\$ 240.54	\$1005.73
Payal Gupta	Global Equity ex-U.S. Index Fund	144	\$ 210.99	383	\$ 554.20	343	\$ 240.54	\$1005.73
Ted Janowsky	Small/Mid Cap Equity Index Fund	144	\$ 210.99	383	\$ 554.20	343	\$ 240.54	\$1005.73
Amy Scofield	Equity 500 Index Fund	144	\$ 210.99	383	\$ 554.20	343	\$ 240.54	\$1005.73
Olga Winner	Emerging Markets Equity Index Fund	144	\$ 210.99	383	\$ 554.20	343	\$ 240.54	\$1005.73
Marc DiCosimo	Aggregate Bond Index Fund	33	\$ 56.59	105	\$ 57.23	159	\$ 58.72	\$ 172.53
Joanna Madden	Aggregate Bond Index Fund	33	\$ 56.59	105	\$ 57.23	159	\$ 58.72	\$ 172.53
Lisa Khatri	Target Retirement Funds	41	\$ 13.59	151	\$ 35.93	259*	\$ 44.09*	\$ 93.61
Charles L. McGinn	Target Retirement Funds	41	\$ 13.59	151	\$ 35.93	259*	\$ 44.09*	\$ 93.61
Robert Guiliano	Strategic Real Return Fund	41	\$ 13.59	151	\$ 35.93	259*	\$ 44.09*	\$ 93.61
John Gulino	Strategic Real Return Fund	41	\$ 13.59	151	\$ 35.93	259*	\$ 44.09*	\$ 93.61
Chee Ooi	Disciplined U.S. Equity Fund, Disciplined International Equity Fund and Disciplined Global Equity Fund	6	\$ 0.46	46**	\$ 8.99**	32* **	\$ 13.78***	\$ 23.22
Anna Lester	Disciplined U.S. Equity Fund	6	\$ 0.46	46**	\$ 8.99**	32* **	\$ 13.78***	\$ 23.22
Adel Daghmouri	Disciplined International Equity Fund and Disciplined Global Equity Fund	6	\$ 0.46	46**	\$ 8.99**	32* **	\$ 13.78***	\$ 23.22
Chris Laine	Small Cap Emerging Markets Equity Fund	6	\$ 0.46	46**	\$ 8.99**	32* **	\$ 13.78***	\$ 23.22
Jay Siegrist	Small Cap Emerging Markets Equity Fund	6	\$ 0.46	46**	\$ 8.99**	32* **	\$ 13.78***	\$ 23.22
Brian Routledge	Global Value Spotlight Fund and U.S. Value Spotlight Fund	0	\$ 0	3	\$ 0.22	2	\$ 0.40	\$ 0.61
Barry Glavin	International Value Spotlight Fund	0	\$ 0	0	\$ 0	0	\$ 0	\$ 0
Lance Graham	European Value Spotlight Fund	0	\$ 0	4	\$ 0.61	2	\$ 0.50	\$ 1.11
William Killeen	Asia Pacific Value Spotlight Fund	0	\$ 0	3	\$ 0.07	2	\$ 0.06	\$ 0.13

\* Includes 12 accounts with performance based fees and assets of \$0.75 billion.

\*\* Includes 9 accounts with performance based fees and assets of \$3.74 billion

\*\*\* Includes 7 accounts with performance based fees and assets of \$5.25 billion.

As indicated in the tables above, portfolio managers at the Adviser may manage numerous accounts for multiple clients. These accounts may include registered investment companies (which include exchange-traded funds), other types of pooled accounts (e.g., collective investment funds), and separate accounts (*i.e.*, accounts managed on behalf of individuals or public or private institutions). Portfolio managers make investment decisions for each account based on the investment objectives and policies and other relevant investment considerations applicable to that portfolio. The portfolio managers do not beneficially own any shares of any Fund as of December 31, 2016.

When a portfolio manager has responsibility for managing more than one account, potential conflicts of interest may arise. Those conflicts may arise out of: (a) the portfolio manager's execution of different investment strategies for various accounts; or (b) the allocation of resources or investment opportunities.

A potential conflict of interest may arise as a result of the portfolio managers' responsibility for multiple accounts with similar investment guidelines. Under these circumstances, a potential investment may be suitable for more than one of the portfolio manager's accounts, but the quantity of the investment available for purchase is less than the aggregate amount the accounts would ideally devote to the opportunity. Similar conflicts may arise when multiple accounts seek to dispose of the same investment. The portfolio manager may also manage accounts whose objectives and policies differ from that of the respective Fund. These differences may be such that under certain circumstances, trading activity appropriate for one account managed by the portfolio manager may have adverse consequences for another account managed by the portfolio manager. For example, an account may sell a significant position in a security, which could cause the market price of that security to decrease, while the fund maintained its position in that security.

A potential conflict may arise when the portfolio manager is responsible for accounts that have different advisory fees. The difference in fees could create an incentive for the portfolio manager to favor one account over another, for example, in terms of access to investment opportunities. This conflict may be heightened if an account is subject to a performance-based fee. Another potential conflict may arise when the portfolio manager has an investment in one or more accounts that participates in transactions with other accounts. His or her investment(s) may create an incentive for the portfolio manager to favor one account over another. The Adviser has adopted policies and procedures reasonably designed to address these potential material conflicts. For instance, portfolio managers within the Adviser are normally responsible for all accounts within a certain investment discipline and do not, absent special

circumstances, differentiate among the various accounts when allocating resources. Additionally, the Adviser and its advisory affiliates have processes and procedures for allocating investment opportunities among portfolios that are designed to be fair and equitable.

SSGA's culture is complemented and reinforced by a total rewards strategy that is based on a pay for performance philosophy which seeks to offer a competitive pay mix of base salary, benefits, cash incentives and deferred compensation.

Salary is based on a number of factors, including external benchmarking data and market trends, State Street performance, SSGA performance, and individual overall performance. SSGA's Global Human Resources department regularly participates in compensation surveys in order to provide SSGA with market-based compensation information that helps support individual pay decisions.

Additionally, subject to State Street and SSGA business results, State Street allocates an incentive pool to SSGA to reward its employees. The size of the incentive pool for most business units is based on the firm's overall profitability and other factors, including performance against risk-related goals. For most SSGA investment teams, SSGA recognizes and rewards performance by linking annual incentive decisions for investment teams to the firm's or business unit's profitability and business unit investment performance over a multi-year period.

Incentive pool funding for most active investment teams is driven in part by the post-tax investment performance of fund(s) managed by the team versus the return levels of the benchmark index(es) of the fund(s) on a one-, three- and, in some cases, five-year basis. For most active investment teams, a material portion of incentive compensation for senior staff is deferred over a four-year period into the SSGA Long-Term Incentive ("SSGA LTI") program. For these teams, The SSGA LTI program indexes the performance of these deferred awards against the post-tax investment performance of fund(s) managed by the team. This is intended to align our investment team's compensation with client interests, both through annual incentive compensation awards and through the long-term value of deferred awards in the SSGA LTI program.

For the passive equity investment team, incentive pool funding is driven in part by the post-tax 1 and 3-year tracking error of the funds managed by the team against the benchmark indexes of the funds.

The discretionary allocation of the incentive pool to the business units within SSGA is influenced by market-based compensation data, as well as the overall performance of each business unit. Individual compensation decisions are made by the employee's manager, in conjunction with the senior management of the employee's business unit. These decisions are based on the overall performance of the employee and, as mentioned above, on the performance of the firm and business unit. Depending on the job level, a portion of the annual incentive may be awarded in deferred compensation, which may include cash and/or Deferred Stock Awards (State Street stock), which typically vest over a four-year period. This helps to retain staff and further aligns SSGA employees' interests with SSGA clients' and shareholders' long-term interests.

SSGA recognizes and rewards outstanding performance by:

- Promoting employee ownership to connect employees directly to the company's success.
- Using rewards to reinforce mission, vision, values and business strategy.
- Seeking to recognize and preserve the firm's unique culture and team orientation.
- Providing all employees the opportunity to share in the success of SSGA.

## **BROKERAGE ALLOCATION AND OTHER PRACTICES**

### **Feeder Funds (and the Hedged International Developed Equity Index Fund)**

Each Feeder Fund invests all, and the Hedged International Developed Equity Index Fund invests substantially all, of its investable assets in a corresponding Portfolio and therefore does not directly incur transactional costs for purchases and sales of portfolio



investments (except in the case of Hedged International Developed Equity Index Fund's currency hedging and related positions). The Funds generally purchase and redeem shares of the corresponding Portfolio each day depending on the number of shares of such Fund purchased or redeemed by investors on that day. Shares of the Portfolios are available for purchase by the Funds at their NAV without any sales charges, transaction fees, or brokerage commissions being charged.

All portfolio transactions are placed on behalf of the Portfolios by the Adviser and/or any investment Sub-adviser to a Fund, as applicable. Purchases and sales of securities on a securities exchange are effected through brokers who charge a commission for their services. Ordinarily commissions are not charged on over the counter orders (including, for example, debt securities and money market investments) because a Portfolio pays a spread which is included in the cost of the security, and is the difference between the dealer's cost and the cost to the Portfolio. When a Portfolio executes an over the counter order with an electronic communications network, an alternative trading system or a non-market maker, a commission is charged because there is no spread on the trade. Securities may be purchased from underwriters at prices that include underwriting fees. The Aggregate Bond Index Portfolio normally does not pay a stated brokerage commission on transactions.

Each Portfolio's investment advisory agreement authorizes the Adviser, and the sub-advisory agreement authorizes the Sub-Adviser, to place, in the name of a Portfolio, orders for the execution of the securities transactions in which the Portfolio is authorized to invest, provided the Adviser, and as applicable, the Sub-Adviser seeks the best overall terms for the transaction. In selecting brokers or dealers (including affiliates of the Adviser, and as applicable, the Sub-Adviser), the Adviser, and as applicable, the Sub-Adviser chooses the broker-dealer deemed most capable of providing the services necessary to obtain the most favorable execution (the most favorable cost or net proceeds reasonably obtainable under the circumstances). The full range of brokerage services applicable to a particular transaction may be considered when making this judgment, which may include, but is not limited to: liquidity, price, commission, timing, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers, arbitrage skills, administrative ability, brokerage and research services, underwriting, and provision of information on a particular security or market in which the transaction is to occur. The specific criteria will vary depending on the nature of the transaction, the market in which it is executed, and the extent to which it is possible to select from among multiple broker-dealers. The Adviser, and as applicable, the Sub-Adviser does not currently use any Portfolio's assets for soft-dollar arrangements. The Adviser does not presently participate in any soft dollar arrangements. It may aggregate trades with clients of State Street Global Advisors whose commission dollars are used to generate soft dollar credits for State Street Global Advisors. Although the Adviser's clients' commissions are not used for soft dollars, the Adviser and State Street Global Advisors' clients may benefit from the soft dollar products/services received by State Street Global Advisors. The Sub-Adviser may aggregate trades with other clients of the Sub-Adviser, whose commission dollars are used to generate soft dollar credits for the Sub-Adviser.

The Adviser assumes general supervision over placing orders on behalf of the Trust for the purchase or sale of portfolio securities.

#### Non-Feeder Funds

Purchases and sales of securities on a securities exchange are effected through brokers who charge a commission for their services. Ordinarily commissions are not charged on over the counter orders (including, for example, debt securities and money market investments) because the Fund pays a spread which is included in the cost of the security, and is the difference between the dealer's cost and the cost to the Fund. When the Fund executes an over the counter order with an electronic communications network, an alternative trading system or a non-market maker, a commission is charged because there is no spread on the trade. Securities may be purchased from underwriters at prices that include underwriting fees.

The Funds' investment advisory agreement authorizes the Adviser, and the Sub-Advisory Agreement authorizes the Sub-Adviser, to place, in the name of the Funds, orders for the execution of the securities transactions in which the Funds are authorized to invest, provided the Adviser, and as applicable, the Sub-Adviser seeks the best overall terms for the transaction. In selecting brokers or dealers (including affiliates of the Adviser, and as applicable, the Sub-Adviser), the Adviser, and as applicable, the Sub-Adviser chooses the broker-dealer deemed most capable of providing the services necessary to obtain the most favorable execution (the most favorable cost or net proceeds reasonably obtainable under the circumstances). The full range of brokerage services applicable to a particular transaction may be considered when making this judgment, which may include, but is not limited to: liquidity, price, commission, timing, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers, arbitrage skills, administrative ability, brokerage and research services, underwriting, and provision of information on a

particular security or market in which the transaction is to occur. The specific criteria will vary depending on the nature of the transaction, the market in which it is executed, and the extent to which it is possible to select from among multiple broker-dealers. The Adviser, and as applicable, the Sub-Adviser does not currently use any Fund's assets for soft-dollar arrangements. The Adviser does not presently participate in any soft dollar arrangements. It may aggregate trades with clients of State Street Global Advisors whose commission dollars are used to generate soft dollar credits for State Street Global Advisors. Although the Adviser's clients' commissions are not used for soft dollars, the Adviser and State Street Global Advisors' clients may benefit from the soft dollar products/services received by State Street Global Advisors. The Sub-Adviser may aggregate trades with other clients of the Sub-Adviser, whose commission dollars are used to generate soft dollar credits for the Sub-Adviser.

The Adviser assumes general supervision over placing orders on behalf of the Trust for the purchase or sale of portfolio securities.

The brokerage commissions paid by the Funds for the last three fiscal years are shown below:

<b>Fund</b>	<b>Fiscal year ended December 31, 2014</b>	<b>Fiscal year ended December 31, 2015</b>	<b>Fiscal year ended December 31, 2016</b>
Equity 500 Index Fund	—	—	—
Aggregate Bond Index Fund <sup>(1)</sup>	—	—	—
Global Equity ex-U.S. Index Fund <sup>(2)</sup>	—	—	—
Target Retirement 2015 Fund <sup>(3)</sup>	\$ 798.88	\$ 808.37	\$ 17,179.53
Target Retirement 2020 Fund <sup>(3)</sup>	\$ 596.70	\$ 6,130.87	\$ 25,017.23
Target Retirement 2025 Fund <sup>(3)</sup>	\$ 403.91	\$ 1,546.13	\$ 8,950.50
Target Retirement 2030 Fund <sup>(3)</sup>	\$ 225.31	\$ 3,109.17	\$ 6,469.60
Target Retirement 2035 Fund <sup>(3)</sup>	\$ 182.12	\$ 680.31	\$ 3,432.94
Target Retirement 2040 Fund <sup>(3)</sup>	\$ 118.83	\$ 2,377.38	\$ 2,619.59
Target Retirement 2045 Fund <sup>(3)</sup>	\$ 51.06	\$ 458.92	\$ 1,533.36
Target Retirement 2050 Fund <sup>(3)</sup>	\$ 27.77	\$ 352.43	\$ 964.76
Target Retirement 2055 Fund <sup>(3)</sup>	\$ 27.77	\$ 201.17	\$ 356.10
Target Retirement 2060 Fund <sup>(3)</sup>	\$ 27.77	\$ 48.49	\$ 94.64
Target Retirement Fund <sup>(3)</sup>	\$ 667.41	\$ 7,346.94	\$ 11,996.63
Hedged International Developed Equity Index Fund <sup>(4)</sup>	—	\$ 277,289.37	\$ 149,934.08
Small/Mid Cap Equity Index Fund <sup>(5)</sup>	—	—	—
Emerging Markets Equity Index Fund <sup>(6)</sup>	—	\$ 55,794.59	\$ 181,569.17
Disciplined U.S. Equity Fund <sup>(7)</sup>	—	—	\$ 363.59
Disciplined International Equity Fund <sup>(7)</sup>	—	—	\$ 1,268.21
Disciplined Global Equity Fund <sup>(7)</sup>	—	—	—
Global Value Spotlight Fund <sup>(8)</sup>	—	—	\$ 1,632.04
International Value Spotlight Fund <sup>(9)</sup>	—	—	\$ 1,636.80
European Value Spotlight Fund <sup>(8)</sup>	—	—	\$ 604.05
Asia Pacific Value Spotlight Fund <sup>(8)</sup>	—	—	\$ 1,875.18
U.S. Value Spotlight Fund <sup>(8)</sup>	—	—	\$ 699.84

(1) Commencement of Operations September 19, 2014.

(2) Commencement of Operations September 17, 2014.

(3) Commencement of Operations September 30, 2014.

(4) Commencement of Operations May 29, 2015.

(5) Commencement of Operations August 11, 2015.

(6) Commencement of Operations December 18, 2015.

(7) Commencement of Operations February 18, 2016.

(8) Commencement of Operations September 23, 2016.

(9) Commencement of Operations July 13, 2016.

The increase in brokerage commissions paid by the Target Retirement 2015 Fund, Target Retirement 2020 Fund, Target Retirement 2025, Target Retirement 2030, Target Retirement 2035 and Emerging Markets Equity Index Fund for the fiscal year ended December 31, 2016 as compared to the previous years was generally due to an increase in trading activity caused by an increase in assets during the year.

Securities of “Regular Broker-Dealer.” Each Fund is required to identify any securities of its “regular brokers and dealers” (as such term is defined in the 1940 Act) which it may hold at the close of its most recent fiscal year. “Regular brokers or dealers” of the Trust are the ten brokers or dealers that, during the most recent fiscal year: (i) received the greatest dollar amounts of brokerage commissions from the Trust’s portfolio transactions; (ii) engaged as principal in the largest dollar amounts of portfolio transactions of the Trust; or (iii) sold the largest dollar amounts of the Trust’s shares.

Holdings in Securities of Regular Broker-Dealers as of December 31, 2016:

JPMorgan Chase & Co.	\$21,106,780
Bank of America Corp.	\$15,280,591
Citigroup, Inc.	\$11,979,688
Goldman Sachs Group, Inc.	\$ 7,036,935
Morgan Stanley	\$ 5,204,524
BNP Paribas SA	\$ 2,279,965
Barclays PLC	\$ 2,221,440
Credit Suisse Group AG	\$ 1,516,403
Deutsche Bank AG	\$ 1,049,007
Nomura	\$ 790,897

Portfolio turnover may vary from year to year, as well as within a year. High turnover rates are likely to result in comparatively greater brokerage expenses or transaction costs. The overall reasonableness of brokerage commissions and transaction costs is evaluated by the Adviser based upon its knowledge of available information as to the general level of commissions and transaction costs paid by other institutional investors for comparable services. The Aggregate Bond Index Fund experienced an increased portfolio turnover rate during the fiscal year ended December 31, 2016, compared to previous fiscal periods, due to the inclusion of investments in “to-be-announced transactions”, commonly referred to as “TBA Transactions”, in the turnover rate calculation.

The brokerage commission fees paid by the Strategic Real Return Fund, the Small Cap Emerging Markets Equity Fund, and the International Developed Equity Index Fund have been omitted because the Funds had not commenced investment operations as of December 31, 2016.

## **DECLARATION OF TRUST, CAPITAL STOCK AND OTHER INFORMATION**

### *Capitalization*

Under the Declaration of Trust, the Trustees are authorized to issue an unlimited number of shares of each Fund. Upon liquidation or dissolution of a Fund, investors are entitled to share pro rata in the Fund’s net assets available for distribution to its investors. Investments in a Fund have no preference, preemptive, conversion or similar rights, except as determined by the Trustees or as set forth in the Bylaws, and are fully paid and non-assessable, except as set forth below.

### *Declaration of Trust*

The Declaration of Trust of the Trust provides that the Trust may redeem shares of a Fund at the redemption price that would apply if the share redemption were initiated by a shareholder. It is the policy of the Trust that, except upon such conditions as may from time to time be set forth in the then current prospectus of the Trust or to facilitate the Trust’s or a Fund’s compliance with applicable law or regulation, the Trust would not initiate a redemption of shares unless it were to determine that failing to do so may have a substantial adverse consequence for a Fund or the Trust.

The Trust's Declaration of Trust provides that a Trustee who is not an "interested person" (as defined in the 1940 Act) of the Trust will be deemed independent and disinterested with respect to any demand made in connection with a derivative action or proceeding. It is the policy of the Trust that it will not assert that provision to preclude a shareholder from claiming that a trustee is not independent or disinterested with respect to any demand made in connection with a derivative action or proceeding; provided, however, that the foregoing policy will not prevent the Trust from asserting applicable law (including Section 2B of Chapter 182 of the Massachusetts General Laws) to preclude a shareholder from claiming that a trustee is not independent or disinterested with respect to any demand made in connection with a derivative action or proceeding.

The Trust will not deviate from the foregoing policies in a manner that adversely affects the rights of shareholders of a Fund without the approval of "a vote of a majority of the outstanding voting securities" (as defined in the 1940 Act) of such Fund.

### *Voting*

Each investor is entitled to a vote in proportion to the number of Fund shares it owns. Shares do not have cumulative voting rights in the election of Trustees, and investors holding more than 50% of the aggregate outstanding shares in the Trust may elect all of the Trustees if they choose to do so. The Trust is not required and has no current intention to hold annual meetings of investors but the Trust will hold special meetings of shareholders when in the judgment of the Trustees it is necessary or desirable to submit matters for a shareholder vote.

### *Massachusetts Business Trust*

Under Massachusetts law, shareholders in a Massachusetts business trust could, under certain circumstances, be held personally liable for the obligations of the trust. However, the Declaration of Trust disclaims shareholder liability for acts or obligations of the Trust and provides for indemnification out of the property of the applicable series of the Trust for any loss to which the shareholder may become subject by reason of being or having been a shareholder of that series and for reimbursement of the shareholder for all expense arising from such liability. Thus the risk of a shareholder incurring financial loss on account of shareholder liability should be limited to circumstances in which the series would be unable to meet its obligations.

## **PRICING OF SHARES**

Multiple-class funds do not have a single share price. Rather, each class has a share price, called its net asset value (NAV). The price per share for each class of each Fund is determined each business day (unless otherwise noted) at the close of the New York Stock Exchange ("NYSE") (ordinarily 4:00 p.m. Eastern time).

Pricing of shares of the Funds does not occur on New York Stock Exchange ("NYSE") holidays. The NYSE is open for trading every weekday except for: (a) the following holidays: New Year's Day, Martin Luther King, Jr.'s Birthday, Washington's Birthday (the third Monday in February), Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas; and (b) the preceding Friday or the subsequent Monday when one of the calendar-determined holidays falls on a Saturday or Sunday, respectively. Purchases and withdrawals will be effected at the time of determination of NAV next following the receipt of any purchase or withdrawal order which is determined to be in good order.

The Funds' securities will be valued pursuant to guidelines established by the Board of Trustees.

## **TAXATION OF THE FUNDS**

The following discussion of U.S. federal income tax consequences of an investment in the Funds is based on the Code, U.S. Treasury regulations, and other applicable authority, as of the date of this SAI. These authorities are subject to change by legislative or administrative action, possibly with retroactive effect. The following discussion is only a summary of some of the important U.S. federal income tax considerations generally applicable to investments in the Funds. There may be other tax considerations applicable to particular shareholders. Shareholders should consult their own tax advisors regarding their particular situation and the possible application of foreign, state and local tax laws.

Each of the Index Funds and the Strategic Real Return Fund invests substantially all of its assets in the corresponding Portfolio, and each of the Target Funds invests in the Underlying Funds, and so substantially all of each such Fund's income will result from

distributions or deemed distributions from the corresponding Portfolio or Underlying Funds, as the case may be. Therefore, as applicable, references to the U.S. federal income tax treatment of these Funds, including to the assets owned and the income earned by these Funds, will be to or will include such treatment of the corresponding Portfolio, and, as applicable, the assets owned and the income earned by the corresponding Portfolio or Underlying Funds.

Special tax rules apply to investments through defined contribution plans and other tax-qualified plans or tax-advantaged arrangements. Shareholders should consult their tax advisers to determine the suitability of shares of a Fund as an investment through such plans and arrangements and the precise effect of an investment on their particular tax situations.

#### Qualification as a Regulated Investment Company

Each Fund has elected or intends to elect to be treated as a regulated investment company (“RIC”) under Subchapter M of the Code and intends each year to qualify and be eligible to be treated as such. In order to qualify for the special tax treatment accorded RICs and their shareholders, each Fund must, among other things, (a) derive at least 90% of its gross income for each taxable year from (i) dividends, interest, payments with respect to certain securities loans, gains from the sale of securities or foreign currencies, or other income (including but not limited to gains from options, futures or forward contracts) derived with respect to its business of investing in such stock, securities or currencies and (ii) net income derived from interests in “qualified publicly traded partnerships” (as defined below); (b) diversify its holdings so that, at the end of each quarter of the Fund’s taxable year, (i) at least 50% of the value of the Fund’s total assets consists of cash and cash items, U.S. Government securities, securities of other RICs, and other securities limited in respect of any one issuer to a value not greater than 5% of the value of the Fund’s total assets and no more than 10% of the outstanding voting securities of such issuer, and (ii) no more than 25% of its assets are invested, including through corporations in which the Fund owns a 20% or more voting stock interest, (x) in the securities (other than those of the U.S. Government or other RICs) of any one issuer or of two or more issuers which the Fund controls and which are engaged in the same, similar or related trades and businesses, or (y) in the securities of one or more qualified publicly traded partnerships (as defined below); and (c) distribute with respect to each taxable year at least 90% of the sum of its investment company taxable income (as that term is defined in the Code without regard to the deduction for dividends paid — generally taxable ordinary income and the excess, if any, of net short-term capital gains over net long-term capital losses) and net tax-exempt income, for such year.

