Russell Research / Special Report

STATE STREET GLOBAL ADVISORS LIMITED

PRODUCTS AFFECTED

PRODUCT	ASSET CLASS	GEO EMPHASIS	CAP TIER	DURATION RANGE	STYLE	SUBSTYLE	MARKET STATUS
Bond Market Index	Fixed Income	US	-	Intermediate	Core	-	Developed Markets
Canadian Active Fixed Income	Fixed Income	Canada	-	Broad Market	Core Plus	-	Developed Markets
Canadian Bond Index Plus	Fixed Income	Canada	-	Broad Market	Core	-	Developed Markets
Canadian Long Bond	Fixed Income	Canada	-	Long	-	-	Developed Markets
Core	Fixed Income	US	-	Broad Market	Core	-	Developed Markets

Special Report

On February 2, 2012 Russell associates spoke with a representative of State Street Global Advisors ("SSgA") to discuss the recent announcement of staff reductions, specifically John Kirby, former Head of US Fixed Income Beta Solutions. Brian Kinney, Global Head of the Beta Solutions has now assumed the leadership for the US team subsequent to this change.

SSgA has been trimming staff from its global work force, as part of a broader realignment by the parent company, State Street Bank, which has been engaged in a multiyear plan to streamline its resources. While only 30 out of approximately 2,450 people were affected from SSgA's most recent global employee reduction, Mr. Kirby was one of them. Mr. Kirby led the US region; however, the firm decided to eliminate the regional head structure. Mr. Kirby presented well to discuss the firm's passive strategies in our previous meetings. We have to monitor how this leadership change will impact the beta

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solution strategies going forward. At this time, SSgA claims the process remains unchanged.

The fixed income team has continued to see staff turnover. Bill Cunningham who was a former co-Head of Fixed Income Alpha Strategies left the firm in the summer of 2011. The firm also decided to streamline its active research by integrating investment grade and high yield credit coverage, and as a result two analysts were also included in the headcount reduction. Denis Senecal remains the lead investor for the firm's Canadian products.

SSgA continues to manage a significantly large asset base in passive strategies, with the total assets under management being $1,802 billion as of December 31, 2011, which included $1,300 billion in passive. The total passive asset base declined from $1,424 billion in year prior. The cash strategies have seen some asset outflows. The total asset base for the cash mandates was $387 billion and active mandates was $115 billion as of December 31, 2011. For fixed income assets, passive strategies accounted $266 billion, whereas active fixed income assets were only $19 billion for the same period.

The firm's passive strategies continue to be offered in two forms: one that permits securities lending and one that operates without the lending feature. However, most of the new accounts are utilizing passive strategies without the lending features. This trend is a direct result of SSgA's turbulent performance experience in 2008 in securities lending business.

The Barclays Capital US Aggregate Index product remains the accumulation of twelve separate underlying commingled pools: 1-3 Year Credit, 3-10 Year Credit, Long Credit, 1-3 Year Treasury, 3-10 Year Treasury, Long Treasury, 1-3 Year Agency, 3-10 Year Agency Long Agency, MBS, ABS and CMBS.

The tracking error for the index fund has been favorable, with the fund returning very close to the index. The 5 year annualized tracking error for the index fund as of December 31, 2011 was only 1 basis point. However, the tracking errors for the underlying pool funds produced some higher variations. For instance, the ABS and CMBS sleeves experienced 74 basis points and 21 basis points, respectively, of tracking errors for the last 5 year. That was a direct result of Barclays removing all residential mortgages from the ABS Index due to the significant degradation of ratings with the subsector following the financial crisis. The CMBS Index actually saw the average price drop to the low $0.60 level in November 2008. Price volatility and associated transaction costs for these two sectors resulted in relatively higher tracking errors for the underlying pools.

We are maintaining ranks on all of SSgA's fixed income products at this time and plan on evaluating individual products in future meetings.

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