In general, for purposes of the 90% gross income requirement described in (a) above, income derived from a partnership will be treated as qualifying income only to the extent such income is attributable to items of income of the partnership which would be qualifying income if realized directly by the RIC.

However, 100% of the net income derived from an interest in a “qualified publicly traded partnership” (a partnership (x) the interests in which are traded on an established securities market or readily tradable on a secondary market or the substantial equivalent thereof, and (y) that derives less than 90% of its income from the qualifying income described in section (a)(i) of the preceding paragraph), will be treated as qualifying income. In general, such entities will be treated as partnerships for federal income tax purposes, because they meet the passive income requirement under Code section 7704(c)(2). Further, although in general the passive loss rules of the Code do not apply to RICs, such rules do apply to a RIC with respect to items attributable to an interest in a qualified publicly traded partnership.

For purposes of the diversification test in (b) above, the term “outstanding voting securities of such issuer” will include the equity securities of a qualified publicly traded partnership. Also, for purposes of the diversification test in (b) above, the identification of the issuer (or, in some cases, issuers) of a particular investment can depend on the terms and conditions of that investment. In some cases, identification of the issuer (or issuers) is uncertain under current law, and an adverse determination or future guidance by the Internal Revenue Service (“IRS”) with respect to issuer identification for a particular type of investment may adversely affect a Fund’s ability to meet the diversification test in (b) above.

If a Fund qualifies as a RIC that is accorded special tax treatment, the Fund will not be subject to federal income tax on income or gains distributed in a timely manner to its shareholders in the form of dividends (including Capital Gain Dividends, as defined below). If a Fund were to fail to meet the income, diversification or distribution test described above, the Fund could in some cases cure such failure, including by paying a Fund-level tax, paying interest or disposing of certain assets. If such Fund were ineligible to or otherwise did not cure such failure for any year, or if such Fund were otherwise to fail to qualify as a RIC accorded special tax treatment in any taxable year, the Fund would be subject to tax at the Fund level on its taxable income at corporate rates, and all distributions from earnings and profits, including any distributions of net tax-exempt income and net capital gains (each as defined

below), would be taxable to shareholders as ordinary income. Some portions of such distributions may be eligible for the dividends-received deduction in the case of corporate shareholders and may be eligible to be treated as “qualified dividend income” in the case of shareholders taxed as individuals, provided, in both cases, the shareholder meets certain holding period and other requirements in respect of a Fund’s shares (each as described below). In addition, a Fund could be required to recognize unrealized gains, pay substantial taxes and interest and make substantial distributions before re-qualifying as a RIC that is accorded special tax treatment.

Each of the Index Funds and the Strategic Real Return Fund seeks to achieve its investment objectives by investing substantially all of its investable assets in the corresponding Portfolio, which itself intends to elect to be treated and to qualify and be eligible each year to be treated as a RIC. Whether each such Fund meets the asset diversification test described above will depend on whether the corresponding Portfolio meets each of the income, asset diversification and distribution tests. If a Portfolio were to fail to meet any such test and were ineligible to or otherwise were not to cure such failure, the corresponding Fund would as a result itself fail to meet the asset diversification test and might be ineligible or unable to or might otherwise not cure such failure.

Each Target Fund seeks to achieve its investment objectives by investing substantially all of its investable assets in one or more Underlying Funds and each such Underlying Fund intends to elect to be treated and to qualify and be eligible each year to be treated as a RIC. Whether a Target Fund meets the asset diversification test described above will thus depend in part on whether the Underlying Funds in which it invests meet each of the income, asset diversification, and distribution tests. If an Underlying were to fail to meet any such test and were ineligible to or otherwise were not to cure such failure, the corresponding Fund might as a result itself fail to meet the asset diversification test and might be ineligible or unable to or might otherwise not cure such failure.

Each Fund intends to distribute at least annually to its shareholders all or substantially all of its investment company taxable income (computed without regard to the dividends-paid deduction) and its net tax-exempt income (if any), and may distribute its net capital gain (that is, the excess of net long-term capital gain over net short-term capital loss, in each case determined with reference to any loss carryforwards). Any taxable income retained by a Fund will be subject to tax at the Fund level at regular corporate rates. If a Fund retains any net capital gain, it will be subject to tax at regular corporate rates on the amount retained, but is permitted to designate the retained amount as undistributed capital gain in a timely notice to its shareholders who (a) will be required to include in income for federal income tax purposes, as long-term capital gain, their shares of such undistributed amount, and (b) will be entitled to credit their proportionate shares of the tax paid by the Fund on such undistributed amount against their federal income tax liabilities, if any, and to claim refunds on a properly-filed U.S. tax return to the extent the credit exceeds such liabilities. If a Fund makes this designation, for U.S. federal income tax purposes, the tax basis of shares owned by a shareholder of the Fund will be increased by an amount equal under current law to the difference between the amount of undistributed capital gains included in the shareholder’s gross income under clause (a) of the preceding sentence and the tax deemed paid by the shareholder under clause (b) of the preceding sentence. The Funds are not required to, and there can be no assurance a Fund will, make this designation if it retains all or a portion of its net capital gain in a taxable year.

In determining its net capital gain, including in connection with determining the amount available to support a Capital Gain Dividend (as defined below), its taxable income, and its earnings and profits, a RIC generally may elect to treat part or all of any post-October capital loss (defined as any net capital loss attributable to the portion, if any, of the taxable year after October 31 or, if there is no such loss, the net long-term capital loss or net short-term capital loss attributable to any such portion of the taxable year) or late-year ordinary loss (generally, the sum of its (i) net ordinary loss, if any, from the sale, exchange or other taxable disposition of property, attributable to the portion, if any, of the taxable year after October 31, and its (ii) other net ordinary loss, if any, attributable to the portion, if any, of the taxable year after December 31) as if incurred in the succeeding taxable year.

If a Fund were to fail to distribute in a calendar year at least an amount equal, in general, to the sum of 98% of its ordinary income for such year and 98.2% of its capital gain net income for the one-year period ending October 31 of such year (or a later date if the Fund is eligible to elect and so elects), plus any such amounts retained from the prior year, the Fund would be subject to a nondeductible 4% excise tax on the undistributed amounts. For purposes of the required excise tax distribution, a RIC’s ordinary gains and losses from the sale, exchange or other taxable disposition of property that would otherwise be taken into account after October 31 of a calendar year (or a later date, if the RIC makes the election referred to above) generally are treated as arising on January 1 of the following calendar year. Also, for these purposes, a Fund will be treated as having distributed any amount on which it is subject to corporate income tax for the taxable year ending within the calendar year. Each Fund intends generally to make distributions sufficient to avoid imposition of the excise tax, although there can be no assurance that it will be able to do so. Distributions declared by a Fund during October, November and December to shareholders of record on a date in any such month and paid by the Fund during the following January will be treated for federal tax purposes as paid by the Fund and received by shareholders on December 31 of the year in which declared.

Capital losses in excess of capital gains (“net capital losses”) are not permitted to be deducted against a Fund’s net investment income. Instead, potentially subject to certain limitations, a Fund may carry net capital losses from any taxable year forward to subsequent taxable years to offset capital gains, if any, realized during such subsequent taxable years. Distributions from capital gains are generally made after applying any available capital loss carryforwards. Capital loss carryforwards are reduced to the extent they offset current-year net realized capital gains, whether the Fund retains or distributes such gains. A Fund may carry net capital losses forward to one or more subsequent taxable years without expiration; any such carryforward losses will retain their character as short-term or long-term. The Fund must apply such carryforwards first against gains of the same character. See a Fund’s most recent annual shareholder report for the Fund’s available capital loss carryovers as of the end of its most recently ended fiscal year.

#### Taxation of Distributions Received by Shareholders

For U.S. federal income tax purposes, distributions of investment income are generally taxable to shareholders as ordinary income. Taxes on distributions of capital gains are determined by how long a Fund owned (or is deemed to have owned) the investments that generated them, rather than how long a shareholder has owned his or her Fund shares. In general, a Fund will recognize long-term capital gain or loss on the disposition of assets the Fund has owned (or is deemed to have owned) for more than one year, and short-term capital gain or loss on the disposition of investments the Fund has owned (or is deemed to have owned) for one year or less. Distributions of net-capital gain (that is, the excess of net long-term capital gain over net short-term capital loss) that are properly reported by a Fund as capital gain dividends (“Capital Gain Dividends”) generally will be taxable to a shareholder receiving such distributions as long-term capital gains includible in net capital gain and taxed to individuals at reduced rates relative to ordinary income. Distributions from capital gains are generally made after applying any available capital loss carryovers. The Aggregate Bond Index Fund generally does not expect a significant portion of its distributions to be Capital Gain Dividends. Distributions of net short-term capital gain (as reduced by any net long-term capital loss for the taxable year) will be taxable to shareholders as ordinary income. Distributions of investment income properly reported by a Fund as derived from “qualified dividend income” will be taxed in the hands of individuals at the rates applicable to net capital gain, provided holding period and other requirements are met at both the shareholder and Fund level. The Aggregate Bond Index Fund does not expect its distributions to be derived from qualified dividend income.

The Code generally imposes a 3.8% Medicare contribution tax on the net investment income of certain individuals, trusts and estates to the extent their income exceeds certain threshold amounts. For these purposes, “net investment income” generally includes, among other things, (i) distributions paid by a Fund of net investment income and capital gains, and (ii) any net gain from the sale, redemption, exchange or other taxable disposition of Fund shares. Shareholders are advised to consult their tax advisors regarding the possible implications of this additional tax on their investment in a Fund.

If a Fund makes a distribution to a shareholder in excess of the Fund’s current and accumulated earnings and profits in any taxable year, the excess distribution will be treated as a return of capital to the extent of such shareholder’s tax basis in its shares, and thereafter as capital gain. A return of capital is not taxable, but it reduces a shareholder’s tax basis in its shares, thus reducing any loss or increasing any gain on a subsequent taxable disposition by the shareholder of its shares.

Shareholders of a Fund will be subject to federal income taxes as described herein on distributions made by the Fund whether received in cash or reinvested in additional shares of the Fund.

Distributions with respect to a Fund’s shares are generally subject to U.S. federal income tax as described herein to the extent they do not exceed the Fund’s realized income and gains, even though such distributions may economically represent a return of a particular shareholder’s investment. Such distributions are likely to occur in respect of shares purchased at a time when a Fund’s net asset value includes either unrealized gains, or realized but undistributed income or gains, that were therefore included in the price the shareholder paid. Such distributions may reduce the fair market value of the Fund’s shares below the shareholder’s cost basis in those shares. As described above, a Fund is required to distribute realized income and gains regardless of whether the Fund’s net asset value also reflects unrealized losses.

In order for some portion of the dividends received by a Fund shareholder to be “qualified dividend income,” the Fund must meet holding period and other requirements with respect to the dividend-paying stocks held by the Fund and the shareholder must meet holding period and other requirements with respect to the Fund’s shares. In general, a dividend will not be treated as qualified dividend income (at either the Fund or shareholder level) (a) if the dividend is received with respect to any share of stock held for fewer than 61 days during the 121-day period beginning on the date which is 60 days before the date on which such share becomes ex-dividend

with respect to such dividend (or, in the case of certain preferred stock, 91 days during the 181-day period beginning 90 days before such date), (b) to the extent that the recipient is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property, (c) if the recipient elects to have the dividend income treated as investment income for purposes of the limitation on deductibility of investment interest, or (d) if the dividend is received from a foreign corporation that is (i) not eligible for the benefits of a comprehensive income tax treaty with the United States (with the exception of dividends paid on stock of such a foreign corporation readily tradable on an established securities market in the United States) or (ii) treated as a passive foreign investment company.

In general, distributions of investment income properly reported by a Fund as derived from qualified dividend income will be treated as qualified dividend income in the hands of a shareholder taxed as an individual, provided the shareholder meets the holding period and other requirements described above with respect to the Fund's shares. If the aggregate qualified dividends received by a Fund during any taxable year are 95% or more of the Fund's gross income (excluding net long-term capital gain over net short-term capital loss), then 100% of the Fund's dividends (other than dividends properly reported as Capital Gain Dividends) will be eligible to be treated as qualified dividend income.

In general, dividends of net investment income received by corporate shareholders of a Fund will qualify for the 70% dividends-received deduction generally available to corporations to the extent of the amount of eligible dividends received by a Fund from domestic corporations for the taxable year. A dividend will not be treated as a dividend eligible for the dividends-received deduction (a) if it has been received with respect to any share of stock that the Fund has held for less than 46 days (91 days in the case of certain preferred stock) during the 91-day period beginning on the date which is 45 days before the date on which such share becomes ex-dividend with respect to such dividend (during the 181-day period beginning 90 days before such date in the case of certain preferred stock) or (b) to the extent that the Fund is under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. Moreover, the Fund must meet similar requirements with respect to its shares of the corresponding Portfolio. Finally, the dividends-received deduction may otherwise be disallowed or reduced (x) if the corporate shareholder fails to satisfy the foregoing requirements with respect to its shares of the Fund or (y) by application of various provisions of the Code (for instance, the dividends-received deduction is reduced in the case of a dividend received on debt-financed portfolio stock (generally, stock acquired with borrowed funds)). The Aggregate Bond Index Fund does not expect Fund distributions to be eligible for the dividends-received deduction.

Any distribution of income that is attributable to (a) income received by a Fund in lieu of dividends with respect to securities on loan pursuant to a securities lending transaction or (b) dividend income received by a Fund on securities it temporarily purchased from a counterparty pursuant to a repurchase agreement that is treated for U.S. federal income tax purposes as a loan by the Fund, will not constitute qualified dividend income to individual shareholders and will not be eligible for the dividends-received deduction for corporate shareholders.

If a Fund makes a distribution to a shareholder in excess of the Fund's current and accumulated earnings and profits in any taxable year, the excess distribution will be treated as a return of capital to the extent of such shareholder's tax basis in its shares, and thereafter as capital gain. A return of capital is not taxable, but it reduces a shareholder's tax basis in its shares, thus reducing any loss or increasing any gain on a subsequent taxable disposition by the shareholder of its shares.

If a Fund holds, directly or indirectly, one or more "tax credit bonds" on one or more applicable dates during a taxable year, the Fund may elect to permit its shareholders to claim a tax credit on their income tax returns equal to each shareholder's proportionate share of tax credits from the bond otherwise allowed to the Fund. In such a case, shareholders must include in gross income (as interest) their proportionate share of the income attributable to the tax credits. A shareholder's ability to claim a tax credit associated with one or more tax credit bonds may be subject to certain limitations imposed by the Code, and the amount of the tax credits may not exceed the amount reported by the Fund in a written notice to shareholders. Even if a Fund is eligible to pass through tax credits to shareholders, the Fund may choose not to do so.



As required by federal law, detailed federal tax information with respect to each calendar year will be furnished to each shareholder early in the succeeding year.

### Tax Implications of Certain Fund Investments

*Investment in Portfolios and Underlying Funds.* Because each of the Index Funds and the Strategic Real Return Fund will invest substantially all of its assets in shares of a corresponding Portfolio, and each of the Target Funds will invest in shares of the Underlying Funds, each such Fund's distributable income and gains will normally consist substantially of distributions from the corresponding Portfolio or the Underlying Funds in which it invests. To the extent that a Portfolio or Underlying Fund realizes net losses on its investments for a given taxable year, the corresponding Fund will not be able to benefit from those losses until and only to the extent that (i) the Portfolio or Underlying Fund realizes gains that it can reduce by those losses, or (ii) the Fund recognizes its share of those losses when it disposes of shares of the Portfolio or Underlying Fund in a transaction qualifying for sale or exchange treatment. Moreover, even when a Fund does make such a disposition, any loss will be recognized as a capital loss, a portion of which may be a long-term capital loss. A Fund will not be able to offset any capital losses from its dispositions of shares of the corresponding Portfolio or Underlying Funds against its ordinary income (including distributions of any net short-term capital gains realized by a Portfolio or Underlying Fund), and the Fund's long-term capital losses first offset its long-term capital gains, increasing the likelihood that the Fund's short-term capital gains are distributed to shareholders as ordinary income.

In addition, in certain circumstances, the "wash sale" rules under Section 1091 of the Code may apply to these Funds' sales of the corresponding Portfolio or Underlying Fund shares that have generated losses. A wash sale occurs if shares of an issuer are sold by a Fund at a loss and the Fund acquires additional shares of that same issuer 30 days before or after the date of the sale. The wash-sale rules could defer losses in these Funds' hands on corresponding Portfolio or Underlying Fund shares (to the extent such sales are wash sales) for extended (and, in certain cases, potentially indefinite) periods of time.

The foregoing rules may cause the tax treatments of these Funds' gains, losses and distributions to differ at times from the tax treatment that would apply if the Fund invested directly in the types of securities held by the corresponding Portfolio or the Underlying Funds. As a result, investors may receive taxable distributions earlier and recognize higher amounts of capital gain or ordinary income than they otherwise would.

Finally, a RIC generally must look through its 20 percent voting interest in a corporation, including a RIC, to the underlying assets thereof for purposes of the diversification test; special rules potentially provide limited relief from the application of this rule where a RIC owns such an interest in an underlying RIC (as defined below), such as the Portfolio.

*Investments in Other RICs.* If a Fund receives dividends from the Portfolio or an Underlying Fund or the Portfolio or the Underlying Fund receives dividends from another underlying RIC (each, an "underlying RIC"), and the underlying RIC reports such dividends as qualified dividend income, then the Fund, the Portfolio or the Underlying Fund is permitted, in turn, to report a portion of such dividends as "qualified dividend income" when it distributes such portion to its shareholders, provided holding period and other requirements are met.

If a Fund, a Portfolio or Underlying Fund receives dividends from an underlying RIC, and the underlying RIC reports such dividends as eligible for the dividends-received deduction, then the Fund, the Portfolio or the Underlying Fund is permitted, in turn, to report a portion of such dividends as eligible for the dividends-received deduction as well when it distributes such portion to its shareholders, provided holding period and other requirements are met.

If an underlying RIC in which a Fund invests elects to pass through tax credit bond credits to its shareholders, then the Fund is permitted in turn to elect to pass through its proportionate share of those tax credits to its shareholders, provided that the Fund meets shareholder notice and other requirements.

*Special Rules for Debt Obligations.* Some debt obligations with a fixed maturity date of more than one year from the date of issuance (and zero-coupon debt obligations with a fixed maturity date of more than one year from the date of issuance) will be treated as debt obligations that are issued originally at a discount. Generally, original issue discount ("OID") is treated as interest income and is included in a Fund's income and required to be distributed by the Fund over the term of the debt security, even though payment of that amount is not received until a later time, upon partial or full repayment or disposition of the debt security. In addition, payment-in-kind securities will give rise to income which is required to be distributed and is taxable even though the Fund holding the security receives no interest payment in cash on the security during the year.

Some debt obligations with a fixed maturity date of more than one year from the date of issuance that are acquired in the secondary market by a Fund may be treated as having “market discount.” Very generally, market discount is the excess of the stated redemption price of a debt obligation (or in the case of an obligation issued with OID, its “revised issue price”) over the purchase price of such obligation. Generally, any gain recognized on the disposition of, and any partial payment of principal on, a debt security having market discount is treated as ordinary income to the extent the gain, or principal payment, does not exceed the “accrued market discount” on such debt security. Alternatively, a Fund may elect to accrue market discount currently, in which case the Fund will be required to include the accrued market discount in income (as ordinary income) and thus distribute it over the term of the debt security, even though payment of that amount is not received until a later time, upon partial or full repayment or disposition of the debt security. The rate at which the market discount accrues, and thus is included in a Fund’s income, will depend upon which of the permitted accrual methods the Fund elects.

If a Fund holds the foregoing kinds of obligations, or other obligations subject to special rules under the Code, the Fund may be required to pay out as an income distribution each year an amount which is greater than the total amount of cash interest the Fund actually received. Such distributions may be made from the cash assets of the Fund or, if necessary, by disposition of portfolio securities including at a time when it may not be advantageous to do so. These dispositions may cause a Fund to realize higher amounts of short-term capital gains (generally taxed to shareholders at ordinary income tax rates) and, in the event the Fund realizes net capital gains from such transactions, its shareholders may receive a larger Capital Gain Dividend than they would have if the Fund had not held such obligations.

*Securities Purchased at a Premium.* Very generally, where a Fund purchases a bond at a price that exceeds the redemption price at maturity – that is, at a premium — the premium is amortizable over the remaining term of the bond. In the case of a taxable bond, if a Fund makes an election applicable to all such bonds it purchases, which election is irrevocable without consent of the IRS, the Fund reduces the current taxable income from the bond by the amortized premium and reduces its tax basis in the bond by the amount of such offset; upon the disposition or maturity of such bonds acquired on or after January 4, 2013, the Fund is permitted to deduct any remaining premium allocable to a prior period.

A portion of the OID accrued on certain high yield discount obligations may not be deductible to the issuer and will instead be treated as a dividend paid by the issuer for purposes of the dividends-received deduction. In such cases, if the issuer of the high yield discount obligations is a domestic corporation, dividend payments by a Fund may be eligible for the dividends-received deduction to the extent attributable to the deemed dividend portion of such OID.

*At-risk or Defaulted Securities.* Investments in debt obligations that are at risk of or in default present special tax issues for the Funds. Tax rules are not entirely clear about issues such as when a Fund may cease to accrue interest, OID or market discount; whether, when or to what extent the Fund should recognize market discount on a debt obligation; when and to what extent a Fund may take deductions for bad debts or worthless securities; and how a Fund should allocate payments received on obligations in default between principal and income. These and other related issues will be addressed by a Fund when, as and if it invests in such securities, in order to seek to ensure that it distributes sufficient income to preserve its status as a RIC and does not become subject to U.S. federal income or excise tax.

*Certain Investments in REITs.* Any investment by a Fund in equity securities of real estate investment trusts qualifying as such under Subchapter M of the Code (“REITs”) may result in the Fund’s receipt of cash in excess of the REIT’s earnings; if the Fund distributes these amounts, these distributions could constitute a return of capital to Fund shareholders for U.S. federal income tax purposes. Dividends received by a Fund from a REIT will not qualify for the corporate dividends-received deduction and generally will not constitute qualified dividend income.

*Certain Investments in Mortgage Pooling Vehicles.* Certain Funds may invest directly or indirectly in residual interests in real estate mortgage investment conduits (“REMICs”) (including by investing in residual interests in collateralized mortgage obligations (“CMOs”) with respect to which an election to be treated as a REMIC is in effect) or equity interests in taxable mortgage pools (“TMPs”). Under a notice issued by the IRS in October 2006 and Treasury regulations that have yet to be issued but may apply retroactively, a portion of a Fund’s income (including income allocated to the Fund from certain pass-through entities) that is attributable to a residual interest in a REMIC or an equity interest in a TMP (referred to in the Code as an “excess inclusion”) will be subject to U.S. federal income tax in all events. This notice also provides, and the regulations are expected to provide, that excess inclusion income of a RIC, such as a Fund, will be allocated to shareholders of the RIC in proportion to the dividends received by such shareholders, with the same consequences as if the shareholders held the related interest directly. As a result, a RIC investing in such securities may not be a suitable investment for charitable remainder trusts, as noted below.

In general, excess inclusion income allocated to shareholders (i) cannot be offset by net operating losses (subject to a limited exception for certain thrift institutions), (ii) will constitute unrelated business taxable income (“UBTI”) to entities (including a qualified pension plan, an individual retirement account, a 401(k) plan, a Keogh plan or other tax-exempt entity) subject to tax on UBTI, thereby potentially requiring such an entity that is allocated excess inclusion income, and that otherwise might not be required to file a tax return, to file a tax return and pay tax on such income, and (iii) in the case of a foreign shareholder will not qualify for any reduction in U.S. federal withholding tax. A shareholder will be subject to U.S. federal income tax on such inclusions notwithstanding any exemption from such income tax otherwise available under the Code.

*Foreign Currency Transactions.* Any transaction by a Fund in foreign currencies, foreign currency-denominated debt obligations or certain foreign currency options, futures contracts or forward contracts (or similar instruments) may give rise to ordinary income or loss to the extent such income or loss results from fluctuations in the value of the foreign currency concerned. Any such net gains could require a larger dividend toward the end of the calendar year. Any such net losses will generally reduce and potentially require the recharacterization of prior ordinary income distributions. Such ordinary income treatment may accelerate a Fund’s distributions to shareholders and increase the distributions taxed to shareholders as ordinary income. Any net ordinary losses so created cannot be carried forward by the Fund to offset income or gains earned in subsequent taxable years.

*Passive Foreign Investment Companies.* Equity investments by a Fund in certain “passive foreign investment companies” (“PFICs”) could potentially subject the Fund to a U.S. federal income tax (including interest charges) on distributions received from the company or on proceeds received from the disposition of shares in the company. This tax cannot be eliminated by making distributions to Fund shareholders. However, a Fund may elect to avoid the imposition of that tax. For example, a Fund may elect to treat a PFIC as a “qualified electing fund” (*i.e.*, make a “QEF election”), in which case the Fund will be required to include its share of the PFIC’s income and net capital gains annually, regardless of whether it receives any distribution from the PFIC. A Fund also may make an election to mark the gains (and to a limited extent losses) in such holdings “to the market” as though it had sold (and, solely for purposes of this mark-to-market election, repurchased) its holdings in those PFICs on the last day of the Fund’s taxable year. Such gains and losses are treated as ordinary income and loss. The QEF and mark-to-market elections may accelerate the recognition of income (without the receipt of cash) and increase the amount required to be distributed by the Fund to avoid taxation. Either of these elections therefore may require a Fund to liquidate other investments (including when it is not advantageous to do so) to meet its distribution requirement, which also may accelerate the recognition of gain and affect the Fund’s total return. Dividends paid by PFICs will not be eligible to be treated as “qualified dividend income.”

Because it is not always possible to identify a foreign corporation as a PFIC, a Fund may incur the tax and interest charges described above in some instances.

*Options and Futures.* In general, option premiums received by a Fund are not immediately included in the income of the Fund. Instead, the premiums are recognized when the option contract expires, the option is exercised by the holder, or the Fund transfers or otherwise terminates the option (*e.g.*, through a closing transaction). If a call option written by a Fund is exercised and the Fund sells or delivers the underlying stock, the Fund generally will recognize capital gain or loss equal to (a) the sum of the strike price and the option premium received by the Fund minus (b) the Fund’s basis in the stock. Such gain or loss generally will be short-term or long-term depending upon the holding period of the underlying stock. If securities are purchased by a Fund pursuant to the exercise of a put option written by it, the Fund generally will subtract the premium received for purposes of computing its cost basis in the securities purchased. Gain or loss arising in respect of a termination of a Fund’s obligation under an option other than through the exercise of the option will be short-term gain or loss depending on whether the premium income received by the Fund is greater or less than the amount paid by the Fund (if any) in terminating the transaction. Thus, for example, if an option written by a Fund expires unexercised, the Fund generally will recognize short-term gain equal to the premium received.

A Fund’s options activities may include transactions constituting straddles for U.S. federal income tax purposes, that is, that trigger the U.S. federal income tax straddle rules contained primarily in Section 1092 of the Code. Such straddles include, for example, positions in a particular security, or an index of securities, and one or more options that offset the former position, including options that are “covered” by a Fund’s long position in the subject security. Very generally, where applicable, Section 1092 requires (i) that losses be deferred on positions deemed to be offsetting positions with respect to “substantially similar or related property,” to the extent of unrealized gain in the latter, and (ii) that the holding period of such a straddle position that has not already been held for the long-term holding period be terminated and begin anew once the position is no longer part of a straddle. Options on single stocks that are not “deep in the money” may constitute qualified covered calls, which generally are not subject to the straddle rules; the holding

period on stock underlying qualified covered calls that are “in the money” although not “deep in the money” will be suspended during the period that such calls are outstanding. Thus, the straddle rules and the rules governing qualified covered calls could cause gains that would otherwise constitute long-term capital gains to be treated as short-term capital gains, and distributions that would otherwise constitute “qualified dividend income” or qualify for the dividends-received deduction to fail to satisfy the holding period requirements and therefore to be taxed as ordinary income or fail to qualify for the 70% dividends-received deduction, as the case may be.

The tax treatment of certain positions entered into by a Fund, including regulated futures contracts, certain foreign currency positions and certain listed non-equity options, will be governed by section 1256 of the Code (“section 1256 contracts”). Gains or losses on section 1256 contracts generally are considered 60% long-term and 40% short-term capital gains or losses (“60/40”), although certain foreign currency gains and losses from such contracts may be treated as ordinary in character. Also, section 1256 contracts held by a Fund at the end of each taxable year (and, for purposes of the 4% excise tax, on certain other dates as prescribed under the Code) are “marked to market” with the result that unrealized gains or losses are treated as though they were realized and the resulting gain or loss is treated as ordinary or 60/40 gain or loss, as applicable.

*Derivatives, Hedging, and Related Transactions.* In addition to the special rules described above in respect of futures and options transactions, a Fund’s transactions in other derivative instruments (e.g., forward contracts and swap agreements), as well as any of its hedging, short sale, securities loan or similar transactions, may be subject to one or more special tax rules (e.g., notional principal contract, straddle, constructive sale, wash sale and short sale rules). These rules may affect whether gains and losses recognized by a Fund are treated as ordinary or capital, accelerate the recognition of income or gains to the Fund, defer losses to the Fund, and cause adjustments in the holding periods of the Fund’s securities, thereby affecting whether capital gains and losses are treated as short-term or long-term. These rules could therefore affect the amount, timing and/or character of distributions to shareholders.

Because these and other tax rules applicable to these types of transactions are in some cases uncertain under current law, an adverse determination or future guidance by the IRS with respect to these rules (which determination or guidance could be retroactive) may affect whether a Fund has made sufficient distributions, and otherwise satisfied the relevant requirements, to maintain its qualification as a RIC and avoid a Fund-level tax.

*Commodity-Linked Instruments and Investments in the Strategic Real Return Portfolio.* A Fund’s direct or indirect investments in commodities and commodity-linked instruments, including, in the case of the Strategic Real Return Fund, through the activities of the Subsidiary, as described below, can be limited by the Fund’s intention to qualify as a RIC, and can bear on the Fund’s ability to so qualify. Income and gains from commodities and certain commodity-linked instruments does not constitute qualifying income to a RIC for purposes of the 90% gross income test described above. The tax treatment of some other commodity-linked instruments in which a Fund might invest is not certain, in particular with respect to whether income or gains from such instruments constitute qualifying income to a RIC. If a Fund were to treat income or gain from a particular instrument as qualifying income and the income or gain were later determined not to constitute qualifying income and, together with any other nonqualifying income, caused the Fund’s nonqualifying income to exceed 10% of its gross income in any taxable year, the Fund would fail to qualify as a RIC unless it is eligible to and does pay a tax at the Fund level.

The Strategic Real Return Fund intends to gain exposure to commodities and commodity-related investments, in whole or in part, through the Strategic Real Return Portfolio’s investment in the Subsidiary. The Subsidiary is wholly-owned by the Strategic Real Return Portfolio. A U.S. person who owns (directly, indirectly or constructively) 10 percent or more of the total combined voting power of all classes of stock of a foreign corporation is a “United States Shareholder” for purposes of the controlled foreign corporation (“CFC”) provisions of the Code. A foreign corporation is a CFC if, on any day of its taxable year, more than 50 percent of the voting power or value of its stock is owned (directly, indirectly or constructively) by “United States Shareholders.” Because the Strategic Real Return Portfolio is a U.S. person that owns all of the stock of the Subsidiary, the Strategic Real Return Portfolio is a “United States Shareholder” and the Subsidiary is a CFC. As a “United States Shareholder,” the Strategic Real Return Portfolio is required to include in gross income for United States federal income tax purposes, as ordinary income, all of the Subsidiary’s “subpart F income,” whether or not such income is distributed by the Subsidiary, which may increase the ordinary income recognized by the Strategic Real Return Portfolio. “Subpart F income” generally includes interest, original issue discount, dividends, net gains from the disposition of stocks or securities, receipts with respect to securities loans and net payments received with respect to equity swaps and similar derivatives. “Subpart F income” also includes the excess of gains over losses from transactions (including futures, forward and similar transactions) in commodities. It is expected that all of the Subsidiary’s income will be “subpart F income.” The Strategic Real Return Portfolio’s recognition of the Subsidiary’s “subpart F income” will increase the Strategic Real Return Portfolio’s tax basis in the Subsidiary’s shares. Distributions by the Subsidiary to the Strategic Real Return Portfolio will be tax-free, to the extent of its

previously undistributed “subpart F income,” and will correspondingly reduce the Strategic Real Return Portfolio’s tax basis in the Subsidiary’s shares. “Subpart F income” is generally treated as ordinary income, regardless of the character of the Subsidiary’s underlying income. If a net loss is realized by the Subsidiary, such loss is generally not available to offset the income earned by the Strategic Real Return Portfolio.

The rules regarding the extent to which such subpart F inclusions will be treated as “qualifying income” for purposes of the 90% gross income requirement described above are unclear and currently under consideration. In the absence of further guidance, the Strategic Real Return Fund and the Strategic Real Return Portfolio will seek to ensure that the Strategic Real Return Portfolio satisfies the 90% gross income requirement, including but not limited to by ensuring that the Subsidiary timely distributes to the Strategic Real Return Portfolio an amount equal to the Subsidiary’s subpart F income by the end of the Subsidiary’s taxable year. In order to make such distributions, the Subsidiary may be required to sell investments, including at a time when it may be disadvantageous to do so. If the Strategic Real Return Portfolio were to fail to qualify as a RIC accorded special tax treatment in any taxable year, it would be subject to tax on its taxable income at corporate rates, and all distributions from earnings and profits, including any distributions of net tax-exempt income and net long-term capital gains, would be taxable to shareholders as ordinary income. In addition, the Strategic Real Return Portfolio could be required to pay substantial taxes, penalties and interest, and to make substantial distributions, in order to re-qualify for such special treatment.

*Book-Tax Differences.* Certain of a Fund’s investments in derivative instruments and foreign currency-denominated instruments, and any of the Fund’s transactions in foreign currencies and hedging activities, are likely to produce a difference between its book income and the sum of its taxable income and net tax-exempt income (if any). If such a difference arises, and a Fund’s book income is less than the sum of its taxable income and net tax-exempt income, the Fund could be required to make distributions exceeding book income to qualify as a RIC that is accorded special tax treatment and to avoid an entity-level tax. In the alternative, if a Fund’s book income exceeds the sum of its taxable income (including realized capital gains) and net tax-exempt income, the distribution (if any) of such excess generally will be treated as (i) a dividend to the extent of the Fund’s remaining earnings and profits (including earnings and profits arising from tax-exempt income), (ii) thereafter, as a return of capital to the extent of the recipient’s basis in its shares, and (iii) thereafter as gain from the sale or exchange of a capital asset.

#### Foreign Taxation

A Fund’s income, proceeds and gains from sources within foreign countries may be subject to non-U.S. withholding or other taxes, which will reduce the yield on those investments. Tax conventions between certain countries and the United States may reduce or eliminate such taxes. If, at the close of a Fund’s taxable year, more than 50% of the assets of the Fund consists of the securities of foreign corporations, the Fund may elect to permit shareholders to claim a credit or deduction on their income tax returns for their pro rata portions of qualified taxes paid by a Fund to foreign countries in respect of foreign securities that the Fund has held for at least the minimum period specified in the Code. In such a case, shareholders will include in gross income from foreign sources their pro rata shares of such taxes paid by such Fund. A shareholder’s ability to claim an offsetting foreign tax credit or deduction in respect of foreign taxes paid by a Fund is subject to certain limitations imposed by the Code, which may result in the shareholder’s not receiving a full credit or deduction (if any) for the amount of such taxes. Shareholders who do not itemize on their U.S. federal income tax returns may claim a credit (but not a deduction) for such foreign taxes. Even if a Fund were eligible to make such an election for a given year, it may determine not to do so.

If at the close of each quarter of its taxable year, at least 50% of the total assets of the Index Funds, the Strategic Real Return Fund, and the Target Funds consist of interests in other RICs (such as the Portfolios or the Underlying Funds), those Funds will be “qualified fund of funds.” In that case, the Fund is permitted to elect to pass through to its shareholders foreign income and other similar taxes paid by the Fund in respect of foreign securities held directly by the Fund or by the underlying RIC in which it invests that itself elected to pass such taxes through to shareholders. However, even if a Fund qualifies to make such election for any year, it may determine not to do so. Shareholders that are not subject to U.S. federal income tax, and those who invest in a Fund through tax-advantaged accounts (including those who invest through individual retirement accounts or other tax-advantaged retirement plans), generally will receive no benefit from any tax credit or deduction passed through by the Fund.

### Backup Withholding

A Fund generally is required to withhold and remit to the U.S. Treasury a percentage of the taxable distributions and redemption proceeds paid to any individual shareholder who fails to properly furnish the Fund with a correct taxpayer identification number (“TIN”), who has under-reported dividend or interest income, or who fails to certify to the Fund that he or she is not subject to such withholding. The backup withholding rate is 28%.

Backup withholding is not an additional tax. Any amounts withheld may be credited against the shareholder’s U.S. federal income tax liability, provided the appropriate information is furnished to the IRS.

### Tax-Exempt Shareholders

Income of a RIC that would be unrelated business taxable income (“UBTI”) if earned directly by a tax-exempt entity will not generally constitute UBTI when distributed to a tax-exempt shareholder of the RIC. Notwithstanding this “blocking” effect, a tax-exempt shareholder could realize UBTI by virtue of its investment in a Fund if shares in the Fund constitute debt-financed property in the hands of the tax-exempt shareholder within the meaning of Code Section 514(b).

A tax-exempt shareholder may also recognize UBTI if a Fund recognizes “excess inclusion income” derived from direct or indirect investments in residual interests in REMICS or equity interests in TMPs if the amount of such income recognized by the Fund exceeds the Fund’s investment company taxable income (after taking into account deductions for dividends paid by the Fund).

In addition, special tax consequences apply to charitable remainder trusts (“CRTs”) that invest in RICs that invest directly or indirectly in residual interests in REMICS or equity interests in TMPs. Under legislation enacted in December 2006, a CRT (as defined in section 664 of the Code) that realizes any UBTI for a taxable year must pay an excise tax annually of an amount equal to such UBTI. Under IRS guidance issued in October 2006, a CRT will not recognize UBTI as a result of investing in a RIC that recognizes “excess inclusion income.” Rather, if at any time during any taxable year a CRT (or one of certain other tax-exempt shareholders, such as the United States, a state or political subdivision, or an agency or instrumentality thereof, and certain energy cooperatives) is a record holder of a share in a RIC that recognizes “excess inclusion income,” then the RIC will be subject to a tax on that portion of its “excess inclusion income” for the taxable year that is allocable to such shareholders at the highest federal corporate income tax rate. The extent to which this IRS guidance remains applicable in light of the December 2006 legislation is unclear. To the extent permitted under the 1940 Act, each Fund may elect to specially allocate any such tax to the applicable CRT, or other shareholder, and thus reduce such shareholder’s distributions for the year by the amount of the tax that relates to such shareholder’s interest in a Fund. CRTs are urged to consult their tax advisors concerning the consequences of investing in each Fund.

### Redemptions and Exchanges

Redemptions and exchanges of each Fund’s shares are taxable events and, accordingly, shareholders may realize gain or loss on these transactions. In general, any gain or loss realized upon a taxable disposition of shares will be treated as long-term capital gain or loss if the shares have been held for more than 12 months. Otherwise, the gain or loss on the taxable disposition of Fund shares will be treated as short-term capital gain or loss. However, any loss realized upon a taxable disposition of Fund shares held by a shareholder for six months or less will be treated as long-term, rather than short-term, to the extent of any Capital Gain Dividends received (or deemed received) by the shareholder with respect to the shares. Further, subject to the discussion below regarding money market funds, all or a portion of any loss realized upon a taxable disposition of Fund shares generally will be disallowed under the Code’s “wash sale” rule if other substantially identical shares are purchased, including by means of dividend reinvestment, within 30 days before or after the disposition. In such a case, the basis of the newly purchased shares will be adjusted to reflect the disallowed loss.

The IRS permits a simplified method of accounting for gains and losses realized upon the disposition of shares of a regulated investment company that is a money market fund. Very generally, rather than realizing gain or loss upon each redemption of a share, a shareholder of a Fund using such method of accounting will recognize gain or loss with respect to such a Fund’s shares for a given computation period (the shareholder’s taxable year or shorter period selected by the shareholder) equal to the value of all the Fund shares held by the shareholder on the last day of the computation period, less the value of all Fund shares held by the shareholder on the last day of the preceding computation period, less the shareholder’s net investment in the Fund (generally, purchases minus redemptions) made during the computation period. The IRS has also published guidance providing that the “wash sale” rule of the Code—disallowing losses on taxable dispositions of Fund shares where other substantially identical shares are purchased, including by means of dividend reinvestment, within 30 days before or after the disposition—will not apply to redemptions of shares in a so-called floating NAV money market fund, such as the 60 Day Fund and the Liquid Assets Fund. Shareholders of a Fund are urged to consult their own tax advisors regarding their investment in the Fund.

Upon the redemption or exchange of shares of a Fund, the Fund or, in the case of shares purchased through a financial intermediary, the financial intermediary may be required to provide you and the IRS with cost basis and certain other related tax information about the Fund shares you redeemed or exchanged. See the Funds' prospectuses for more information.

## Tax Shelter Reporting

Under Treasury regulations, if a shareholder recognizes a loss of \$2 million or more for an individual shareholder or \$10 million or more for a corporate shareholder, the shareholder must file with the IRS a disclosure statement on IRS Form 8886. Direct shareholders of portfolio securities are in many cases excepted from this reporting requirement, but under current guidance, shareholders of a RIC are not excepted. Future guidance may extend the current exception from this reporting requirement to shareholders of most or all RICs. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Shareholders should consult their tax advisers to determine the applicability of these regulations in light of their individual circumstances.

## Non-U.S. Shareholders

Non-U.S. shareholders in a Fund should consult their tax advisors concerning the tax consequences of ownership of shares in the Fund. Distributions by a Fund to shareholders that are not "U.S. persons" within the meaning of the Code ("foreign shareholders") properly reported by the Fund as (1) Capital Gain Dividends, (2) short-term capital gain dividends, and (3) interest-related dividends, each as defined and subject to certain conditions described below, generally are not subject to withholding of U.S. federal income tax.

In general, the Code defines (1) "short-term capital gain dividends" as distributions of net short-term capital gains in excess of net long-term capital losses and (2) "interest-related dividends" as distributions from U.S.-source interest income of types similar to those not subject to U.S. federal income tax if earned directly by an individual foreign shareholder, in each case to the extent such distributions are properly reported as such by a Fund in a written notice to shareholders.

The exceptions to withholding for Capital Gain Dividends and short-term capital gain dividends do not apply to (A) distributions to an individual foreign shareholder who is present in the United States for a period or periods aggregating 183 days or more during the year of the distribution and (B) distributions attributable to gain that is treated as effectively connected with the conduct by the foreign shareholder of a trade or business within the United States under special rules regarding the disposition of U.S. real property interests as described below. If a Fund invests in a RIC that pays such distributions to the Fund, such distributions retain their character as not subject to withholding if properly reported when paid by the Fund to foreign shareholders. The exception to withholding for interest-related dividends does not apply to distributions to a foreign shareholder (i) that has not provided a satisfactory statement that the beneficial owner is not a U.S. person, (ii) to the extent that the dividend is attributable to certain interest on an obligation if the foreign shareholder is the issuer or is a 10% shareholder of the issuer, (iii) that is within certain foreign countries that have inadequate information exchange with the United States, or (iv) to the extent the dividend is attributable to interest paid by a person that is a related person of the foreign shareholder and the foreign shareholder is a controlled foreign corporation). A RIC is permitted to report such parts of its dividends as are eligible to be treated as interest-related or short-term capital gain dividends, but is not required to do so. In the case of shares held through an intermediary, the intermediary may withhold even if a Fund reports all or a portion of a payment as an interest-related or short-term capital gain dividend to shareholders.

Foreign shareholders should contact their intermediaries regarding the application of withholding rules to their accounts.

Distributions by a Fund to foreign shareholders other than Capital Gain Dividends, short-term capital gain dividends and interest-related dividends (e.g., dividends attributable to dividend and foreign-source interest income or to short-term capital gains or U.S. source interest income to which the exception from withholding described above does not apply) are generally subject to withholding of U.S. federal income tax at a rate of 30% (or lower applicable treaty rate).

A foreign shareholder is not, in general, subject to U.S. federal income tax on gains (and is not allowed a deduction for losses) realized on the sale of shares of a Fund unless (a) such gain is effectively connected with the conduct of a trade or business carried on by such holder within the United States, (b) in the case of an individual holder, the holder is present in the United States for a period or periods aggregating 183 days or more during the year of the sale and certain other conditions are met, or (c) the special rules relating to gain attributable to the sale or exchange of "U.S. real property interests" ("USRPIs") apply to the foreign shareholder's sale of shares of the Fund (as described below).

Foreign shareholders with respect to whom income from a Fund is effectively connected with a trade or business conducted by the foreign person within the United States will in general be subject to U.S. federal income tax on the income derived from the Fund at the graduated rates applicable to U.S. citizens, residents or domestic corporations, whether such income is received in cash or



reinvested in shares of the Fund and, in the case of a foreign corporation, may also be subject to a branch profits tax. If a foreign shareholder is eligible for the benefits of a tax treaty, any effectively connected income or gain will generally be subject to U.S. federal income tax on a net basis only if it is also attributable to a permanent establishment maintained by the shareholder in the United States. More generally, foreign shareholders who are residents in a country with an income tax treaty with the United States may obtain different tax results than those described herein, and are urged to consult their tax advisors.

Special rules would apply if a Fund were a qualified investment entity (“QIE”) because it is either a “U.S. real property holding corporation” (“USRPHC”) or would be a USRPHC but for the operation of certain exceptions to the definition thereof. Very generally, a USRPHC is a domestic corporation that holds USRPIs the fair market value of which equals or exceeds 50% of the sum of the fair market values of the corporation’s USRPIs, interests in real property located outside the United States, and other trade or business assets. USRPIs are generally defined as any interest in U.S. real property and any interest (other than solely as a creditor) in a USRPHC or, very generally, an entity that has been a USRPHC in the last five years. A Fund that holds, directly or indirectly, significant interests in REITs may be a USRPHC. Interests in domestically controlled QIEs, including REITs and RICs that are QIEs, not-greater-than-10% interests in publicly traded classes of stock in REITs and not-greater-than-5% interests in publicly traded classes of stock in RICs generally are not USRPIs, but these exceptions do not apply for purposes of determining whether a Fund is a QIE. If an interest in a Fund were a USRPI, the Fund would be required to withhold U.S. tax on the proceeds of a share redemption by a greater-than-5% foreign shareholder, in which case such foreign shareholder generally would also be required to file U.S. tax returns and pay any additional taxes due in connection with the redemption.

If a Fund were a QIE under a special “look-through” rule, any distributions by the Fund to a foreign shareholder attributable directly or indirectly to (i) distributions received by the Fund from a lower-tier REIT that the Fund is required to treat as USRPI gain in its hands and (ii) gains realized on the disposition of USRPIs by the Fund, would retain their character as gains realized from USRPIs in the hands of the Fund’s foreign shareholders and would be subject to U.S. tax withholding. In addition, such distributions could result in the foreign shareholder being required to file a U.S. tax return and pay tax on the distributions at regular U.S. federal income tax rates. The consequences to a foreign shareholder, including the rate of such withholding and character of such distributions (e.g., as ordinary income or USRPI gain), would vary depending upon the extent of the foreign shareholder’s current and past ownership of the Fund. Each Fund generally does not expect that it will be a QIE.

Foreign shareholders of a Fund also may be subject to “wash sale” rules to prevent the avoidance of the tax-filing and –payment obligations discussed above through the sale and repurchase of Fund shares.

Foreign shareholders should consult their tax advisers and, if holding shares through intermediaries, their intermediaries, concerning the application of these rules to their investment in a Fund.

In order for a foreign shareholder to qualify for any exemptions from withholding described above or from lower withholding tax rates under income tax treaties, or to establish an exemption from back back-up withholding, the foreign shareholder must comply with special certification and filing requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN, IRS Form W-8BEN-E or substitute form). Non-U.S. investors in a Fund should consult their tax advisers in this regard.

Special rules (including withholding and reporting requirements) apply to foreign partnerships and those holding Fund shares through foreign partnerships. Additional considerations may apply to foreign trusts and estates. Investors holding Fund shares through foreign entities should consult their tax advisers about their particular situation.

A foreign shareholder may be subject to state and local tax and to the U.S. federal estate tax in addition to the U.S. federal income tax on income referred to above.

#### Shareholder Reporting Obligations With Respect To Foreign Bank and Financial Accounts

Shareholders that are U.S. persons and own, directly or indirectly, more than 50% of a Fund by vote or value could be required to report annually their “financial interest” in the Fund’s “foreign financial accounts,” if any, on FinCEN Form 114, Report of Foreign Bank and Financial Accounts (“FBAR”). Shareholders should consult a tax advisor, and persons investing in a Fund through an intermediary should contact their intermediary, regarding the applicability to them of this reporting requirement.

### Other Reporting and Withholding Requirements

Sections 1471-1474 of the Code and the U.S. Treasury and IRS guidance issued thereunder (collectively, “FATCA”) generally require a Fund to obtain information sufficient to identify the status of each of its shareholders under FATCA or under an applicable intergovernmental agreement (an “IGA”) between the United States and a foreign government. If a shareholder fails to provide the requested information or otherwise fails to comply with FATCA or an IGA, the Fund may be required to withhold under FATCA at a rate of 30% with respect to that shareholder on ordinary dividends it pays and 30% of the gross proceeds of share redemptions or exchanges and certain Capital Gain Dividends it pays on or after January 1, 2019. If a payment by a Fund is subject to FATCA withholding, the Fund is required to withhold even if such payment would otherwise be exempt from withholding under the rules applicable to foreign shareholders described above (e.g., Capital Gain Dividends, short-term capital gain dividends and interest-related dividends).

Each prospective investor is urged to consult its tax adviser regarding the applicability of FATCA and any other reporting requirements with respect to the prospective investor’s own situation, including investments through an intermediary.

### General Considerations

The U.S. federal income tax discussion set forth above is for general information only. Prospective investors should consult their tax advisers regarding the specific U.S. federal income tax consequences of purchasing, holding, and disposing of shares of the Fund, as well as the effects of state, local, foreign, and other tax laws and any proposed tax law changes.

### **UNDERWRITER**

SSGA FD serves as the Funds’ distributor pursuant to the Distribution Agreement by and between the Distributor and the Trust. Pursuant to the Distribution Agreement, the Funds pay the Distributor fees under the Rule 12b-1 Plan in effect for the Funds. For a description of the fees paid to the Distributor under the Rule 12b-1 Plan, see “Shareholder Servicing and Distribution Plans,” above. The Distributor is not obligated to sell any specific number of shares and will sell shares of a Fund on a continuous basis only against orders to purchase shares. The principal business address of the Distributor is One Lincoln Street, Boston, MA 02111.

### **FINANCIAL STATEMENTS**

The audited financial statements for the fiscal year ended December 31, 2016 for the Funds in operation at that date are included in the Annual Report of the Trust (the “Annual Report”), which was filed with the SEC on March 10, 2017 as part of the Trust’s filing on Form N-CSR (SEC Accession No. 0001193125-17-078256) and are incorporated into this SAI by reference. The Annual Report is available, without charge, upon request, by calling (866) 392-0869.

## APPENDIX A

### RATINGS OF DEBT INSTRUMENTS

#### **MOODY'S INVESTORS SERVICE, INC. ("MOODY'S")**

##### GLOBAL LONG-TERM RATING SCALE

Ratings assigned on Moody's global long-term rating scale are forward-looking opinions of the relative credit risks of financial obligations issued by non-financial corporates, financial institutions, structured finance vehicles, project finance vehicles, and public sector entities. Long-term ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default.

**Aaa:** Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

**Aa:** Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

**A:** Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.

**Baa:** Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

**Ba:** Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.

**B:** Obligations rated B are considered speculative and are subject to high credit risk.

**Caa:** Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.

**Ca:** Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

**C:** Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms.\*

\* By their terms, hybrid securities allow for the omission of scheduled dividends, interest, or principal payments, which can potentially result in impairment if such an omission occurs. Hybrid securities may also be subject to contractually allowable write-downs of principal that could result in impairment. Together with the hybrid indicator, the long-term obligation rating assigned to a hybrid security is an expression of the relative credit risk associated with that security.

##### GLOBAL SHORT-TERM RATING SCALE

Ratings assigned on Moody's global short-term rating scale are forward-looking opinions of the relative credit risks of financial obligations issued by non-financial corporates, financial institutions, structured finance vehicles, project finance vehicles and public sector entities. Short-term ratings are assigned to obligations with an original maturity of thirteen months or less and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default.

**P-1:** Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

**P-2:** Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

**P-3:** Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

**NP:** Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

## **S&P GLOBAL RATINGS (“S&P”)**

### ISSUE CREDIT RATING DEFINITIONS

An S&P Global Ratings issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P Global Ratings’ view of the obligor’s capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default.

Issue credit ratings can be either long-term or short-term. Short-term ratings are generally assigned to those obligations considered short-term in the relevant market. In the U.S., for example, that means obligations with an original maturity of no more than 365 days—including commercial paper. Short-term ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. Medium-term notes are assigned long-term ratings.

### LONG-TERM ISSUE CREDIT RATINGS\*

**AAA:** An obligation rated ‘AAA’ has the highest rating assigned by S&P Global Ratings. The obligor’s capacity to meet its financial commitment on the obligation is extremely strong.

**AA:** An obligation rated ‘AA’ differs from the highest-rated obligations only to a small degree. The obligor’s capacity to meet its financial commitment on the obligation is very strong.

**A:** An obligation rated ‘A’ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor’s capacity to meet its financial commitment on the obligation is still strong.

**BBB:** An obligation rated ‘BBB’ exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

**BB; B; CCC; CC; and C:** Obligations rated ‘BB’, ‘B’, ‘CCC’, ‘CC’, and ‘C’ are regarded as having significant speculative characteristics. ‘BB’ indicates the least degree of speculation and ‘C’ the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

**BB:** An obligation rated ‘BB’ is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor’s inadequate capacity to meet its financial commitment on the obligation.

**B:** An obligation rated ‘B’ is more vulnerable to nonpayment than obligations rated ‘BB’, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor’s capacity or willingness to meet its financial commitment on the obligation.

**CCC:** An obligation rated ‘CCC’ is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

**CC:** An obligation rated ‘CC’ is currently highly vulnerable to nonpayment. The ‘CC’ rating is used when a default has not yet occurred, but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.

**C:** An obligation rated ‘C’ is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared to obligations that are rated higher.

**D:** An obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within five business days in the absence of a stated grace period or within the earlier of the stated grace period or 30 calendar days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation's rating is lowered to 'D' if it is subject to a distressed exchange offer.

**NR:** This indicates that no rating has been requested, or that there is insufficient information on which to base a rating, or that S&P Global Ratings does not rate a particular obligation as a matter of policy.

\* The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

## SHORT-TERM ISSUE CREDIT RATINGS

**A-1:** A short-term obligation rated 'A-1' is rated in the highest category by S&P Global Ratings. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

**A-2:** A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

**A-3:** A short-term obligation rated 'A-3' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

**B:** A short-term obligation rated 'B' is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitments.

**C:** A short-term obligation rated 'C' is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation.

**D:** A short-term obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation's rating is lowered to 'D' if it is subject to a distressed exchange offer.

## FITCH RATINGS. ("FITCH")

### ISSUER DEFAULT RATINGS

Rated entities in a number of sectors, including financial and non-financial corporations, sovereigns, insurance companies and certain sectors within public finance, are generally assigned Issuer Default Ratings (IDRs). IDRs are also assigned to certain entities in global infrastructure and project finance. IDRs opine on an entity's relative vulnerability to default on financial obligations. The threshold default risk addressed by the IDR is generally that of the financial obligations whose non-payment would best reflect the uncured failure of that entity. As such, IDRs also address relative vulnerability to bankruptcy, administrative receivership or similar concepts.

In aggregate, IDRs provide an ordinal ranking of issuers based on the agency's view of their relative vulnerability to default, rather than a prediction of a specific percentage likelihood of default.

### **AAA: Highest credit quality.**

'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

**AA: Very high credit quality.**

‘AA’ ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

**A: High credit quality.**

‘A’ ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

**BBB: Good credit quality.**

‘BBB’ ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

**BB: Speculative.**

‘BB’ ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.

**B: Highly speculative.**

‘B’ ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

**CCC: Substantial credit risk.**

Default is a real possibility.

**CC: Very high levels of credit risk.**

Default of some kind appears probable.

**C: Near default**

A default or default-like process has begun, or the issuer is in standstill, or for a closed funding vehicle, payment capacity is irrevocably impaired. Conditions that are indicative of a ‘C’ category rating for an issuer include:

- a. the issuer has entered into a grace or cure period following non-payment of a material financial obligation;
- b. the issuer has entered into a temporary negotiated waiver or standstill agreement following a payment default on a material financial obligation;
- c. the formal announcement by the issuer or their agent of a distressed debt exchange;
- d. a closed financing vehicle where payment capacity is irrevocably impaired such that it is not expected to pay interest and/or principal in full during the life of the transaction, but where no payment default is imminent.

**RD: Restricted default.**

‘RD’ ratings indicate an issuer that in Fitch’s opinion has experienced:

- a. an uncured payment default on a bond, loan or other material financial obligation, but
- b. has not entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, and
- c. has not otherwise ceased operating.

This would include:

- i. the selective payment default on a specific class or currency of debt;

- ii. the uncured expiry of any applicable grace period, cure period or default forbearance period following a payment default on a bank loan, capital markets security or other material financial obligation;
- iii. the extension of multiple waivers or forbearance periods upon a payment default on one or more material financial obligations, either in series or in parallel; ordinary execution of a distressed debt exchange on one or more material financial obligations.

**D: Default.**

'D' ratings indicate an issuer that in Fitch's opinion has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure or that has otherwise ceased business.

Default ratings are not assigned prospectively to entities or their obligations; within this context, non-payment on an instrument that contains a deferral feature or grace period will generally not be considered a default until after the expiration of the deferral or grace period, unless a default is otherwise driven by bankruptcy or other similar circumstance, or by a distressed debt exchange.

In all cases, the assignment of a default rating reflects the agency's opinion as to the most appropriate rating category consistent with the rest of its universe of ratings and may differ from the definition of default under the terms of an issuer's financial obligations or local commercial practice.

**SHORT-TERM RATINGS ASSIGNED TO ISSUERS AND OBLIGATIONS**

A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-term deposit ratings may be adjusted for loss severity. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as "short term" based on market convention. Typically, this means up to 13 months for corporate, sovereign, and structured obligations and up to 36 months for obligations in U.S. public finance markets.

**F1: Highest Short-Term Credit Quality.** Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

**F2: Good Short-Term Credit Quality.** Good intrinsic capacity for timely payment of financial commitments.

**F3: Fair Short-Term Credit Quality.** The intrinsic capacity for timely payment of financial commitments is adequate.

**B: Speculative Short-Term Credit Quality.** Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

**C: High Short-Term Default risk.** Default is a real possibility.

**RD: Restricted Default.** Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Typically applicable to entity ratings only.

**D: Default.** Indicates a broad-based default event for an entity, or the default of a short-term obligation.

*Note: The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' Long-Term IDR category, or to Long-Term IDR categories below 'B'.*



## **APPENDIX B - TRUST'S PROXY VOTING PROCEDURES**

### **SSGA FUNDS STATE STREET MASTER FUNDS STATE STREET INSTITUTIONAL INVESTMENT TRUST**

#### **PROXY VOTING POLICY AND PROCEDURES**

**As of May 20, 2016**

The Boards of Trustees of the SSGA Funds, State Street Master Funds, State Street Institutional Investment Trust (each a "Trust", and each series thereof, a "Fund")<sup>1</sup> have adopted the following policy and procedures with respect to voting proxies relating to portfolio securities held by the Trust's investment portfolios.

#### **1. Proxy Voting Policy**

The policy of the Trust is to delegate the responsibility for voting proxies relating to portfolio securities held by the Trust to SSGA Funds Management, Inc., the Trust's investment adviser (the "Adviser"), subject to the Trustees' continuing oversight.

#### **2. Fiduciary Duty**

The right to vote proxies with respect to a portfolio security held by the Trust is an asset of the Trust. The Adviser acts as a fiduciary of the Trust and must vote proxies in a manner consistent with the best interest of the Trust and its shareholders.

#### **3. Proxy Voting Procedures**

A. At least annually, the Adviser shall present to the Boards of Trustees its policies, procedures and other guidelines for voting proxies ("Policy") and the policy of any Subadviser (as defined below) to which proxy voting authority has been delegated (see Section 9 below). In addition, the Adviser shall notify the Trustees of material changes to its Policy or the policy of any Sub-adviser promptly and not later than the next regular meeting of the Board of Trustees after such amendment is implemented.

B. At least annually, the Adviser shall present to the Boards of Trustees its policy for managing conflicts of interests that may arise through the Adviser's proxy voting activities. In addition, the Adviser shall report any Policy overrides involving portfolio securities held by a Fund to the Trustees at the next regular meeting of the Board of Trustees after such override(s) occur.

C. At least annually, the Adviser shall inform the Trustees that a record is available with respect to each proxy voted with respect to portfolio securities of the Trust during the year. Also see Section 5 below.

#### **4. Revocation of Authority to Vote**

The delegation by the Trustees of the authority to vote proxies relating to portfolio securities of the Trust may be revoked by the Trustees, in whole or in part, at any time.

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<sup>1</sup> Unless otherwise noted, the singular term "Trust" used throughout this document means each of SSGA Funds, State Street Master Funds and State Street Institutional Investment Trust.

#### **5. Annual Filing of Proxy Voting Record**

The Adviser shall provide the required data for each proxy voted with respect to portfolio securities of the Trust to the Trust or its designated service provider in a timely manner and in a format acceptable to be filed in the Trust's annual proxy voting report on Form N-PX for the twelve-month period ended June 30. Form N-PX is required to be filed not later than August 31 of each year.

## **6. Retention and Oversight of Proxy Advisory Firms**

A. In considering whether to retain or continue retaining a particular proxy advisory firm, the Adviser will ascertain whether the proxy advisory firm has the capacity and competency to adequately analyze proxy issues, act as proxy voting agent as requested, and implement the Policy. In this regard, the Adviser will consider, at least annually, among other things, the adequacy and quality of the proxy advisory firm's staffing and personnel and the robustness of its policies and procedures regarding its ability to identify and address any conflicts of interest. The Adviser shall, at least annually, report to Boards of Trustees regarding the results of this review.

B. The Adviser will request quarterly and annual reporting from any proxy advisory firm retained by the Adviser, and hold ad hoc meetings with such proxy advisory firm, in order to determine whether there has been any business changes that might impact the proxy advisory firm's capacity or competency to provide proxy voting advice or services or changes to the proxy advisory firm's conflicts policies or procedures. The Adviser will also take reasonable steps to investigate any material factual error, notified to the Adviser by the proxy advisory firm or identified by the Adviser, made by the proxy advisory firm in providing proxy voting services.

## **7. Periodic Sampling**

The Adviser will periodically sample proxy votes to review whether they complied with the Policy. The Adviser shall, at least annually, report to the Boards of Trustees regarding the frequency and results of the sampling performed.

## **8. Disclosures**

A. The Trust shall include in its registration statement:

1. A description of this policy and of the policies and procedures used by the Adviser to determine how to vote proxies relating to portfolio securities; and

2. A statement disclosing that information regarding how the Trust voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge, upon request, by calling the Trust's toll-free telephone number; or through a specified Internet address; or both; and on the Securities and Exchange Commission's (the "SEC") website.

B. The Trust shall include in its annual and semi-annual reports to shareholders:

1. A statement disclosing that a description of the policies and procedures used by or on behalf of the Trust to determine how to vote proxies relating to portfolio securities of the Funds is available without charge, upon request, by calling the Trust's toll-free telephone number; through a specified Internet address, if applicable; and on the SEC's website; and

2. A statement disclosing that information regarding how the Trust voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge, upon request, by calling the Trust's toll-free telephone number; or through a specified Internet address; or both; and on the SEC's website.

## **9. Sub-Advisers**

For certain Funds, the Adviser may retain investment management firms ("Sub-advisers") to provide day-to-day investment management services to the Funds pursuant to sub-advisory agreements. It is the policy of the Trust that the Adviser may delegate proxy voting authority with respect to a Fund to a Sub-adviser. Pursuant to such delegation, a Sub-adviser is authorized to vote proxies on behalf of the applicable Fund or Funds for which it serves as sub-adviser, in accordance with the Sub-adviser's proxy voting policies and procedures.

## **10. Review of Policy**

The Trustees shall review this policy to determine its continued sufficiency as necessary from time to time.

## **APPENDIX C - ADVISER'S AND SUB-ADVISER'S PROXY VOTING PROCEDURES AND GUIDELINES**

March 2017

### **FM Global Proxy Voting and Engagement Principles**

SSGA Funds Management, Inc. ("SSGA FM"), one of the industry's largest institutional asset managers, is the investment management arm of State Street Bank and Trust Company, a wholly owned subsidiary of State Street Corporation, a leading provider of financial services to institutional investors. As an investment manager, SSGA FM has discretionary proxy voting authority over most of its client accounts, and SSGA FM votes these proxies in the manner that we believe will most likely protect and promote the long-term economic value of client investments as described in the SSGA FM Global Proxy Voting and Engagement Principles.



## FM Global Proxy Voting and Engagement Principles

SSGA FM maintains Proxy Voting and Engagement Guidelines for select markets, including: the US, the EU, the UK, Australia, New Zealand, emerging markets and Japan. International markets that do not have specific guidelines are reviewed and voted consistent with our Global Proxy Voting and Engagement Principles; however, SSGA FM also endeavors to show sensitivity to local market practices when voting in these various markets.

### SSGA FM's Approach to Proxy Voting and Issuer Engagement

At SSGA FM, we take our fiduciary duties as an asset manager very seriously. We have a dedicated team of corporate governance professionals who help us carry out our duties as a responsible investor. These duties include engaging with companies, developing and enhancing in-house corporate governance guidelines, analyzing corporate governance issues on a case-by-case basis at the company level, and exercising our voting rights—all to maximize shareholder value.

SSGA FM's Global Proxy Voting and Engagement Principles (the "Principles") may take different perspectives on common governance issues that vary from one market to another and, likewise, engagement activity may take different forms in order to best achieve long-term engagement goals. We believe that proxy voting and engagement with portfolio companies is often the most direct and productive way shareholders can exercise their ownership rights, and taken together, we view these tools to be an integral part of the overall investment process.

We believe engagement and voting activity have a direct relationship. As a result, the integration of our engagement activities, while leveraging the exercise of our voting rights, provides a meaningful shareholder tool that we believe protects and enhances the long-term economic value of the holdings in our client accounts. SSGA FM maximizes its voting power and engagement by maintaining a centralized proxy voting and active ownership process covering all holdings, regardless of strategy. Despite the different investment views and objectives across SSGA FM, depending on the product or strategy, the fiduciary responsibilities of share ownership and voting for which SSGA FM has voting discretion are carried out with a single voice and objective.

The Principles support governance structures that we believe add to, or maximize shareholder value at the companies held in our clients' portfolios. SSGA FM conducts issuer specific engagements with companies to discuss our principles, including sustainability related risks. In addition, we encourage issuers to find ways of increasing the amount of direct communication board members have with shareholders. We believe direct communication with executive board members and independent non-executive

directors is critical to helping companies understand shareholder concerns. Conversely, where appropriate, we conduct collaborative engagement activities with multiple shareholders and communicate with company representatives about common concerns.

In conducting our engagements, SSGA FM also evaluates the various factors that play into the corporate governance framework of a country, including but not limited to, the macroeconomic conditions and broader political system, the quality of regulatory oversight, the enforcement of property and shareholder rights and the independence of the judiciary. SSGA FM understands that regulatory requirements and investor expectations relating to governance practices and engagement activities differ from country-to-country. As a result, SSGA FM engages with issuers, regulators, or both, depending on the market. SSGA FM also is a member of various investor associations that seek to address broader corporate governance related policy at the country level as well as issuer specific concerns at a company level.

To help mitigate company specific risk, the SSGA Asset Stewardship team may collaborate with members of the active investment teams to engage with companies on corporate governance issues and address any specific concerns, or to get more information regarding shareholder items that are to be voted on at upcoming shareholder meetings. Outside of proxy voting season, SSGA FM conducts issuer specific engagements with companies covering various corporate governance and sustainability related topics.

The SSGA Asset Stewardship Team uses a blend of quantitative and qualitative research and data to support screens to help identify issuers where active engagement may be necessary to protect and promote shareholder value. Issuer engagement may also be event driven, focusing on issuer specific corporate governance, sustainability concerns or wider industry related trends. SSGA FM also gives consideration to the size of our total position of the issuer in question and/or the potential negative governance, performance profile, and circumstance at hand. As a result, SSGA FM believes issuer engagement can take many forms and be triggered under numerous circumstances. The following methods represent how SSGA FM defines engagement methods:

#### Active

SSGA FM uses screening tools designed to capture a mix of company specific data including governance and sustainability profiles to help us focus our voting and engagement activity.

## **FM Global Proxy Voting and Engagement Principles**

SSGA FM will actively seek direct dialogue with the board and management of companies we have identified through our screening processes. Such engagements may lead to further monitoring to ensure the company improves its governance or sustainability practices. In these cases, the engagement process represents the most meaningful opportunity for SSGA FM to protect long-term shareholder value from excessive risk due to poor governance and sustainability practices.

### **Reactive**

Reactive engagement is initiated by the issuers. SSGA FM routinely discusses specific voting issues and items with the issuer community. Reactive engagement is an opportunity to address not only voting items, but also a wide range of governance and sustainability issues.

SSGA FM has established an engagement protocol that further describes our approach to issuer engagement.

### **Measurement**

Assessing the effectiveness of our issuer engagement process is often difficult. To limit the subjectivity of measuring our success we actively seek issuer feedback and monitor the actions issuers take post-engagement to identify tangible changes. By doing so, we are able to establish indicators to gauge how issuers respond to our concerns and to what degree these responses satisfy our requests. It is also important to note that successful engagement activity can be measured over differing time periods depending on the facts and circumstances involved. Engagements can last as short as a single meeting or span multiple years.

Depending on the issue and whether the engagement activity is reactive, recurring, or active, engagement with issuers can take the form of written communication, conference calls, or face-to-face meetings. SSGA FM believes active engagement is best conducted directly with company management or board members. Collaborative engagement, where multiple shareholders communicate with company representatives, can serve as a potential forum for issues that are not identified by SSGA FM as requiring active engagement, such as shareholder conference calls.

### **Proxy Voting Procedure**

#### **Oversight**

The SSGA Asset Stewardship Team is responsible for developing and implementing the Proxy Voting and Engagement Guidelines (the “Guidelines”), case-by-case voting items, issuer engagement activities, and research and analysis of governance-related issues. The implementation of the Guidelines is overseen by the SSGA Global Proxy Review Committee (“SSGA PRC”), a committee of investment, compliance and legal professionals, who provide guidance on proxy issues as described in greater detail below. Oversight of the proxy voting process is ultimately the responsibility of the SSGA Investment Committee. The

SSGA Investment Committee reviews and approves amendments to the Guidelines. The SSGA PRC reports to the SSGA Investment Committee, and may refer certain significant proxy items to that committee.

#### **Proxy Voting Process**

In order to facilitate SSGA FM’s proxy voting process, SSGA FM retains Institutional Shareholder Services Inc. (“ISS”), a firm with expertise in proxy voting and corporate governance. SSGA FM utilizes ISS’s services in three ways: (1) as SSGA FM’s proxy voting agent (providing SSGA FM with vote execution and administration services); (2) for applying the Guidelines; and (3) as providers of research and analysis relating to general corporate governance issues and specific proxy items.

The SSGA Asset Stewardship Team reviews the Guidelines with ISS on an annual basis or on a case-by-case basis as needed. On most routine proxy voting items (e.g., ratification of auditors), ISS will affect the proxy votes in accordance with the Guidelines.

In other cases, the Asset Stewardship Team will evaluate the proxy solicitation to determine how to vote based on facts and circumstances, consistent with the Principles, and the accompanying Guidelines, that seek to maximize the value of our client accounts.

In some instances, the Asset Stewardship Team may refer significant issues to the SSGA PRC for a determination of the proxy vote. In addition, in determining whether to refer a proxy vote to the SSGA PRC, the Asset Stewardship Team will consider whether a material conflict of interest exists between the interests of our client and those of SSGA FM or its affiliates (as explained in greater detail in our “Conflict of Interest” Policy).

SSGA FM votes in all markets where it is feasible; however, SSGA FM may refrain from voting meetings when power of attorney documentation is required, where voting will have a material impact on our ability to trade the security, where issuer-specific special documentation is required, or where various market or issuer certifications are required. SSGA FM is unable to vote proxies when certain custodians, used by our clients, do not offer proxy voting in a jurisdiction, or when they charge a meeting specific fee in excess of the typical custody service agreement.

#### **Conflict of Interest**

See SSGA’s standalone Conflicts of Interest Policy.



## FM Global Proxy Voting and Engagement Principles

### Proxy Voting and Engagement Principles

#### Directors and Boards

The election of directors is one of the most important fiduciary duties SSGA FM performs as a shareholder. SSGA FM believes that well-governed companies can protect and pursue shareholder interests better and withstand the challenges of an uncertain economic environment. As such, SSGA FM seeks to vote director elections in a way which we, as a fiduciary, believe will maximize the long-term value of each portfolio's holdings.

Principally, a board acts on behalf of shareholders by protecting their interests and preserving their rights. This concept establishes the standard by which board and director performance is measured. To achieve this fundamental principle, the role of the board, in SSGA FM's view, is to carry out its responsibilities in the best long-term interest of the company and its shareholders. An independent and effective board oversees management, provides guidance on strategic matters, selects the CEO and other senior executives, creates a succession plan for the board and management, provides risk oversight and assesses the performance of the CEO and management. In contrast, management implements the business and capital allocation strategies and runs the company's day-to-day operations. As part of SSGA FM's engagement process, SSGA FM routinely discusses the importance of these responsibilities with the boards of issuers.

SSGA FM believes the quality of a board is a measure of director independence, director succession planning, board diversity, evaluations and refreshment and company governance practices. In voting to elect nominees, SSGA FM considers many factors. SSGA FM believes independent directors are crucial to good corporate governance and help management establish sound corporate governance policies and practices. A sufficiently independent board will effectively monitor management, maintain appropriate governance practices and perform oversight functions necessary to protect shareholder interests. SSGA FM also believes the right mix of skills, independence, diversity and qualifications among directors provides boards with the knowledge and direct experience to deal with risks and operating structures that are often unique and complex from one industry to another.

#### Accounting and Audit Related Issues

SSGA FM believes audit committees are critical and necessary as part of the board's risk oversight role. The audit committee is responsible for setting out an internal audit function to provide robust audit and internal control systems designed to effectively manage potential and emerging risks to the company's operations and strategy. SSGA FM believes audit committees should have independent directors as members, and SSGA FM will hold the members of the audit committee responsible for overseeing the management of the audit function.

The disclosure and availability of reliable financial statements in a timely manner is imperative for the investment process. As a result, board oversight of the internal controls and the independence of the audit process are essential if investors are to rely on financial statements. Also, it is important for the audit committee to appoint external auditors who are independent from management as we expect auditors to provide assurance as of a company's financial condition.

#### Capital Structure, Reorganization and Mergers

The ability to raise capital is critical for companies to carry out strategy, grow and achieve returns above their cost of capital. The approval of capital raising activities is fundamental to a shareholders' ability to monitor the amounts of proceeds and to ensure capital is deployed efficiently. Altering the capital structure of a company is a critical decision for boards and in making such a critical decision, SSGA FM believes the company should have a well explained business rationale that is consistent with corporate strategy and not overly dilutive to its shareholders.

Mergers or reorganizing the structure of a company often involve proposals relating to reincorporation, restructurings, liquidations, and other major changes to the corporation.

Proposals that are in the best interests of the shareholders, demonstrated by enhancing share value or improving the effectiveness of the company's operations, will be supported. In evaluating mergers and acquisitions, SSGA FM considers the adequacy of the consideration and the impact of the corporate governance provisions to shareholders. In all cases, SSGA FM uses its discretion in order to maximize shareholder value.

Occasionally, companies add anti-takeover provisions that reduce the chances of a potential acquirer making an offer, or reducing the likelihood of a successful offer. SSGA FM does not support proposals that reduce shareholders' rights, entrench management or reduce the likelihood of shareholders' right to vote on reasonable offers.

#### Compensation

SSGA FM considers the board's responsibility to include setting the appropriate level of executive compensation. Despite the differences among the types of plans and the awards possible, there is a simple underlying philosophy that guides SSGA FM's analysis of executive compensation; SSGA FM believes that there should be a direct relationship between executive compensation and company performance over the long-term.

## FM Global Proxy Voting and Engagement Principles

Shareholders should have the opportunity to assess whether pay structures and levels are aligned with business performance. When assessing remuneration reports, SSGA FM considers factors such as adequate disclosure of different remuneration elements, absolute and relative pay levels, peer selection and benchmarking, the mix of long-term and short-term incentives, alignment of pay structures with shareholder interests, as well as with corporate strategy and performance. SSGA FM may oppose remuneration reports where pay seems misaligned with shareholders' interests. SSGA FM may also consider executive compensation practices when re-electing members of the remuneration committee.

SSGA FM recognizes that compensation policies and practices are unique from market to market; often with significant differences between the level of disclosures, the amount and forms of compensation paid, and the ability of shareholders to approve executive compensation practices. As a result, our ability to assess the appropriateness of executive compensation is often dependent on market practices and laws.

### Environmental and Social Issues

As a fiduciary, SSGA FM considers the financial and economic implications of environmental and social issues first and foremost. Environmental and social factors may not only have an impact on the reputation of companies but may also represent significant operational risks and costs to business. Well-developed environmental and social management systems can generate efficiencies and enhance productivity, both of which impact shareholder value in the long-term.

SSGA FM encourages companies to be transparent about the environmental and social risks and opportunities they face and adopt robust policies and processes to manage such issues. In our view, companies that manage all risks and consider opportunities related to environmental and social issues are able to adapt faster to changes and appear to be better placed to achieve sustainable competitive advantage in the long-term. Similarly, companies with good risk management systems, which include environmental and social policies, have a stronger position relative to their peers to manage risk and change, which could be the result of anything from regulation and litigation, physical threats (severe weather, climate change), economic trends to shifts in consumer behavior.

In their public reporting, we expect companies to disclose information on relevant management tools and material environmental and social performance metrics. We support efforts by companies to demonstrate how sustainability fits into operations and business activities. SSGA FM's team of analysts evaluates these risks and shareholder proposals relating to them on an issuer by issuer basis; understanding that environmental and social risks can vary widely depending on a company, its industry, operations,

and geographic footprint. SSGA FM may also take action against the re-election of board members if we have serious concerns over ESG practices and the company has not been responsive to shareholder requests to amend them.

### General/Routine

Although SSGA FM does not seek involvement in the day-to-day operations of an organization, SSGA FM recognizes the need for conscientious oversight and input into management decisions that may affect a company's value. SSGA FM supports proposals that encourage economically advantageous corporate practices and governance, while leaving decisions that are deemed to be routine or constitute ordinary business to management and the board of directors.

### Fixed Income Stewardship

The two elements of SSGA FM's fixed income stewardship program are:

#### Proxy Voting:

While matters that come up for a vote at bondholder meetings vary by jurisdiction, examples of common proxy voting resolutions at bondholder meetings include:

- Approving amendments to debt covenants and/or terms of issuance;
- Authorizing procedural matters such as filing of required documents/other formalities;
- Approving debt restructuring plans;
- Abstaining from challenging the bankruptcy trustees;
- Authorizing repurchase of issued debt security;
- Approving the placement of unissued debt securities under the control of directors; and,
- Approve spin-off/absorption proposals.

Given the nature of the items that come up for vote at bondholder meetings, SSGA FM takes a case-by-case approach to voting bondholder resolutions. Where necessary, SSGA FM will engage with issuers on voting matters prior to arriving at voting decisions. All voting decisions will be made in the best interest of our clients.

#### Issuer Engagement:

SSGA FM recognizes that debt holders have limited leverage with companies on a day-to-day basis. However, we believe that given the size of our holdings in corporate debt, SSGA FM can meaningfully influence ESG practices of companies through issuer engagement. Our guidelines for engagement with fixed income issuers broadly follow the engagement guidelines for our equity holdings as described above.





## **FM Global Proxy Voting and Engagement Principles**

### **Securities on Loan**

For funds where SSGA FM acts as trustee, SSGA FM may recall securities in instances where SSGA FM believes that a particular vote will have a material impact on the fund(s). Several factors shape this process. First, SSGA FM must receive notice of the vote in sufficient time to recall the shares on or before the record date. In many cases, SSGA FM does not receive timely notice, and is unable to recall the shares on or before the record date. Second, SSGA FM, exercising its discretion, may recall shares if it believes the benefit of voting shares will outweigh the foregone lending income. This determination requires SSGA FM, with the information available at the time, to form judgments about events or outcomes that are difficult to quantify. Given past experience in this area, however, we believe that the recall of securities will rarely provide an economic benefit that outweighs the cost of the foregone lending income.

### **Reporting**

Any client who wishes to receive information on how its proxies were voted should contact its SSGA FM relationship manager.

## FM Global Proxy Voting and Engagement Principles

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### State Street Global Advisors Worldwide Entities

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Secondaria di Milano), is registered in Italy with company number 06353340968—R.E.A. 1887090 and VAT number 06353340968 and whose office is at Via dei Bossi, 4—20121 Milano, Italy • Telephone: 39 02 32066 100 • Facsimile: 39 02 32066 155. State Street Global Advisors Italy, Sede Secondaria di Milano, Via dei Bossi, 4 20121 Milan, Italy. T: +39 02 32066 100. F: +39 02 32066 155. **Japan:** State Street Global Advisors (Japan) Co., Ltd., 9-7-1 Akasaka, Minato-ku, Tokyo 107-6239. T: +813 4530 7380. Financial Instruments Business Operator, Kanto Local Financial Bureau (Kinsho #345). Japan Investment Advisers Association, Investment Trusts Association Japan, Japan Securities Dealers Association. **Netherlands:** State Street Global Advisors Netherlands, Apollo Building, 7th floor Herikerbergweg 29 1101 CN Amsterdam, Netherlands. Telephone: 31 20 7181701. SSGA Netherlands is a branch office of State Street Global Advisors Limited. State Street Global Advisors Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. **Singapore:** State Street Global Advisors Singapore Limited, 168, Robinson Road, #33-01 Capital Tower, Singapore 068912 (Company Registered Number: 200002719D). T: +65 6826 7500. F: +65 6826 7501. **Switzerland:** State Street Global Advisors AG, Beethovenstr. 19, CH-8027 Zurich. Authorised and regulated by the Eidgenössische Finanzmarktaufsicht (“FINMA”). Registered with the Register of Commerce Zurich CHE-105.078.458. Telephone +41 (0)44 245 70 00. Facsimile Fax: +41 (0)44 245 70 16. www.ssga.com. **United Kingdom:** State Street Global Advisors Limited. Authorised and regulated by the Financial Conduct Authority. Registered in England. Registered Number: 2509928. VAT Number: 5776591 81. Registered Office: 20 Churchill Place, Canary Wharf, London, E14 5HJ. T: +020 3395 6000. F: +020 3395 6350. **United States:** State Street Global Advisors, One Lincoln Street, Boston, MA 02111-2900. T: +617 786 3000.

Investing involves risk including the risk of loss of principal.

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**Managing Conflicts of Interest Arising From SSGA’S Proxy Voting and Engagement Activity**

State Street Corporation has a comprehensive standalone Conflicts of Interest Policy and other policies that address a range of conflicts of interests identified by our parent company. In addition, SSGA maintains a conflicts register that identifies key conflicts and describes systems in place to mitigate the conflicts. This policy is designed to act in conjunction with related policies and practices employed by other groups within the organization. Further, they complement those policies and practices by providing specific guidance on managing the conflicts of interests that may arise through SSGA’s proxy voting activities.



## Managing Conflicts of Interest Arising From SSGA'S Proxy Voting and Engagement Activity

### Managing Conflicts of Interest Related to Proxy Voting

SSGA has policies and procedures designed to prevent undue influence on SSGA's voting activities that may arise from relationships between proxy issuers or companies and State Street Corporation ("STT") SSGA, SSGA affiliates, SSGA Funds or SSGA Fund affiliates.

Protocols designed to help mitigate potential conflicts of interest include:

- Providing sole voting discretion to members of SSGA's Asset Stewardship team. Members of the Asset Stewardship team may from time to time discuss views on proxy voting matters, company performance, strategy etc. with other STT or SSGA employees including portfolio managers, senior executives and relationship managers. However, final voting decisions are made solely by the corporate governance team, in a manner that is consistent with the best interests of *all* clients, taking into account various perspectives on risks and opportunities with a view of maximizing the value of client assets;
- Exercising a singular vote decision for each ballot item regardless of SSGA's investment strategy;
- Prohibiting members of SSGA's Asset Stewardship team from disclosing SSGA's voting decision to any individual not affiliated with the proxy voting process prior to the meeting or date of written consent, as the case may be;
- Mandatory disclosure by members of the SSGA's Asset Stewardship team, Global Proxy Review Committee ("PRC") and Investment Committee ("IC") of any personal conflict of interest (e.g., familial relationship with company management, serves as a director on the board of a listed company) to the Head of the Asset Stewardship team. Members are required to recuse themselves from any engagement or proxy voting activities related to the conflict;

- In certain instances, client accounts and/or SSGA pooled funds, where SSGA acts as trustee, may hold shares in STT or other SSGA affiliated entities, such as mutual funds affiliated with SSGA Funds Management, Inc. In general, SSGA will outsource any voting decision relating to a shareholder meeting of STT or other SSGA affiliated entities to independent outside third parties. Delegated third parties exercise vote decisions based upon SSGA's in-house policies; and
- Reporting of voting policy overrides, if any, to the PRC on a quarterly basis.

In general, we do not believe matters that fall within the Guidelines and are voted consistently with the 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 Guidelines or where we believe that voting in accordance with the Guidelines is unwarranted, we conduct an additional review to determine whether there is a conflict of interest. In circumstances where a conflict has been identified and either: (i) the matter does not fall clearly within the Guidelines; or (ii) SSGA determines that voting in accordance with such policies or guidance is not in the best interests of its clients, the Head of SSGA's Asset Stewardship team will determine whether a Material Relationship exists. If so, the matter is referred to the SSGA PRC. The SSGA PRC then reviews the matter and determines whether a conflict of interest exists, and if so, how to best resolve such conflict. For example, the SSGA PRC 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 SSGA Investment Committee for further evaluation or (iii) retain an independent fiduciary to determine the appropriate vote.

## Managing Conflicts of Interest Arising From SSGA'S Proxy Voting and Engagement Activity

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March 2017

## **FM Proxy Voting and Engagement Guidelines**

United States

SSGA Funds Management, Inc.'s ("SSGA FM") US Proxy Voting and Engagement Guidelines outline our expectations of companies listed on stock exchanges in the US. These guidelines complement and should be read in conjunction with SSGA FM's Global Proxy Voting and Engagement Principles, which provide a detailed explanation of SSGA FM's approach to voting and engaging with companies and SSGA's Conflicts of Interest Policy.



## FM Proxy Voting and Engagement Guidelines

SSGA FM's US Proxy Voting and Engagement Guidelines address areas including board structure, director tenure, audit related issues, capital structure, executive compensation, environmental, social and other governance related issues. Principally, we believe the primary responsibility of the board of directors is to preserve and enhance shareholder value and protect shareholder interests. In order to carry out their primary responsibilities, directors have to undertake activities that range from setting strategy and overseeing executive management, to monitoring the risks that arise from a company's business, including risks related to sustainability issues. Further, good corporate governance necessitates the existence of effective internal controls and risk management systems, which should be governed by the board.

When voting and engaging with companies in global markets, SSGA FM considers market specific nuances in the manner that we believe will most likely protect and promote the long-term economic value of client investments. SSGA FM expects companies to observe the relevant laws and regulations of their respective markets as well as country specific best practice guidelines and corporate governance codes. When we feel that a country's regulatory requirements do not address some of the key philosophical principles that SSGA FM believes are fundamental to its global voting guidelines, we may hold companies in such markets to our global standards.

In its analysis and research into corporate governance issues in the US, SSGA FM expects all companies to act in a transparent manner and provide detailed disclosure on board profiles, related-party transactions, executive compensation and other governance issues that impact shareholders' long-term interests.

### SSGA FM's Proxy Voting and Engagement Philosophy

In our view, corporate governance and sustainability issues are an integral part of the investment process. The Asset Stewardship Team consists of investment professionals with expertise in corporate governance and company law, remuneration, accounting as well as environmental and social issues. SSGA FM has established robust corporate governance principles and practices that are backed with extensive analytical expertise to understand the complexities of the corporate governance landscape. SSGA FM engages with companies to provide insight on the principles and practices that drive our voting decisions. We also conduct proactive engagements to address significant shareholder concerns and environmental, social and governance ("ESG") issues in a manner consistent with maximizing shareholder value.

The team works alongside members of SSGA FM's active investment teams; collaborating on issuer engagements and providing input on company specific fundamentals. SSGA FM is also a member of various investor associations that seek to address broader corporate governance related policy issues in the US.

SSGA FM is a signatory to the United Nations Principles of Responsible Investment ("UNPRI") and is compliant with the UK Stewardship Code and the Investor Stewardship Principles. We are committed to sustainable investing and are working to further integrate ESG principles into investment and corporate governance practices, where applicable and consistent with our fiduciary duty.

### Directors and Boards

SSGA FM believes that a well constituted board of directors, with a good balance of skills, expertise and independence, provides the foundations for a well governed company. SSGA FM views board quality as a measure of director independence, director succession planning, board diversity, evaluations and refreshment, and company governance practices. SSGA FM votes for the election/re-election of directors on a case-by-case basis after considering various factors including board quality, general market practice and availability of information on director skills and expertise. In principle, SSGA FM believes independent directors are crucial to good corporate governance and help management establish sound corporate governance policies and practices. A sufficiently independent board will most effectively monitor management and perform oversight functions necessary to protect shareholder interests. Further, SSGA FM expects boards of Russell 3000 listed companies to have at least one female board member.

Director related proposals at US companies include issues submitted to shareholders that deal with the composition of the board or with members of a corporation's board of directors. In deciding which director nominee to support, SSGA FM considers numerous factors.

### Director Elections

SSGA FM's director election policy focuses on companies' governance profile to identify if a company demonstrates appropriate governance practices or if it exhibits negative governance practices. Factors SSGA FM considers when evaluating governance practices include, but are not limited to the following:

- Shareholder rights;
- Board independence; and



## FM Proxy Voting and Engagement Guidelines

- Board structure.

**If a company demonstrates appropriate governance practices**, SSGA FM believes a director should be classified as independent based on the relevant listing standards or local market practice standards. In such cases, the composition of the key oversight committees of a board should meet the minimum standards of independence. Accordingly, SSGA FM will vote against a nominee at a company with appropriate governance practices if the director is classified as non-independent under relevant listing standards or local market practice AND serves on a key committee of the board (compensation, audit, nominating or committees required to be fully independent by local market standards).

Conversely, **if a company demonstrates negative governance practices**, SSGA FM believes the classification standards for director independence should be elevated. In such circumstances, we will evaluate all director nominees based on the following classification standards:

- Is the nominee an employee of or related to an employee of the issuer or its auditor;
- Does the nominee provide professional services to the issuer;
- Has the nominee attended an appropriate number of board meetings; or
- Has the nominee received non-board related compensation from the issuer.

**Where companies demonstrate negative governance practices**, these stricter standards will apply not only to directors who are a member of a key committee but to all directors on the board as market practice permits. Accordingly, SSGA FM will vote against a nominee (with the exception of the CEO) where the board has inappropriate governance practices and is considered not independent based on the above independence criteria.

Additionally, SSGA FM may withhold votes from directors based on the following:

- When overall average board tenure is excessive and/or individual director tenure is excessive. In assessing excessive tenure, SSGA FM gives consideration to factors such as the preponderance of long tenured directors, board refreshment practices, and classified board structures;

- When directors attend less than 75% of board meetings without appropriate explanation or providing reason for their failure to meet the attendance threshold;
- CEOs of a public company who sit on more than three public company boards;
- Director nominees who sit on more than six public company boards;
- Directors of companies that have not been responsive to a shareholder proposal which received a majority shareholder support at the last annual or special meeting; consideration maybe given if management submits the proposal(s) on the ballot as a binding management proposal, recommending shareholders vote for the particular proposal(s);
- Directors of companies have unilaterally adopted/ amended company bylaws that negatively impact SSGA FM's shareholder rights (such as fee-shifting, forum selection and exclusion service bylaws) without putting such amendments to a shareholder vote;
- Compensation committee members where there is a weak relationship between executive pay and performance over a five-year period;
- Audit committee members if non-audit fees exceed 50% of total fees paid to the auditors; and
- Directors who appear to have been remiss in their duties.

### Director Related Proposals

SSGA FM generally votes for the following director related proposals:

- Discharge of board members' duties, in the absence of pending litigation, regulatory investigation, charges of fraud or other indications of significant concern;
- Proposals to restore shareholders' ability to remove directors with or without cause;
- Proposals that permit shareholders to elect directors to fill board vacancies; and
- Shareholder proposals seeking disclosure regarding the company, board, or compensation committee's use of compensation consultants, such as company name, business relationship(s) and fees paid.

## **FM Proxy Voting and Engagement Guidelines**

SSGA FM generally votes against the following director related proposals:

- Requirements that candidates for directorships own large amounts of stock before being eligible to be elected;
  - Proposals that relate to the “transaction of other business as properly comes before the meeting”, which extend “blank check” powers to those acting as proxy; and
  - Proposals requiring two candidates per board seat.
- The ownership thresholds and holding duration proposed in the resolution;
  - The binding nature of the proposal;
  - The number of directors that shareholders may be able to nominate each year;
  - Company governance structure;
  - Shareholder rights; and
  - Board performance.

### **Majority Voting**

SSGA FM will generally support a majority vote standard based on votes cast for the election of directors.

SSGA FM will generally vote to support amendments to by-laws that would require simple majority of voting shares (i.e. shares cast) to pass or repeal certain provisions.

### **Annual Elections**

SSGA FM generally supports the establishment of annual elections of the board of directors. Consideration is given to the overall level of board independence and the independence of the key committees as well as whether there is a shareholders rights plan.

### **Cumulative Voting**

SSGA FM does not support cumulative voting structures for the election of directors.

### **Separation Chair/CEO**

SSGA FM analyzes proposals for the separation of Chair/CEO on a case-by-case basis taking into consideration numerous factors, including but not limited to, the appointment of and role played by a lead director, a company’s performance and the overall governance structure of the company.

### **Proxy Access**

In general, SSGA FM believes that proxy access is a fundamental right and an accountability mechanism for all long-term shareholders. SSGA FM will consider proposals relating to Proxy Access on a case-by-case basis. SSGA FM will support shareholder proposals that set parameters to empower long-term shareholders while providing management the flexibility to design a process that is appropriate for the company’s circumstances.

SSGA FM will review the terms of all other proposals and will support those proposals that have been introduced in the spirit of enhancing shareholder rights.

### **Age/Term Limits**

Generally, SSGA FM will vote against age and term limits unless the company is found to have poor board refreshment and director succession practices and has a preponderance of non-executive directors with excessively long tenures serving on the board.

### **Approve Remuneration of Directors**

Generally, SSGA FM will support directors’ compensation, provided the amounts are not excessive relative to other issuers in the market or industry. In making our determination, we review whether the compensation is overly dilutive to existing shareholders.

### **Indemnification**

Generally, SSGA FM supports proposals to limit directors’ liability and/or expand indemnification and liability protection if he or she has not acted in bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

### **Classified Boards**

SSGA FM generally supports annual elections for the board of directors.

### **Confidential Voting**

SSGA FM will support confidential voting.

### **Board Size**

SSGA FM will support proposals seeking to fix the board size or designate a range for the board size and will vote against proposals that give management the ability to alter the size of the board outside of a specified range without shareholder approval.

### **Audit Related Issues**

#### **Ratifying Auditors and Approving Auditor Compensation**

SSGA FM supports the approval of auditors and auditor compensation provided that the issuer has properly disclosed

Considerations include but are not limited to the following:

audit and non-audit fees relative to market practice and the audit fees are not deemed excessive. SSGA FM deems audit

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fees to be excessive if the non-audit fees for the prior year constituted 50% or more of the total fees paid to the auditor. SSGA FM will support the disclosure of auditor and consulting relationships when the same or related entities are conducting both activities and will support the establishment of a selection committee responsible for the final approval of significant management consultant contract awards where existing firms are already acting in an auditing function.

In circumstances where “other” fees include fees related to initial public offerings, bankruptcy emergence, and spin-offs, and the company makes public disclosure of the amount and nature of those fees which are determined to be an exception to the standard “non-audit fee” category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit/audit-related fees/tax compliance and preparation for purposes of determining whether non-audit fees are excessive.

SSGA FM will support the discharge of auditors and requirements that auditors attend the annual meeting of shareholders.<sup>1</sup>

### Capital Related Issues

Capital structure proposals include requests by management for approval of amendments to the certificate of incorporation that will alter the capital structure of the company.

The most common request is for an increase in the number of authorized shares of common stock, usually in conjunction with a stock split or dividend. Typically, requests that are not unreasonably dilutive or enhance the rights of common shareholders are supported. In considering authorized share proposals, the typical threshold for approval is 100% over current authorized shares. However, the threshold may be increased if the company offers a specific need or purpose (merger, stock splits, growth purposes, etc.). All proposals are evaluated on a case-by-case basis taking into account the company’s specific financial situation.

### Increase in Authorized Common Shares

In general, SSGA FM supports share increases for general corporate purposes up to 100% of current authorized stock.

SSGA FM supports increases for specific corporate purposes up to 100% of the specific need plus 50% of current authorized common stock for US firms.

When applying the thresholds, SSGA FM will also consider the nature of the specific need, such as mergers and acquisitions and stock splits.

### Increase in Authorized Preferred Shares

SSGA FM votes on a case-by-case basis on proposals to increase the number of preferred shares.

Generally, SSGA FM will vote for the authorization of preferred stock in cases where the company specifies the voting, dividend, conversion, and other rights of such stock and the terms of the preferred stock appear reasonable.

SSGA FM will support proposals to create “declawed” blank check preferred stock (stock that cannot be used as a takeover defense). However, SSGA FM will vote against proposals to increase the number of blank check preferred stock authorized for issuance when no shares have been issued or reserved for a specific purpose.

### Unequal Voting Rights

SSGA FM will not support proposals authorizing the creation of new classes of common stock with superior voting rights and will vote against new classes of preferred stock with unspecified voting, conversion, dividend distribution, and other rights. In addition, SSGA FM will not support capitalization changes that add “blank check” classes of stock (i.e. classes of stock with undefined voting rights) or classes that dilute the voting interests of existing shareholders.

However, SSGA FM will support capitalization changes that eliminate other classes of stock and/or unequal voting rights.

### Mergers and Acquisitions

Mergers or reorganizing the structure of a company often involve proposals relating to reincorporation, restructurings, liquidations, and other major changes to the corporation.

Proposals that are in the best interests of the shareholders, demonstrated by enhancing share value or improving the effectiveness of the company’s operations, will be supported.

In general, provisions that are not viewed as economically sound or are thought to be destructive to shareholders’ rights are not supported.

SSGA FM will generally support transactions that maximize shareholder value. Some of the considerations include, but are not limited to the following:

- Offer premium;
- Strategic rationale;
- Board oversight of the process for the recommended transaction, including, director and/or management conflicts of interest;

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- Offers made at a premium and where there are no other higher bidders; and
- Offers in which the secondary market price is substantially lower than the net asset value.

SSGA FM may vote against a transaction considering the following:

- Offers with potentially damaging consequences for minority shareholders because of illiquid stock, especially in some non-US markets;
- Offers where we believe there is a reasonable prospect for an enhanced bid or other bidders; and
- At the time of voting, the current market price of the security exceeds the bid price.

### Anti-Takeover Issues

Typically, these are proposals relating to requests by management to amend the certificate of incorporation or by-laws to add or delete a provision that is deemed to have an anti-takeover effect. The majority of these proposals deal with management's attempt to add some provision that makes a hostile takeover more difficult or will protect incumbent management in the event of a change in control of the company.

Proposals that reduce shareholders' rights or have the effect of entrenching incumbent management will not be supported.

Proposals that enhance the right of shareholders to make their own choices as to the desirability of a merger or other proposal are supported.

### Shareholder Rights Plans

SSGA FM will support mandates requiring shareholder approval of a shareholder rights plans ("poison pill") and repeals of various anti-takeover related provisions.

In general, SSGA FM will vote against the adoption or renewal of a US issuer's shareholder rights plan ("poison pill").

SSGA FM will vote for an amendment to a shareholder rights plan ("poison pill") where the terms of the new plans are more favorable to shareholders' ability to accept unsolicited offers (i.e. if one of the following conditions are met: (i) minimum trigger, flip-in or flip-over of 20%, (ii) maximum term of three years, (iii) no "dead hand," "slow hand," "no hand" or similar feature that limits the ability of a future board to redeem the pill, and (iv) inclusion of a shareholder redemption feature (qualifying offer clause), permitting ten

percent of the shares to call a special meeting or seek a written consent to vote on rescinding the pill if the board refuses to redeem the pill 90 days after a qualifying offer is announced).

### Special Meetings

SSGA FM will vote for shareholder proposals related to special meetings at companies that do not provide shareholders the right to call for a special meeting in their by-laws if:

- The company also does not allow shareholders to act by written consent; or
- The company allows shareholders to act by written consent but the ownership threshold for acting by written consent is set above 25% of outstanding shares.

SSGA FM will vote for shareholder proposals related to special meetings at companies that give shareholders (with a minimum 10% ownership threshold) the right to call for a special meeting in their bylaws if:

- The current ownership threshold to call for a special meeting is above 25% of outstanding shares.

SSGA FM will vote for management proposals related to special meetings.

### Written Consent

SSGA FM will vote for shareholder proposals on written consent at companies if:

- The company does not have provisions in their by-laws giving shareholders the right to call for a special meeting; or
- The company allows shareholders the right to call for a special meeting but the current ownership threshold to call for a special meeting is above 25% of outstanding shares; and
- The company has a poor governance profile.

SSGA FM will vote management proposals on written consent on a case-by-case basis.

### Super-Majority

SSGA FM will generally vote against amendments to by-laws requiring super-majority shareholder votes to pass or repeal certain provisions. SSGA FM will vote for the reduction or

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elimination of super-majority vote requirements, unless management of the issuer was concurrently seeking to or had previously made such a reduction or elimination.

### Remuneration Issues

Despite the differences among the types of plans and the awards possible there is a simple underlying philosophy that guides the analysis of all compensation plans; namely, are the terms of the plan designed to provide an incentive for executives and/or employees to align their interests with those of the shareholders and thus work toward enhancing shareholder value. Plans which benefit participants only when the shareholders also benefit are those most likely to be supported.

### Advisory Vote on Executive Compensation and Frequency

SSGA FM believes executive compensation plays a critical role in aligning executives' interest with shareholders', attracting, retaining and incentivizing key talent, and ensuring positive correlation between the performance achieved by management and the benefits derived by shareholders. SSGA FM supports management proposals on executive compensation where there is a strong relationship between executive pay and performance over a five-year period. SSGA FM seeks adequate disclosure of different compensation elements, absolute and relative pay levels, peer selection and benchmarking, the mix of long term and short term incentives, alignment of pay structures with shareholder interests as well as with corporate strategy and performance. Further, shareholders should have the opportunity to assess whether pay structures and levels are aligned with business performance on an annual basis.

### Employee Equity Award Plans

SSGA FM considers numerous criteria when examining equity award proposals. Generally, SSGA FM does not vote against plans for lack of performance or vesting criteria. Rather, the main criteria that will result in a vote against an equity award plan are:

**Excessive voting power dilution** To assess the dilutive effect, we divide the number of shares required to fully fund the proposed plan, the number of authorized but unissued shares and the issued but unexercised shares by the fully diluted share count. SSGA FM reviews that number in light of certain factors, including the industry of the issuer.

**Historical option grants** Excessive historical option grants over the past three years. Plans that provide for historical grant patterns of greater than five to eight percent are generally not supported.

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**Repricing** SSGA FM will vote against any plan where repricing is expressly permitted. If a company has a history of repricing underwater options, the plan will not be supported.

Other criteria include the following:

- Number of participants or eligible employees;
- The variety of awards possible; and
- The period of time covered by the plan.

There are numerous factors that we view as negative, and together, may result in a vote against a proposal:

- Grants to individuals or very small groups of participants;
- "Gun-jumping" grants which anticipate shareholder approval of a plan or amendment;
- The power of the board to exchange "underwater" options without shareholder approval; this pertains to the ability of a company to reprice options, not the actual act of repricing described above;
- Below market rate loans to officers to exercise their options;
- The ability to grant options at less than fair market value;
- Acceleration of vesting automatically upon a change in control; and
- Excessive compensation (i.e. compensation plans which are deemed by SSGA FM to be overly dilutive).

**Share Repurchases** If a company makes a clear connection between a share repurchase program and its intent to offset dilution created from option plans and the company fully discloses the amount of shares being repurchased, the voting dilution calculation may be adjusted to account for the impact of the buy back.

Companies who do not (i) clearly state the intentions of any proposed share buy-back plan or (ii) disclose a definitive number of the shares to be bought back, (iii) specify the range of premium/discount to market price at which a company can repurchase shares and, (iv) disclose the time frame during which the shares will be bought back, will not have any such repurchase plan factored into the dilution calculation.

**162(m) Plan Amendments** If a plan would not normally meet the SSGA FM criteria described above, but is primarily being amended to add specific performance criteria to be

## FM Proxy Voting and Engagement Guidelines

used with awards designed to qualify for performance-based exception from the tax deductibility limitations of Section 162 (m) of the Internal Revenue Code, then SSGA FM will support the proposal to amend the plan.

### Employee Stock Option Plans

SSGA FM generally votes for stock purchase plans with an exercise price of not less than 85% of fair market value. However, SSGA FM takes market practice into consideration.

### Compensation Related Items

SSGA FM will generally support the following proposals:

- Expansions to reporting of financial or compensation-related information, within reason; and
- Proposals requiring the disclosure of executive retirement benefits if the issuer does not have an independent compensation committee.

SSGA FM will generally vote against the following proposals:

- Retirement bonuses for non-executive directors and auditors.

### Miscellaneous/Routine Items

SSGA FM generally supports the following miscellaneous/routine governance items:

- Reimbursement of all appropriate proxy solicitation expenses associated with the election when voting in conjunction with support of a dissident slate;
- Opting-out of business combination provision;
- Proposals that remove restrictions on the right of shareholders to act independently of management;
- Liquidation of the company if the company will file for bankruptcy if the proposal is not approved;
- Shareholder proposals to put option repricings to a shareholder vote;
- General updating of, or corrective amendments to charter and by-laws not otherwise specifically addressed herein, unless such amendments would reasonably be expected to diminish shareholder rights (e.g. extension of directors' term limits, amending shareholder vote requirement to amend the charter documents, insufficient information provided as to the reason behind the amendment);

- Change in corporation name;
- Mandates that amendments to by-laws or charters have shareholder approval;
- Management proposals to change the date, time, and/or location of the annual meeting unless the proposed change is unreasonable;
- Repeals, prohibitions or adoption of anti-greenmail provisions;
- Management proposals to implement a reverse stock split when the number of authorized shares will be proportionately reduced and proposals to implement a reverse stock split to avoid delisting; and
- Exclusive forum provisions.

SSGA FM generally does not support the following miscellaneous/ routine governance items:

- Proposals asking companies to adopt full tenure holding periods for their executives;
- Reincorporation to a location that we believe has more negative attributes than its current location of incorporation;
- Shareholder proposals to change the date, time, and/or location of the annual meeting unless the current scheduling or location is unreasonable;
- Proposals to approve other business when it appears as a voting item;
- Proposals giving the board exclusive authority to amend the by-laws; and
- Proposals to reduce quorum requirements for shareholder meetings below a majority of the shares outstanding unless there are compelling reasons to support the proposal.

### Environmental and Social Issues

As a fiduciary, we consider the financial and economic implications of environmental and social issues first and foremost. Environmental and social factors not only can have an impact on the reputation of companies; they may also represent significant operational risks and costs to business.

Well-developed environmental and social management systems can also generate efficiencies and enhance productivity, both of which impact shareholder value in the long-term.

## FM Proxy Voting and Engagement Guidelines

SSGA FM encourages companies to be transparent about the environmental and social risks and opportunities they face and adopt robust policies and processes to manage such issues. In our view, companies that manage all risks and consider opportunities related to environmental and social issues are able to adapt faster to changes and appear to be better placed to achieve sustainable competitive advantage in the long-term. Similarly, companies with good risk management systems, which include environmental and social policies, have a stronger position relative to their peers to manage risk and change, which could result in anything from regulation and litigation, physical threats (severe weather, climate change), economic trends as well as shifts in consumer behavior.

In their public reporting, we expect companies to disclose information on relevant management tools and material environmental and social performance metrics. We support efforts by companies to try to demonstrate how sustainability fits into overall strategy, operations and business activities. SSGA FM's team of analysts evaluates these risks on an issuer-by-issuer basis; understanding that environmental and social risks can vary widely depending on company industry, its operations, and geographic footprint.

<sup>1</sup> Common for non-US issuers; request from the issuer to discharge from liability the directors or auditors with respect to actions taken by them during the previous year.



## FM Proxy Voting and Engagement Guidelines

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## **FM Proxy Voting and Engagement Guidelines**

Australia and New Zealand

SSGA Funds Management, Inc.'s ("SSGA FM") Australia & New Zealand Proxy Voting and Engagement Guidelines outline our expectations of companies listed on stock exchanges in Australia and New Zealand. These guidelines complement and should be read in conjunction with SSGA FM's Global Proxy Voting and Engagement Principles which provide a detailed explanation of SSGA FM's approach to voting and engaging with companies, and SSGA's Conflict of Interest Policy.



## FM Proxy Voting and Engagement Guidelines

SSGA FM's Australia and New Zealand Proxy Voting and Engagement Guidelines address areas including board structure, audit related issues, capital structure, remuneration, environmental, social and other governance related issues. Principally, we believe the primary responsibility of the board of directors is to preserve and enhance shareholder value and protect shareholder interests. In order to carry out their primary responsibilities, directors have to undertake activities that range from setting strategy and overseeing executive management to monitoring the risks that arise from a company's business, including risks related to sustainability issues. Further, good corporate governance necessitates the existence of effective internal controls and risk management systems, which should be governed by the board.

When voting and engaging with companies in global markets, SSGA FM considers market specific nuances in the manner that we believe will best protect and promote the long-term economic value of client investments. SSGA FM expects companies to observe the relevant laws and regulations of their respective markets as well as country specific best practice guidelines and corporate governance codes. When we feel that a country's regulatory requirements do not address some of the key philosophical principles that SSGA FM believes are fundamental to its global voting guidelines, we may hold companies in such markets to our global standards.

In its analysis and research into corporate governance issues in Australia and New Zealand, SSGA FM expects all companies at a minimum to comply with the ASX Corporate Governance Principles. Companies should provide detailed explanations under the Principles' 'comply or explain' approach, especially where they fail to meet requirements and why any such non-compliance would serve shareholders' long-term interests. On some governance matters, such as composition of audit committees, we hold Australian companies to our global standards requiring all directors on the committee to be independent of management.

### SSGA FM's Proxy Voting and Engagement Philosophy

In our view, corporate governance and sustainability issues are an integral part of the investment process. The Asset Stewardship Team consists of investment professionals with expertise in corporate governance and company law, remuneration, accounting as well as environmental and social issues. SSGA FM has established robust corporate governance

principles and practices that are backed with extensive analytical expertise to understand the complexities of the corporate governance landscape. SSGA FM engages with companies to provide insight on the principles and practices that drive our voting decisions. We also conduct proactive engagement to address significant shareholder concerns and environmental, social and governance ("ESG") issues in a manner consistent with maximizing shareholder value.

The team works alongside members of SSGA FM's active fundamental and Asia-Pacific ("APAC") investment teams; collaborating on issuer engagement and providing input on company specific fundamentals. SSGA FM is also a member of various investor associations that seek to address broader corporate governance related policy issues in the region.

SSGA FM is a signatory to the United Nations Principles of Responsible Investment ("UNPRI") and is compliant with the UK Stewardship Code. We are committed to sustainable investing and are working to further integrate ESG principles into investment and corporate governance practice, where applicable and consistent with our fiduciary duty.

### Directors and Boards

SSGA FM believes that a well constituted board of directors, with a good balance of skills, expertise and independence, provides the foundations for a well governed company. SSGA FM views board quality as a measure of director independence, director succession planning, board diversity, evaluations and refreshment, and company governance practices. SSGA FM votes for the election/re-election of directors on a case-by-case basis after considering various factors including board quality, general market practice and availability of information on director skills and expertise. In principle, SSGA FM believes independent directors are crucial to good corporate governance and help management establish sound ESG policies and practices. A sufficiently independent board will most effectively monitor management and perform oversight functions necessary to protect shareholder interests. SSGA FM expects boards of ASX-300 and New Zealand listed companies to be comprised of at least a majority of independent directors. Further, SSGA FM expects boards of ASX-300 listed companies to have at least one female board member. At all other Australian listed companies, SSGA FM expects boards to be comprised of at least one-third independent directors.

## FM Proxy Voting and Engagement Guidelines

SSGA FM's broad criteria for director independence in Australia and New Zealand companies include factors such as:

- Participation in related-party transactions and other business relations with the company;
- Employment history with company;
- Relations with controlling shareholders; and
- Family ties with any of the company's advisers, directors or senior employees.

When considering the election or re-election of a director, SSGA FM also considers the number of outside board director-ships a non-executive and an executive may undertake as well as attendance at board meetings. In addition, SSGA FM monitors other factors that may influence the independence of a non-executive director, such as performance related pay, cross-directorships, significant shareholdings and tenure. SSGA FM supports the annual election of directors and encourages Australian and New Zealand companies to adopt this practice.

While SSGA FM is generally supportive of having the roles of chairman and CEO separated in the Australia and New Zealand markets, SSGA FM assesses the division of responsibilities between chairman and CEO on a case-by-case basis, giving consideration to factors such as company specific circumstances, overall level of independence on the board and general corporate governance standards in the company. Similarly, SSGA FM will monitor for circumstances where a combined chairman/CEO is appointed or where a former CEO becomes chairman.

SSGA FM may also consider factors such as board performance and directors who appear to be remiss in the performance of their oversight responsibilities when considering their suitability for reappointment (e.g. fraud, criminal wrongdoing and breach of fiduciary responsibilities).

SSGA FM believes companies should have committees for audit, remuneration and nomination oversight. The audit committee is responsible for monitoring the integrity of the financial statements of the company, appointing external auditors, monitoring their qualifications and independence as well their effectiveness and resource levels. Australian Corporate Governance Principles requires ASX listed companies to have an audit committee of at least three

members all of whom are non-executive directors and a majority of whom are independent directors. It also requires that the committee be chaired by an independent director who is not the chair of the board. SSGA FM holds Australian and New Zealand companies to its global standards for developed financial markets, by requiring that all members of the audit committee be independent directors.

In its analysis of boards, SSGA FM considers whether board members have adequate skills to provide effective oversight of corporate strategy, operations and risks, including environmental and social issues. Boards should also have a regular evaluation process in place to assess the effectiveness of the board and the skills of board members to address issues such as emerging risks, changes to corporate strategy and diversification of operations and geographic footprint. The nomination committee is responsible for evaluating and keeping under review the balance of skills, knowledge and experience of the board and ensuring that adequate succession plans are in place for directors and the CEO. SSGA FM may vote against the re-election of members of the nomination committee if, over time, the board has failed to address concerns over board structure or succession.

Executive pay is another important aspect of corporate governance. SSGA FM believes that executive pay should be determined by the board of directors and SSGA FM expects companies to have in place remuneration committees to provide independent oversight over executive pay. Australian Corporate Governance Principles requires ASX listed companies to have a remuneration committee of at least three members all of whom are non-executive directors and a majority of whom are independent directors. Since Australia has a non-binding vote on pay with a two-strike rule requiring a board spill in the event of a second strike, SSGA FM believes that the vote provides investors a mechanism to address concerns it may have on the quality of oversight provided by the board on remuneration issues. Accordingly SSGA FM voting guidelines accommodate local market practice.

### Indemnification and limitations on liability

Generally, SSGA FM supports proposals to limit directors' liability and/or expand indemnification and liability protection up to the limit provided by law, if he or she has not acted in bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

## FM Proxy Voting and Engagement Guidelines

### Audit Related Issues

Companies should have robust internal audit and internal control systems designed for effective management of any potential and emerging risks to company operations and strategy. The responsibility of setting out an internal audit function lies with the audit committee, which should have as members independent non-executive directors.

### Appointment of External Auditors

SSGA FM believes that a company's auditor is an essential feature of an effective and transparent system of external supervision and shareholders should be given the opportunity to vote on their appointment or to re-appoint at the annual meeting. When appointing external auditors and approving audit fees, SSGA FM will take into consideration the level of detail in company disclosures and will generally not support such resolutions if adequate breakdown is not provided and if non-audit fees are more than 50% of audit fees. In addition, SSGA FM may vote against members of the audit committee if we have concerns with audit related issues or if the level of non-audit fees to audit fees is significant. In certain circumstances, SSGA FM may consider auditor tenure when evaluating the audit process.

### Shareholder Rights and Capital Related Issues

#### Share Issuances

The ability to raise capital is critical for companies to carry out strategy, grow, and achieve returns above their cost of capital. The approval of capital raising activities is fundamental to shareholders' ability to monitor the amounts of proceeds and to ensure capital is deployed efficiently. SSGA FM supports capital increases that have sound business reasons and are not excessive relative to a company's existing capital base.

Pre-emption rights are a fundamental right for shareholders to protect their investment in a company. Where companies seek to issue new shares without pre-emption rights, SSGA FM may vote against if such authorities are greater than 20% of the issued share capital. SSGA FM may also vote against resolutions seeking authority to issue capital with pre-emption rights if the aggregate amount allowed seems excessive and is not justified by the board. Generally, we are against capital issuance proposals greater than 100% of the issued share capital when the proceeds are not intended for specific purpose.

### Share Repurchase Programs

SSGA FM generally supports a proposal to repurchase shares, unless the issuer does not clearly state the business purpose for the program, a definitive number of shares to be repurchased, and the time frame for the repurchase. SSGA FM may vote against share repurchase requests that allow share repurchases during a takeover period.

### Dividends

SSGA FM generally supports dividend payouts that constitute 30% or more of net income. SSGA FM may vote against the dividend payouts if the dividend payout ratio has been consistently below 30% without adequate explanation; or, the payout is excessive given the company's financial position. Particular attention will be paid where the payment may damage the company's long-term financial health.

### Mergers and Acquisitions

Mergers or reorganizing the structure of a company often involve proposals relating to reincorporation, restructurings, liquidations, and other major changes to the corporation. Proposals that are in the best interests of shareholders, demonstrated by enhancing share value or improving the effectiveness of the company's operations, will be supported. In general, provisions that are not viewed as economically sound or are thought to be destructive to shareholders' rights are not supported. SSGA FM will generally support transactions that maximize shareholder value. Some of the considerations include, but are not limited to the following:

- Offer premium;
- Strategic rationale;
- Board oversight of the process for the recommended transaction, including, director and/or management conflicts of interest;
- Offers made at a premium and where there are no other higher bidders; and
- Offers in which the secondary market price is substantially lower than the net asset value.

SSGA FM may vote against a transaction considering the following:

- Offers with potentially damaging consequences for minority shareholders because of illiquid stock;

## FM Proxy Voting and Engagement Guidelines

- Offers where we believe there is a reasonable prospect for an enhanced bid or other bidders; and
- At the time of voting, the current market price of the security exceeds the bid price.

### Anti-Takeover Measures

SSGA FM opposes anti-takeover defenses, such as authorities for the board, when subject to a hostile takeover, to issue warrants convertible into shares to existing shareholders.

### Remuneration

#### Executive Pay

There is a simple underlying philosophy that guides SSGA FM's analysis of executive pay—there should be a direct relationship between remuneration and company performance over the long-term. Shareholders should have the opportunity to assess whether pay structures and levels are aligned with business performance. When assessing remuneration reports, SSGA FM considers factors such as adequate disclosure of different remuneration elements, absolute and relative pay levels, peer selection and benchmarking, the mix of long term and short term incentives, alignment of pay structures with shareholder interests as well as with corporate strategy and performance. SSGA FM may oppose remuneration reports where there seems to be a misalignment between pay and shareholders' interests and where incentive policies and schemes have a re-test option or feature. SSGA FM may also vote against the re-election of members of the remuneration committee if we have serious concerns over remuneration practices and the company has not been responsive to shareholder pressure to review its approach.

#### Equity Incentive Plans

SSGA FM may not support proposals on equity-based incentive plans where insufficient information is provided on matters such as grant limits, performance metrics, performance and vesting periods and overall dilution. SSGA FM does not generally support options under such plans being issued at a discount to market price or plans that allow for re-testing of performance metrics.

#### Non-Executive Director Pay

Authorities seeking shareholder approval for non-executive directors' fees are generally not controversial. SSGA FM generally supports resolutions regarding directors' fees unless disclosure is poor and we are unable to determine whether

they are excessive relative to fees paid by other companies in the same country or industry. SSGA FM will evaluate on a company-by-company basis any non-cash or performance related pay to non-executive directors.

### Risk Management

SSGA FM believes that risk management is a key function of the board, which is responsible for setting the overall risk appetite of a company and for providing oversight on the risk management process established by senior executives at a company. SSGA FM allows boards discretion over how they provide oversight in this area. However, SSGA FM expects companies to disclose how the board provides oversight on its risk management system and to identify key risks facing the company. Boards should also review existing and emerging risks as they can change with a changing political and economic landscape, or as companies diversify or expand their operations into new areas.

### Environmental and Social Issues

As a fiduciary, SSGA FM considers the financial and economic implications of environmental and social issues first and foremost. In this regard, SSGA FM supports environmental and social related items that we believe would protect or enhance shareholder value. Environmental and social factors not only can have an impact on the reputation of companies; they may also represent significant operational risks and costs to business. Well-developed environmental and social management systems can also generate efficiencies and enhance productivity, both of which impact shareholder value in the longterm.

SSGA FM encourages companies to be transparent about the environmental and social risks and opportunities they face and adopt robust policies and processes to manage such issues. In our view, companies that manage all risks and consider opportunities related to environmental and social issues are able to adapt faster to changes and appear to be better placed to achieve sustainable competitive advantage in the long-term. Similarly, companies with good risk management systems, which include environmental and social policies, have a stronger position relative to their peers to manage risk and change, which could result in anything from regulation and litigation, physical threats (severe weather, climate change), economic trends as well as shifts in consumer behavior.

In their public reporting, we expect companies to disclose information on relevant management tools and material environmental and social performance metrics. We support

## **FM Proxy Voting and Engagement Guidelines**

efforts by companies to try to demonstrate how sustainability fits into overall strategy, operations and business activities. SSGA FM's team of analysts evaluates these risks and shareholder proposals relating to them on an issuer by issuer basis; understanding that environmental and social risks can vary widely depending on company industry, its operations, and geographic footprint. SSGA FM may also take action against the re-election of members of the board if we have serious concerns over ESG practices and the company has not been responsive to shareholder concerns.

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March 2017

## **FM Proxy Voting and Engagement Guidelines**

### Europe

SSGA Funds Management, Inc.'s, ("SSGA FM") European Proxy Voting and Engagement Guidelines cover different corporate governance frameworks and practices in European markets excluding the United Kingdom and Ireland. These guidelines complement and should be read in conjunction with SSGA FM's overarching Global Proxy Voting and Engagement Principles which provide a detailed explanation of SSGA FM's approach to voting and engaging with companies and SSGA's Conflicts of Interest Policy.



## FM Proxy Voting and Engagement Guidelines

SSGA FM's Proxy Voting and Engagement Guidelines in European markets address areas including board structure, audit related issues, capital structure, remuneration, environmental, social and other governance related issues. Principally, we believe the primary responsibility of the board of directors is to preserve and enhance shareholder value and protect shareholder interests. In order to carry out their primary responsibilities, directors have to undertake activities that range from setting strategy and, overseeing executive management to monitoring the risks that arise from a company's business, including risks related to sustainability issues. Further, good corporate governance necessitates the existence of effective internal controls and risk management systems, which should be governed by the board.

When voting and engaging with companies in European markets, SSGA FM considers market specific nuances in the manner that we believe will most likely protect and promote the long-term economic value of client investments. SSGA FM expects companies to observe the relevant laws and regulations of their respective markets as well as country specific best practice guidelines and corporate governance codes. When we feel that a country's regulatory requirements do not address some of the key philosophical principles that SSGA FM believes are fundamental to its global voting guidelines, we may hold companies in such markets to our global standards.

In its analysis and research in to corporate governance issues in European companies, SSGA FM also considers guidance issued by the European Commission. Companies should provide detailed explanations under diverse 'comply or explain' approaches, especially where they fail to meet requirements and why any such non-compliance would serve shareholders' long-term interests.

### SSGA FM's Proxy Voting and Engagement Philosophy

In our view, corporate governance and sustainability issues are an integral part of the investment process. The Asset Stewardship Team consists of investment professionals with expertise in corporate governance and company law, remuneration, accounting as well as environmental and social issues. SSGA FM has established robust corporate governance principles and practices that are backed with extensive analytical expertise to understand the complexities of the corporate governance landscape. SSGA FM engages with

companies to provide insight on the principles and practices that drive our voting decisions. We also conduct proactive engagement to address significant shareholder concerns and environmental, social and governance ("ESG") issues in a manner consistent with maximizing shareholder value.

The team works alongside members of SSGA FM's active fundamental and EMEA investment teams; collaborating on issuer engagement and providing input on company specific fundamentals. SSGA FM is also a member of various investor associations that seek to address broader corporate governance related policy issues in European markets.

SSGA FM is a signatory to the United Nations Principles of Responsible Investment ("UNPRI") and is compliant with the UK Stewardship Code. We are committed to sustainable investing and are working to further integrate ESG principles into investment and corporate governance practice, where applicable and consistent with our fiduciary duty.

### Directors and Boards

SSGA FM believes that a well constituted board of directors, with a good balance of skills, expertise and independence, provides the foundations for a well governed company. SSGA FM votes for the election/re-election of directors on a case-by-case basis after considering various factors including general market practice and availability of information on director skills and expertise. In principle, SSGA FM believes independent directors are crucial to good corporate governance and help management establish sound corporate governance policies and practices.

A sufficiently independent board will most effectively monitor management and perform oversight functions necessary to protect shareholder interests.

SSGA FM's broad criteria for director independence in European companies include factors such as:

- Participation in related-party transactions and other business relations with the company;
- Employment history with company;
- Relations with controlling shareholders;
- Family ties with any of the company's advisers, directors or senior employees;
- Employee and government representatives; and

## FM Proxy Voting and Engagement Guidelines

- Overall average board tenure and individual director tenure at issuers with classified and de-classified boards, respectively.

While, overall board independence requirements and board structures differ from market to market, SSGA FM considers voting against directors it deems non-independent if overall board independence is below one third or overall independence is below fifty-percent after excluding employee-representatives and/or directors elected in accordance with local laws who are not elected by shareholders. SSGA FM also assesses the division of responsibilities between chairman and CEO on a case-by-case basis, giving consideration to factors such as overall level of independence on the board and general corporate governance standards in the company. SSGA FM may support a proposal to discharge the board, if a company fails to meet adequate governance standards or board level independence.

When considering the election or re-election of a non-executive director, SSGA FM also considers the number of outside board directorships a non-executive can undertake, attendance at board meetings, and cross-directorships. In addition, SSGA FM may vote against the election of a director whose biographical disclosures are insufficient to assess his or her role on the board and/or independence.

Although we generally are in favor of the annual election of directors, we recognize that director terms vary considerably in different European markets. SSGA FM may vote against article/by-law changes that seek to extend director terms. In addition, in certain markets, SSGA FM may vote against directors if their director terms extend beyond four years.

SSGA FM believes companies should have relevant board level committees for audit, remuneration and nomination oversight. The audit committee is responsible for monitoring the integrity of the financial statements of the company, appointing external auditors, monitoring their qualifications and independence as well their effectiveness and resource levels. Similarly, executive pay is an important aspect of corporate governance, and it should be determined by the board of directors. SSGA FM expects companies to have in place remuneration committees to provide independent oversight over executive pay. SSGA FM may vote against nominees who are executive members of audit or remuneration committees.

In its analysis of boards, SSGA FM considers whether board members have adequate skills to provide effective oversight of corporate strategy, operations and risks, including environmental and social issues. Boards should also have a regular evaluation process in place to assess the effectiveness of the board and the skills of board members to address issues such as emerging risks, changes to corporate strategy and diversification of operations and geographic footprint.

In certain European markets it is not uncommon for the election of directors to be presented in a single slate. In these cases, where executives serve on the audit or the remuneration committees, SSGA FM may vote against the entire slate.

SSGA FM may also consider factors such as board performance and directors who appear to be remiss in the performance of their oversight responsibilities (e.g. fraud, criminal wrongdoing and breach of fiduciary responsibilities).

### Indemnification and Limitations on Liability

Generally, SSGA FM supports proposals to limit directors' liability and/or expand indemnification and liability protection up to the limit provided by law, if he or she has not acted in bad faith, with gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

### Audit Related Issues

Companies should have robust internal audit and internal control systems designed for effective management of any potential and emerging risks to company operations and strategy. The responsibility of setting out an internal audit function lies with the audit committee, which should have as members independent non-executive directors.

### Appointment of External Auditors

SSGA FM believes that a company's auditor is an essential feature of an effective and transparent system of external supervision and shareholders should be given the opportunity to vote on their appointment or to re-appoint at the annual meeting. When appointing external auditors and approving audit fees, SSGA FM will take into consideration the level of detail in company disclosures and will generally not support such resolutions if adequate breakdown is not provided and if non-audit fees are more than 50% of audit fees. In addition, SSGA FM may vote against members of the audit committee

## **FM Proxy Voting and Engagement Guidelines**

if we have concerns with audit related issues or if the level of non-audit fees to audit fees is significant. In certain circumstances, SSGA FM may consider auditor tenure when evaluating the audit process.

### **Limit Legal Liability of External Auditors**

SSGA FM generally opposes limiting the legal liability of audit firms as we believe this could create a negative impact on the quality of the audit function.

### **Shareholder Rights and Capital Related Issues**

In some European markets, differential voting rights continue to exist. SSGA FM supports the “one share one vote” policy and favors a share structure where all shares have equal voting rights. SSGA FM believes pre-emption rights should be introduced for shareholders in order to provide adequate protection from being overly diluted from the issuance of new shares or convertible securities to third parties or a small number of select shareholders.

### **Unequal Voting Rights**

SSGA FM generally opposes proposals authorizing the creation of new classes of common stock with superior voting rights and will generally oppose new classes of preferred stock with unspecified voting, conversion, dividend distribution, and other rights. In addition, SSGA FM will not support capitalization changes that add classes of stock with undefined voting rights or classes that may dilute the voting interests of existing shareholders. SSGA FM supports proposals to abolish voting caps and capitalization changes that eliminate other classes of stock and/or unequal voting rights.

### **Increase in Authorized Capital**

The ability to raise capital is critical for companies to carry out strategy, grow, and achieve returns above their cost of capital. The approval of capital raising activities is fundamental to shareholders’ ability to monitor the amounts of proceeds and to ensure capital is deployed efficiently. SSGA FM supports capital increases that have sound business reasons and are not excessive relative to a company’s existing capital base.

Pre-emption rights are a fundamental right for shareholders to protect their investment in a company. Where companies seek to issue new shares whilst dis-applying pre-emption rights, SSGA FM may vote against if such authorities are

greater than 20% of the issued share capital. SSGA FM may also vote against resolutions seeking authority to issue capital with pre-emption rights if the aggregate amount allowed seems excessive and is not justified by the board. Generally, we are against capital issuance proposals greater than 100% of the issued share capital when the proceeds are not intended for a specific purpose.

### **Share Repurchase Programs**

SSGA FM generally supports a proposal to repurchase shares, other than if the issuer does not clearly state the business purpose for the program, a definitive number of shares to be repurchased, specify the range of premium/discount to market price at which a company can repurchase shares, and the time frame for the repurchase. SSGA FM may vote against share re-purchase requests that allow share re-purchases during a takeover period.

### **Dividends**

SSGA FM generally supports dividend payouts that constitute 30% or more of net income. SSGA FM may vote against the dividend payouts if the dividend payout ratio has been consistently below 30% without adequate explanation; or, the payout is excessive given the company’s financial position. Particular attention will be paid where the payment may damage the company’s long-term financial health.

### **Related Party Transactions**

Certain companies in European markets have a controlled ownership structure and have complex cross-shareholdings between subsidiaries and parent companies (“related companies”). Such structures may result in the prevalence of related-party transactions between the company and its various stakeholders such as directors and management, subsidiaries and shareholders. In markets where shareholders are required to approve such transactions, SSGA FM expects companies to provide details of the transaction, such as the nature, value and purpose of such a transaction. It also encourages independent directors to ratify such transactions. Further, SSGA FM encourages companies to describe the level of independent board oversight and the approval process, including details of any independent valuations provided by financial advisors on related-party transactions.

## FM Proxy Voting and Engagement Guidelines

### Mergers and Acquisitions

Mergers or reorganizing the structure of a company often involve proposals relating to reincorporation, restructurings, liquidations, and other major changes to the corporation. Proposals that are in the best interests of the shareholders, demonstrated by enhancing share value or improving the effectiveness of the company's operations, will be supported. In general, provisions that are not viewed as economically sound or are thought to be destructive to shareholders' rights are not supported.

SSGA FM will generally support transactions that maximize shareholder value. Some of the considerations include, but are not limited to the following:

- Offer premium;
- Strategic rationale;
- Board oversight of the process for the recommended transaction, including, director and/or management conflicts of interest;
- Offers made at a premium and where there are no other higher bidders; and
- Offers in which the secondary market price is substantially lower than the net asset value.

SSGA FM may vote against a transaction considering the following:

- Offers with potentially damaging consequences for minority shareholders because of illiquid stock;
- Offers where we believe there is a reasonable prospect for an enhanced bid or other bidders; and
- At the time of voting, the current market price of the security exceeds the bid price.

### Anti-Takeover Measures

European markets have diverse regulations concerning the use of share issuances as takeover defenses with legal restrictions lacking in some markets. SSGA FM supports a one-share, one-vote policy, for example, given that dual-class capital structures entrench certain shareholders and management, insulating them from possible takeovers. SSGA FM opposes unlimited share issuance authorizations as they may be used as anti-takeover devices, and they have the potential for substantial voting and earnings dilution. SSGA FM also monitors the duration of authorities to issue shares and whether there are restrictions and caps on multiple issuance authorities during the specified time periods. SSGA FM opposes anti-takeover defenses such as authorities for the board, when subject to a hostile takeover, to issue warrants convertible into shares to existing shareholders.

### Remuneration

#### Executive Pay

Despite the differences among the types of plans and awards possible, there is a simple underlying philosophy that guides SSGA FM's analysis of executive pay—there should be a direct relationship between remuneration and company performance over the longterm.

Shareholders should have the opportunity to assess whether pay structures and levels are aligned with business performance. When assessing remuneration reports, SSGA FM considers factors such as adequate disclosure of different remuneration elements, absolute and relative pay levels, peer selection and benchmarking, the mix of long-term and short-term incentives, alignment of pay structures with shareholder interests as well as with corporate strategy and performance. SSGA FM may oppose remuneration reports where pay seems misaligned with shareholders' interests. SSGA FM may also vote against the re-election of members of the remuneration committee if we have serious concerns over remuneration practices and the company has not been responsive to shareholder pressure to review its approach.

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SSGA FM may not support proposals on equity-based incentive plans where insufficient information is provided on matters such as grant limits, performance metrics, performance and vesting periods and overall dilution. SSGA FM does not generally support options under such plans being issued at a discount to market price or plans that allow for re-testing of performance metrics.

#### Non-Executive Director Pay

In European markets, authorities seeking shareholder approval for non-executive directors' fees are generally not controversial. SSGA FM generally supports resolutions regarding directors' fees unless disclosure is poor and we are unable to determine whether they are excessive relative to fees paid by other companies in the same country or industry. SSGA FM will evaluate on a company-by-company basis any non-cash or performance related pay to non-executive directors.

## **FM Proxy Voting and Engagement Guidelines**

### **Risk Management**

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In their public reporting, we expect companies to disclose information on relevant management tools and material environmental and social performance metrics. We support efforts by companies to try to demonstrate how sustainability fits into overall strategy, operations and business activities. SSGA FM's team of analysts evaluates these risks and shareholder proposals relating to them on an issuer by issuer basis; understanding that environmental and social risks can vary widely depending on company industry, its operations, and geographic footprint. SSGA FM may also take action against the re-election of members of the board if we have serious concerns over ESG practices and the company has not been responsive to shareholder pressure.

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March 2017

## **FM Proxy Voting and Engagement Guidelines**

### Rest of the World

SSGA Funds Management, Inc.'s ("SSGA FM") Rest of the World Proxy Voting and Engagement Guidelines cover different corporate governance frameworks and practices in international markets not covered under specific country/regional policies. These guidelines complement and should be read in conjunction with SSGA FM's overarching Global Proxy Voting and Engagement Principles which provides a detailed explanation of SSGA FM's approach to voting and engaging with companies, and SSGA's Conflicts of Interest Policy.





## FM Proxy Voting and Engagement Guidelines

At SSGA FM, we recognize that countries in international markets not covered under specific country/regional policies are disparate in their corporate governance frameworks and practices. Concurrent with developing a company specific voting and engagement program, SSGA FM also evaluates the various factors that play into the corporate governance framework of a country. These factors include but are not limited to: (i) the macroeconomic conditions and broader political system in a country; (ii) quality of regulatory oversight, enforcement of property and shareholder rights; and (iii) the independence of judiciary. While emerging market countries tend to pose broad common governance issues across all markets, such as concentrated ownership, poor disclosure of financial and related-party transactions, and weak enforcement of rules and regulation, SSGA FM's proxy voting guidelines are designed to identify and address specific governance concerns in each market.

### SSGA FM's Proxy Voting and Engagement Philosophy in Emerging Markets

SSGA FM's approach to proxy voting and issuer engagement in emerging markets is designed to increase the value of our investments through the mitigation of governance risks. Since the overall quality of the corporate governance framework in an emerging market country drives the level of governance risks investors assign to a country, improving the macro governance framework in a country may help reduce governance risks, in turn, increasing the overall value of SSGA FM's holdings over time. Therefore, in order to improve the overall governance framework and practices in a country, members of our proxy voting and engagement team endeavor to visit emerging market countries and meet with representatives from regulatory agencies and stock markets to highlight potential concerns with the macro governance framework of a country. SSGA FM is also a member of various investor associations that seek to address broader corporate governance related policy issues in emerging markets. To help mitigate company specific risk, the Asset Stewardship Team works alongside members of the active fundamental and emerging market teams to engage with emerging market companies on governance issues and address any specific concerns or to get more information regarding shareholder items that are to be voted on at upcoming shareholder meetings. This integrated approach to engagement drives SSGA FM's proxy voting and engagement philosophy in emerging markets.

SSGA FM's proxy voting guidelines in emerging markets addresses six broad areas:

- Directors and Boards;
- Accounting and Audit Related Issues;

- Shareholder Rights and Capital Related Issues;
- Remuneration;
- Environmental and Social Issues; and
- General/Routine Issues.

### Directors and Boards

SSGA FM believes that a well constituted board of directors, with a good balance of skills, expertise and independence, provides the foundations for a well governed company. However, several factors such as low overall independence level requirements by market regulators, poor biographical disclosure of director profiles, prevalence of related-party transactions and the general resistance from controlling shareholders to increase board independence renders the election of directors as one of the most important fiduciary duties SSGA FM performs in emerging market companies.

SSGA FM votes for the election/re-election of directors on a case-by-case basis after considering various factors including general market practice and availability of information on director skills and expertise. SSGA FM expects companies to meet minimum overall board independence standards as defined in a corporate governance code or market practice. Therefore, in several countries, SSGA FM will vote against select non-independent directors if overall board independence levels do not meet market standards.

SSGA FM's broad criteria for director independence in emerging market companies include factors such as:

- Participation in related-party transactions;
- Employment history with company;
- Relations with controlling shareholders and other employees; and
- Attendance levels.

In some countries, market practice calls for the establishment of a board level audit committee. In such cases, SSGA FM believes companies should have an audit committee that is responsible for monitoring the integrity of the financial statements of the company, appointing external auditors, monitoring their qualifications and independence as well as their effectiveness and resource levels. Based on our desire to enhance the quality of financial and accounting oversight provided by independent directors, SSGA FM expects that listed companies have an audit committee that is constituted of a majority of independent directors.

### Audit Related Issues

The disclosure and availability of reliable financial statements in a timely manner is imperative for the investment process. As a

result, board oversight of internal controls and the independence of the audit process are essential if investors

## FM Proxy Voting and Engagement Guidelines

are to rely on financial statements. SSGA FM believes that audit committees provide the necessary oversight on the selection and appointment of auditors, a company's internal controls and accounting policies, and the overall audit process. In emerging markets, SSGA FM encourages boards to appoint an audit committee composed of a majority of independent auditors.

### Appointment of External Auditors

SSGA FM believes that a company's auditor is an essential feature of an effective and transparent system of external supervision and shareholders should be given the opportunity to vote on their appointment or re-appointment at the annual meeting. SSGA FM believes that it is imperative for audit committees to select outside auditors who are independent from management.

### Shareholder Rights and Capital Related Issues

SSGA FM believes that changes to a company's capital structure such as changes in authorized share capital, share repurchase and debt issuances are critical decisions made by the board. SSGA FM believes the company should have a well explained business rationale that is consistent with corporate strategy and should not overly dilute its shareholders.

### Related Party Transactions

Most companies in emerging markets have a controlled ownership structure that often include complex cross-shareholdings between subsidiaries and parent companies ("related companies"). As a result, there is a high prevalence of related-party transactions between the company and its various stakeholders such as directors and management. In addition, inter-group loan and loan guarantees provided to related companies are some of the other related-party transactions that increase the risk profile of companies. In markets where shareholders are required to approve such transactions, SSGA FM expects companies to provide details of the transaction, such as the nature, value and purpose of such a transaction. It also encourages independent directors to ratify such transactions. Further, SSGA FM encourages companies to describe the level of independent board oversight and the approval process, including details of any independent valuations provided by financial advisors on related-party transactions.

### Share Repurchase Programs

With regard to share repurchase programs, SSGA FM expects companies to clearly state the business purpose for the program and a definitive number of shares to be repurchased.

## Mergers and Acquisitions

Mergers or reorganizing the structure of a company often involve proposals relating to reincorporation, restructurings, liquidations, and other major changes to the corporation. Proposals that are in the best interests of the shareholders, demonstrated by enhancing share value or improving the effectiveness of the company's operations, will be supported. In general, provisions that are not viewed as economically sound or are thought to be destructive to shareholders' rights are not supported.

SSGA FM evaluates mergers and structural reorganizations on a case-by-case basis. SSGA FM will generally support transactions that maximize shareholder value. Some of the considerations include, but are not limited to the following:

- Offer premium;
- Strategic rationale;
- Board oversight of the process for the recommended transaction, including, director and/or management conflicts of interest;
- Offers made at a premium and where there are no other higher bidders; and
- Offers in which the secondary market price is substantially lower than the net asset value.

SSGA FM may vote against a transaction considering the following:

- Offers with potentially damaging consequences for minority shareholders because of illiquid stock;
- Offers where we believe there is a reasonable prospect for an enhanced bid or other bidders; and
- At the time of voting, the current market price of the security exceeds the bid price.

SSGA FM will actively seek direct dialogue with the board and management of companies we have identified through our screening processes. Such engagements may lead to further monitoring to ensure the company improves its governance or sustainability practices. In these cases, the engagement process represents the most meaningful opportunity for SSGA FM to protect long-term shareholder value from excessive risk due to poor governance and sustainability practices.

## Remuneration

SSGA FM considers it to be the board's responsibility to set appropriate levels of executive remuneration. Despite the differences among the types of plans and the awards possible, there is a simple underlying philosophy that guides SSGA FM's analysis of executive remuneration; there should be a

## **FM Proxy Voting and Engagement Guidelines**

direct relationship between executive compensation and company performance over the long term. In emerging markets we encourage companies to disclose information on senior executive remuneration.

With regard to director remuneration, SSGA FM supports director pay provided the amounts are not excessive relative to other issuers in the market or industry and are not overly dilutive to existing shareholders.

### **Environmental and Social Issues**

As a fiduciary, SSGA FM considers the financial and economic implications of environmental and social issues first and foremost. In this regard, SSGA FM supports environmental and social related items that we believe would protect or enhance shareholder value. Environmental and social factors can not only have an impact on the reputation of companies; they may also represent significant operational risks and costs to business. Well-developed environmental and social management systems generate efficiencies and enhance productivity, both of which impact shareholder value in the longterm.

SSGA FM encourages companies to be transparent about the environmental and social risks and opportunities they face and adopt robust policies and processes to manage such issues. Companies with good risk management systems, which include environmental and social policies, have a stronger position relative to their peers to manage risk and change. In their public reporting, we expect companies to disclose information on relevant management tools and material environmental and social performance metrics. We support efforts by companies to try to demonstrate how sustainability fits into overall strategy, operations and business activities. SSGA FM's team of analysts evaluates these risks on an issuer by issuer basis; understanding that environmental and social risks can vary widely depending on company industry, its operations, and geographic footprint.

In emerging markets, shareholders seldom vote on environmental and social issues. Therefore, SSGA FM addresses a company's approach to identifying and managing environmental and social risks stemming from various aspects of its operations in its one-on-one engagement with companies.

### **General/Routine Issues**

Some of the other issues that are routinely voted on in emerging markets include approving the allocation of income and accepting financial statements and statutory reports. For these voting items, SSGA FM's policies consider several factors including historical dividend payouts, pending litigation, governmental investigations, charges of fraud or other indication of significant concerns.

## FM Proxy Voting and Engagement Guidelines

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Investing involves risk including the risk of loss of principal.

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March 2017

## **FM Proxy Voting and Engagement Guidelines**

### **Japan**

SSGA Funds Management, Inc.'s, ("SSGA FM") Japan Proxy Voting and Engagement Guidelines complement and should be read in conjunction with SSGA FM's overarching Global Proxy Voting and Engagement Guidelines, which provide a detailed explanation of SSGA FM's approach to voting and engaging with companies, and SSGA's Conflicts of Interest Policy.



## FM Proxy Voting and Engagement Guidelines

SSGA FM's Proxy Voting and Engagement Guidelines in Japan address areas including: board structure, audit related issues, capital structure, remuneration, environmental, social and other governance related issues. Principally, we believe the primary responsibility of the board of directors is to preserve and enhance shareholder value and protect shareholder interests. In order to carry out their primary responsibilities, directors have to undertake activities that range from setting strategy and, overseeing executive management to monitoring the risks that arise from a company's business, including risks related to sustainability issues. Further, good corporate governance necessitates the existence of effective internal controls and risk management systems, which should be governed by the board.

When voting and engaging with companies in Japan, SSGA FM takes into consideration the unique aspects of Japanese corporate governance structures. We recognize that under Japanese corporate law, companies may choose between two structures of corporate governance: the statutory auditor system or the committee structure. Most Japanese boards predominantly consist of executives and non-independent outsiders affiliated through commercial relationships or cross-shareholdings. Nonetheless, when evaluating companies, SSGA FM expects Japanese companies to address conflicts of interest, risk management and demonstrate an effective process for monitoring management. In its analysis and research into corporate governance issues in Japanese companies, SSGA FM also considers guidance issued by the Corporate Law Subcommittee of the Legislative Council within the Ministry of Justice as well as private study groups.

### SSGA FM's Proxy Voting and Engagement Philosophy

In our view, corporate governance and sustainability issues are an integral part of the investment process. The Asset Stewardship Team consists of investment professionals with expertise in corporate governance and company law, remuneration, and environmental and social issues. SSGA FM has established robust corporate governance principles and practices that are backed with extensive analytical expertise to understand the complexities of the corporate governance landscape. SSGA FM engages with companies to provide insight on the principles and practices that drive our voting decisions. We also conduct proactive engagement to address significant shareholder concerns and environmental, social and governance ("ESG") issues in a manner consistent with maximizing shareholder value.

The team works alongside members of SSGA FM's active investment teams; collaborating on issuer engagement and providing input on company specific fundamentals. SSGA FM is also a member of various investor associations that seek to address broader corporate governance related policy issues in Japan.

SSGA FM is a signatory to the United Nations Principles of Responsible Investment ("UNPRI") and is compliant with Japan's Stewardship Code and Corporate Governance Code. We are committed to sustainable investing and are working to further integrate ESG principles into investment and corporate governance practices, where applicable and consistent with our fiduciary duty.

### Directors and Boards

SSGA FM believes that a well constituted board of directors, with a good balance of skills, expertise and independence, provides the foundations for a well governed company. SSGA FM votes for the election/re-election of directors on a case-by-case basis after considering various factors including general market practice.

Japanese companies have the option of having a traditional board of directors with statutory auditors, a board with a committee structure, or a hybrid board with board level audit committee. SSGA FM will generally support companies that seek shareholder approval to adopt a committee or hybrid board structure.

Most Japanese issuers prefer the traditional statutory auditor structure. Statutory auditors act in a quasi-compliance role as they are not involved in strategic decision-making nor are they part of the formal management decision process. Statutory auditors attend board meetings but do not have voting rights at the board; however, they have the right to seek an injunction and conduct broad investigations of unlawful behavior in the company's operations.

SSGA FM will support the election of statutory auditors, unless the outside statutory auditor nominee is regarded as non-independent based on SSGA FM criteria, the outside statutory auditor has attended less than 75 percent of meetings of the board of directors or board of statutory auditors during the year under review, or the statutory auditor has been remiss in the performance of their oversight responsibilities (fraud, criminal wrong-doing and breach of fiduciary responsibilities).

For companies with a statutory auditor structure there is no legal requirement that boards have outside directors, however, SSGA FM believes there should be a transparent process of independent and external monitoring of management on behalf of shareholders.

- SSGA FM believes that non-controlled Japanese companies should appoint at least two outside directors, otherwise, SSGA FM will oppose the top executive who is responsible for the director nomination process; and
- For controlled companies with a statutory auditor structure, SSGA FM will oppose the top executive, if the board does not have at least two independent directors.





## **FM Proxy Voting and Engagement Guidelines**

For companies with a committee structure or a hybrid board structure, SSGA FM votes for the election/re-election of directors on a case-by-case basis after considering general market practice, as well as the independence of the nominee. SSGA FM also takes into consideration the overall independence level of the committees. In determining director independence, SSGA FM considers the following factors:

- Participation in related-party transactions and other business relations with the company;
- Past employment with the company;
- Provides professional services to the company; and
- Family ties with the company.

Regardless of board structure, SSGA FM may oppose the election of a director for the following reasons:

- Failure to attend board meetings; or
- In instances of egregious actions related to a director's service on the board.

### **Indemnification and Limitations on Liability**

Generally, SSGA FM supports proposals to limit directors' and statutory auditors' liability and/or expand indemnification and liability protection up to the limit provided by law, if he or she has not acted in bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office. SSGA FM believes limitations and indemnification are necessary to attract and retain qualified directors.

### **Audit Related Items**

SSGA FM believes that a company's auditor is an essential feature of an effective and transparent system of external supervision and shareholders should have the opportunity to vote on their appointment at the annual meeting.

### **Ratifying External Auditors**

SSGA FM will generally support the appointment of external auditors unless the external auditor is perceived as being non-independent and there are concerns about the accounts presented and the audit procedures followed.

### **Limit Legal Liability of External Auditors**

SSGA FM generally opposes limiting the legal liability of audit firms as we believe this could create a negative impact on the quality of the audit function.

## **Capital Structure, Reorganization and Mergers**

SSGA FM supports the "one share one vote" policy and favors a share structure where all shares have equal voting rights. SSGA FM supports proposals to abolish voting caps or multiple voting rights and will oppose measures to introduce these types of restrictions on shareholder rights.

SSGA FM believes pre-emption rights should be introduced for shareholders in order to provide adequate protection from being overly diluted from the issuance of new shares or convertible securities to third parties or a small number of select shareholders.

### **Unequal Voting Rights**

SSGA FM generally opposes proposals authorizing the creation of new classes of common stock with superior voting rights and will generally oppose new classes of preferred stock with unspecified voting, conversion, dividend distribution, and other rights. In addition, SSGA FM will not support capitalization changes that add classes of stock with undefined voting rights or classes that may dilute the voting interests of existing shareholders.

However, SSGA FM will support capitalization changes that eliminate other classes of stock and/or unequal voting rights.

### **Increase in Authorized Capital**

SSGA FM generally supports increases in authorized capital where the company provides an adequate explanation for the use of shares. In the absence of an adequate explanation, SSGA FM may oppose the request if the increase in authorized capital exceeds 100 percent of the currently authorized capital. Where share issuance requests exceed our standard threshold, SSGA FM will consider the nature of the specific need, such as mergers and acquisitions and stock splits.

### **Dividends**

SSGA FM generally supports dividend payouts that constitute 30 percent or more of net income. SSGA FM may vote against the dividend payouts if the dividend payout ratio has been consistently below 30 percent without adequate explanation; or, the payout is excessive given the company's financial position. Particular attention will be paid where the payment may damage the company's longterm financial health.

### **Share Repurchase Programs**

Companies are allowed under Japanese Corporate Law to amend their articles to authorize the repurchase of shares at the board's discretion. SSGA FM will oppose an amendment to articles allowing the repurchase of shares at the board's discretion. SSGA FM believes the company should seek shareholder approval for a share repurchase program at each year's AGM,

providing shareholders the right to evaluate the purpose of the repurchase.

## FM Proxy Voting and Engagement Guidelines

SSGA FM generally supports a proposal to repurchase shares, other than if the issuer does not clearly state the business purpose for the program, a definitive number of shares to be repurchased, and the time frame for the repurchase. SSGA FM may vote against share repurchase requests that allow share repurchases during a takeover period.

### Mergers and Acquisitions

Mergers or reorganizing the structure of a company often involve proposals relating to reincorporation, restructurings, liquidations, and other major changes to the corporation. Proposals that are in the best interests of the shareholders, demonstrated by enhancing share value or improving the effectiveness of the company's operations, will be supported. In general, provisions that are not viewed as economically sound or are thought to be destructive to shareholders' rights are not supported.

SSGA FM evaluates mergers and structural reorganizations on a case-by-case basis. SSGA FM will generally support transactions that maximize shareholder value. Some of the considerations include, but are not limited to the following:

- Offer premium;
- Strategic rationale;
- Board oversight of the process for the recommended transaction, including, director and/or management conflicts of interest;
- Offers made at a premium and where there are no other higher bidders; and
- Offers in which the secondary market price is substantially lower than the net asset value.

SSGA FM may vote against a transaction considering the following:

- Offers with potentially damaging consequences for minority shareholders because of illiquid stock;
- Offers where we believe there is a reasonable prospect for an enhanced bid or other bidders; and
- At the time of voting, the current market price of the security exceeds the bid price.

### Anti-Takeover Measures

In general, SSGA FM believes that adoption of poison pills that have been structured to protect management and to prevent takeover bids from succeeding is not in shareholders' interest. A shareholder rights plan may lead to management entrenchment and discourage legitimate tender offers and acquisitions. Even if the premium paid to companies with a shareholder rights plan is higher than that offered to unprotected firms, a company's chances of receiving a takeover offer in the first place may be reduced by the presence of a shareholder rights plan.

Proposals that reduce shareholders' rights or have the effect of entrenching incumbent management will not be supported.

Proposals that enhance the right of shareholders to make their own choices as to the desirability of a merger or other proposal are supported.

### Shareholder Rights Plans

In evaluating the adoption or renewal of a Japanese issuer's shareholder rights plans ("poison pill") SSGA FM considers the following conditions: (i) release of proxy circular with details of the proposal with adequate notice in advance of meeting, (ii) minimum trigger, flip-in or flip-over of 20 percent, (iii) maximum term of three years, (iv) sufficient number of independent directors, (v) presence of an independent committee, (vi) no other protective entrenchment features.

In evaluating an amendment to a shareholder rights plan ("poison pill"), in addition to the conditions above, SSGA FM will also evaluate and consider supporting proposals where the terms of the new plans are more favorable to shareholders' ability to accept unsolicited offers.

### Compensation

In Japan, excessive compensation is rarely an issue. Rather, the problem is the lack of connection between pay and performance. Fixed salaries and cash retirement bonuses tend to comprise a significant portion of the compensation structure while performance-based pay is generally a small portion of the total pay. SSGA FM, where possible, seeks to encourage the use of performance based compensation in Japan as an incentive for executives and as a way to align interests with shareholders.

### Approve Adjustment to Aggregate Compensation Ceiling for Directors

Remuneration for directors is generally reasonable. Typically, each company sets the director compensation parameters as an aggregate thereby limiting the total pay to all directors. When requesting a change, a company must disclose the last time the ceiling was adjusted and management provides the rationale for the ceiling increase. SSGA FM will generally support proposed increases to the ceiling if the company discloses the rationale for the increase. SSGA FM may oppose proposals to increase the ceiling if there has been corporate malfeasance or sustained poor performance.



## **FM Proxy Voting and Engagement Guidelines**

### **Approve Annual Bonuses for Directors/Statutory Auditors**

In Japan, since there are no legal requirements that mandate companies to seek shareholder approval before awarding a bonus, SSGA FM believes that existing shareholder approval of the bonus should be considered best practice. As a result, SSGA FM supports management proposals on executive compensation where there is a strong relationship between executive pay and performance over a five-year period.

### **Approve Retirement Bonuses for Directors/Statutory Auditors**

Retirement bonuses make up a sizeable portion of directors' and auditors' lifetime compensation and are based on board tenure. While many companies in Japan have abolished this practice, there remain many proposals seeking shareholder approval for the total amounts paid to directors and statutory auditors as a whole. In general, SSGA FM supports these payments unless the recipient is an outsider or in instances where the amount is not disclosed.

### **Approve Stock Plan**

Most option plans in Japan are conservative, particularly at large companies. Japan corporate law requires companies to disclose the monetary value of the stock options for directors and/or statutory auditors. Some companies do not disclose the maximum number of options that can be issued per year and shareholders are unable to evaluate the dilution impact. In this case, SSGA FM cannot calculate the dilution level and, therefore, SSGA FM may oppose such plans for poor disclosure. SSGA FM also opposes plans that allow for the repricing of the exercise price.

### **Deep Discount Options**

As Japanese companies move away from the retirement bonus system, deep discount options plans have become more popular. Typically, the exercise price is set at JPY 1 per share. SSGA FM evaluates deep discount options using the same criteria used to evaluate stock options as well as considering the vesting period.

### **Environmental and Social Issues**

As a fiduciary, SSGA FM considers the financial and economic implications of environmental and social issues first and foremost. In this regard, SSGA FM supports environmental and social related items that we believe would protect or enhance shareholder value. Environmental and social factors can not only have an impact on the reputation of companies; they may also represent significant operational risks and costs to business. Well-developed environmental and social management systems generate efficiencies and enhance productivity, both of which impact shareholder value in the long-term.

SSGA FM encourages companies to be transparent about the environmental and social risks and opportunities they face and adopt robust policies and processes to manage such issues. Companies with good risk management systems, which include environmental and social policies, have a stronger position relative to their peers to manage risk and change.

In their public reporting, we expect companies to disclose information on relevant management tools and material environmental and social performance metrics. We support efforts by companies to try to demonstrate how sustainability fits into overall strategy, operations and business activities. SSGA FM's team of analysts evaluates these risks on an issuer by issuer basis; understanding that environmental and social risks can vary widely depending on company industry, its operations, and geographic footprint.

### **Miscellaneous/Routine Items**

#### **Expansion of Business Activities**

Japanese companies' articles of incorporation strictly define the types of businesses in which a company is permitted to engage. In general, SSGA FM views proposals to expand and diversify the company's business activities as routine and non-contentious. SSGA FM will monitor instances where there has been an inappropriate acquisition and diversification away from the company's main area of competence, which resulted in a decrease of shareholder value.

### **More Information**

Any client who wishes to receive information on how its proxies were voted should contact its SSGA FM relationship manager.

## FM Proxy Voting and Engagement Guidelines

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March 2017

## **FM Proxy Voting and Engagement Guidelines**

United Kingdom and Ireland

SSGA Funds Management, Inc.'s ("SSGA FM"), UK and Ireland Proxy Voting and Engagement Guidelines outline our expectations of companies listed on stock exchanges in the United Kingdom and Ireland. These guidelines complement and should be read in conjunction with SSGA FM's Global Proxy Voting and Engagement Principles, which provide a detailed explanation of SSGA FM's approach to voting and engaging with companies and SSGA's Conflicts of Interest Policy.



## FM Proxy Voting and Engagement Guidelines

SSGA FM's UK Proxy Voting and Engagement Guidelines address areas including board structure, audit related issues, capital structure, remuneration, environmental, social and other governance related issues. Principally, we believe the primary responsibility of the board of directors is to preserve and enhance shareholder value and protect shareholder interests. In order to carry out their primary responsibilities, directors have to undertake activities that range from setting strategy, overseeing executive management to monitoring the risks that arise from a company's business, including risks related to sustainability issues. Further, good corporate governance necessitates the existence of effective internal controls and risk management systems, which should be governed by the board.

When voting and engaging with companies in global markets, SSGA FM considers market specific nuances in the manner that we believe will most likely protect and promote the long-term economic value of client investments. SSGA FM expects companies to observe the relevant laws and regulations of their respective markets as well as country specific best practice guidelines and corporate governance codes. When we feel that a country's regulatory requirements do not address some of the key philosophical principles that SSGA FM believes are fundamental to its global voting guidelines, we may hold companies in such markets to our global standards.

In its analysis and research into corporate governance issues in the UK and Ireland, SSGA FM expects all companies, regardless of domicile, that obtain a primary listing on the London Stock Exchange or the Irish Stock Exchange to comply with the UK Corporate Governance Code. Companies should provide detailed explanations under the Code's 'comply or explain' approach, especially where they fail to meet requirements and why any such non-compliance would serve shareholders' long-term interests.

### SSGA FM's Proxy Voting and Engagement Philosophy

In our view, corporate governance and sustainability issues are an integral part of the investment process. The Asset Stewardship Team consists of investment professionals with expertise in corporate governance and company law, remuneration, accounting as well as environmental and social issues. SSGA FM has established robust corporate governance principles and practices that are backed with extensive analytical expertise to understand the complexities of the corporate governance landscape. SSGA FM engages with companies to provide insight on the principles and practices that drive our voting decisions. We also conduct proactive engagement to address significant shareholder concerns and environmental, social and governance ("ESG") issues in a manner consistent with maximizing shareholder value.

The team works alongside members of SSGA FM's active fundamental and EMEA investment teams; collaborating on issuer engagement and providing input on company specific fundamentals. SSGA FM is also a member of various investor associations that seek to address broader corporate governance related policy issues in the UK and European markets.

SSGA FM is a signatory to the United Nations Principles of Responsible Investment ("UNPRI") and is compliant with the UK Stewardship Code. We are committed to sustainable investing and are working to further integrate ESG principles into investment and corporate governance practice, where applicable and consistent with our fiduciary duty.

### Directors and Boards

SSGA FM believes that a well constituted board of directors, with a good balance of skills, expertise and independence, provides the foundations for a well governed company. SSGA FM views board quality as a measure of director independence, director succession planning, board diversity, evaluations and refreshment, and company governance practices. SSGA FM votes for the election/re-election of directors on a case-by-case basis after considering various factors including board quality, general market practice and availability of information on director skills and expertise. In principle, SSGA FM believes independent directors are crucial to good corporate governance and help management establish sound corporate governance policies and practices. A sufficiently independent board will most effectively monitor management and perform oversight functions necessary to protect shareholder interests. Further, SSGA FM expects boards of FTSE-350 listed companies to have at least one female board member.

A sufficiently independent board will most effectively monitor management and perform oversight functions necessary to protect shareholder interests.

SSGA FM's broad criteria for director independence in UK companies include factors such as:

- Participation in related-party transactions and other business relations with the company;
- Employment history with company;
- Excessive tenure and a preponderance of long-tenured directors;
- Relations with controlling shareholders;
- Family ties with any of the company's advisers, directors or senior employees; and
- If the company classifies the director as non-independent.



## **FM Proxy Voting and Engagement Guidelines**

When considering the election or re-election of a director, SSGA FM also considers the number of outside board directorships a non-executive and an executive may undertake as well as attendance at board meetings. In addition, SSGA FM monitors other factors that may influence the independence of a non-executive director, such as performance related pay, cross-directorships and significant shareholdings. SSGA FM supports the annual election of directors.

While SSGA FM is generally supportive of having the roles of chairman and CEO separated in the UK market, SSGA FM assesses the division of responsibilities between chairman and CEO on a case-by-case basis, giving consideration to factors such as the company's specific circumstances, overall level of independence on the board and general corporate governance standards in the company. Similarly, SSGA FM will monitor for circumstances where a combined chairman/CEO is appointed or where a former CEO becomes chairman.

SSGA FM may also consider factors such as board performance and directors who appear to be remiss in the performance of their oversight responsibilities when considering their suitability for reappointment (e.g. fraud, criminal wrongdoing and breach of fiduciary responsibilities).

SSGA FM believes companies should have committees for audit, remuneration and nomination oversight. The audit committee is responsible for monitoring the integrity of the financial statements of the company, appointing external auditors, monitoring their qualifications and independence as well their effectiveness and resource levels. Similarly, executive pay is an important aspect of corporate governance, and it should be determined by the board of directors. SSGA FM expects companies to have in place remuneration committees to provide independent oversight over executive pay. SSGA FM will vote against nominees who are executive members of audit or remuneration committees.

In its analysis of boards, SSGA FM considers whether board members have adequate skills to provide effective oversight of corporate strategy, operations and risks, including environmental and social issues. Boards should also have a regular evaluation process in place to assess the effectiveness of the board and the skills of board members to address issues such as emerging risks, changes to corporate strategy and diversification of operations and geographic footprint. The nomination committee is responsible for evaluating and keeping under review the balance of skills, knowledge and experience of the board and ensuring that adequate succession plans are in place for directors and the CEO. SSGA FM may vote against the re-election of members of the nomination committee if, over time, the board has failed to address concerns over board structure or succession.

## **Indemnification and Limitations on Liability**

Generally, SSGA FM supports proposals to limit directors' liability and/or expand indemnification and liability protection up to the limit provided by law, if he or she has not acted in bad faith, with gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

## **Audit Related Issues**

Companies should have robust internal audit and internal control systems designed for effective management of any potential and emerging risks to company operations and strategy. The responsibility of setting out an internal audit function lies with the audit committee, which should have as members independent non-executive directors.

## **Appointment of External Auditors**

SSGA FM believes that a company's auditor is an essential feature of an effective and transparent system of external supervision and shareholders should be given the opportunity to vote on their appointment or to re-appoint at the annual meeting. When appointing external auditors and approving audit fees, SSGA FM will take into consideration the level of detail in company disclosures and will generally not support such resolutions if an adequate breakdown is not provided and if non-audit fees are more than 50% of audit fees. In addition, SSGA FM may vote against members of the audit committee if we have concerns with audit related issues or if the level of non-audit fees to audit fees is significant. In certain circumstances, SSGA FM may consider auditor tenure when evaluating the audit process.

## **Limit Legal Liability of External Auditors**

SSGA FM generally opposes limiting the legal liability of audit firms as we believe this could create a negative impact on the quality of the audit function.

## **Shareholder Rights and Capital Related Issues**

### **Share Issuances**

The ability to raise capital is critical for companies to carry out strategy, grow, and achieve returns above their cost of capital. The approval of capital raising activities is fundamental to shareholders' ability to monitor the amounts of proceeds and to ensure capital is deployed efficiently. SSGA FM supports capital increases that have sound business reasons and are not excessive relative to a company's existing capital base.

## FM Proxy Voting and Engagement Guidelines

Pre-emption rights are a fundamental right for shareholders to protect their investment in a company. Where companies seek to issue new shares whilst dis-applying pre-emption rights, SSGA FM may vote against if such authorities are greater than 20% of the issued share capital. SSGA FM may also vote against resolutions seeking authority to issue capital with pre-emption rights if the aggregate amount allowed seems excessive and is not justified by the board. Generally, we are against capital issuance proposals greater than 100% of the issued share capital when the proceeds are not intended for a specific purpose.

### Share Repurchase Programs

SSGA FM generally supports a proposal to repurchase shares, other than if the issuer does not clearly state the business purpose for the program, a definitive number of shares to be repurchased, specify the range of premium/discount to market price at which a company can repurchase shares, and the time-frame for the repurchase. SSGA FM may vote against share re-purchase requests that allow share re-purchases during a takeover period.

### Dividends

SSGA FM generally supports dividend payouts that constitute 30% or more of net income. SSGA FM may vote against the dividend payouts if the dividend payout ratio has been consistently below 30% without adequate explanation; or, the payout is excessive given the company's financial position. Particular attention will be paid where the payment may damage the company's long term financial health.

### Mergers and Acquisitions

Mergers or reorganizing the structure of a company often involve proposals relating to reincorporation, restructurings, liquidations, and other major changes to the corporation. Proposals that are in the best interests of the shareholders, demonstrated by enhancing share value or improving the effectiveness of the company's operations, will be supported. In general, provisions that are not viewed as economically sound or are thought to be destructive to shareholders' rights are not supported.

SSGA FM will generally support transactions that maximize share-holder value. Some of the considerations include, but are not limited to the following:

- Offer premium;
- Strategic rationale;
- Board oversight of the process for the recommended transaction, including, director and/or management conflicts of interest;
- Offers made at a premium and where there are no other higher bidders; and

- Offers in which the secondary market price is substantially lower than the net asset value.

SSGA FM may vote against a transaction considering the following:

- Offers with potentially damaging consequences for minority shareholders because of illiquid stock;
- Offers where we believe there is a reasonable prospect for an enhanced bid or other bidders; and
- At the time of voting, the current market price of the security exceeds the bid price.

### Anti-Takeover Measures

SSGA FM opposes anti-takeover defenses such as authorities for the board when subject to a hostile takeover to issue warrants convertible into shares to existing shareholders.

### Remuneration

#### Executive Pay

Despite the differences among the types of plans and awards possible, there is a simple underlying philosophy that guides SSGA FM's analysis of executive pay—there should be a direct relationship between remuneration and company performance over the long term.

Shareholders should have the opportunity to assess whether pay structures and levels are aligned with business performance. When assessing remuneration policies and reports, SSGA FM considers factors such as adequate disclosure of different remuneration elements, absolute and relative pay levels, peer selection and benchmarking, the mix of long-term and short-term incentives, alignment of pay structures with shareholder interests as well as with corporate strategy and performance. SSGA FM may oppose remuneration reports where pay seems misaligned with shareholders' interests. SSGA FM may also vote against the re-election of members of the remuneration committee if we have serious concerns over remuneration practices and the company has not been responsive to shareholder pressure.

#### Equity Incentive Plans

SSGA FM may not support proposals on equity-based incentive plans where insufficient information is provided on matters such as grant limits, performance metrics, performance and vesting periods and overall dilution. SSGA FM does not generally support options under such plans being issued at a discount to market price or plans that allow for re-testing of performance metrics.

## **FM Proxy Voting and Engagement Guidelines**

### **Non-Executive Director Pay**

Authorities seeking shareholder approval for non-executive directors' fees are generally not controversial. SSGA FM generally supports resolutions regarding directors' fees unless disclosure is poor and we are unable to determine whether they are excessive relative to fees paid by other companies in the same country or industry. SSGA FM will evaluate on a company-by-company basis any non-cash or performance related pay to non-executive directors.

### **Risk Management**

SSGA FM believes that risk management is a key function of the board, which is responsible for setting the overall risk appetite of a company and for providing oversight on the risk management process established by senior executives at a company. SSGA FM allows boards discretion over how they provide oversight in this area. However, SSGA FM expects companies to disclose how the board provides oversight on its risk management system and to identify key risks facing the company. Boards should also review existing and emerging risks as they can change with a changing political and economic landscape, or as companies diversify or expand their operations into new areas.

### **Environmental and Social Issues**

As a fiduciary, SSGA FM considers the financial and economic implications of environmental and social issues first and foremost. In this regard, SSGA FM supports environmental and social related items that we believe would protect or enhance shareholder value. Environmental and social factors not only can have an impact on the reputation of companies; they may also represent significant operational risks and costs to business. Well-developed environmental and social management systems can also generate efficiencies and enhance productivity, both of which impact shareholder value in the long-term.

SSGA FM encourages companies to be transparent about the environmental and social risks and opportunities they face and adopt robust policies and processes to manage such issues. In our view, companies that manage all risks and consider opportunities related to environmental and social issues are able to adapt faster to changes and appear to be better placed to achieve sustainable competitive advantage in the long-term. Similarly, companies with good risk management systems, which include environmental and social policies, have a stronger position relative to their peers to manage risk and change, which could result in anything from regulation and litigation, physical threats (severe weather, climate change), economic trends as well as shifts in consumer behavior.

In their public reporting, we expect companies to disclose information on relevant management tools and material environmental and social performance metrics. We support efforts by companies to try to demonstrate how sustainability fits into overall strategy, operations and business activities. SSGA FM's team of analysts evaluates these risks and shareholder proposals relating to them on an issuer by issuer basis; understanding that environmental and social risks can vary widely depending on company industry, its operations, and geographic footprint. SSGA FM may also take action against the re-election of members of the board if we have serious concerns over ESG practices and the company has not been responsive to shareholder concerns.

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