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## **BRRC – New Form ADV – Part 2A**

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### **Part 2A**

#### **Item 1. Cover Page**

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**This brochure provides information about the qualifications and business practices of the Barr Rosenberg Research Center. If you have any questions about the contents of this brochure, please contact us at 925-254-6464. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about the Barr Rosenberg Research Center also is available at the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Barr Rosenberg Research Center is a SEC registered investment adviser. Registration with the SEC does not imply a certain level of skill or training.

Brochure version: January 31, 2012

#### **Item 2. Material Changes**

As part of our annual updating amendment the Barr Rosenberg Research Center has made material changes to the following sections:

Item 4: Advisory Business – Update of Assets under Management  
Item 9: Disciplinary Information

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#### **Item 4. Advisory Business**

A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.

The Barr Rosenberg Research Center LLC (the “Research Center”) is a subsidiary of AXA Rosenberg Group LLC, a fundamental active investment manager devoted to the rigorous, dispassionate analysis of data. Together with our international investment adviser affiliates within the AXA Rosenberg Group (collectively, “AXA Rosenberg Group”), we are the specialist active global equity investment management firm within the AXA Investment Managers group.

Since 1985, AXA Rosenberg Group has refined a highly disciplined system that leverages data with the aim of overcoming the natural limitations of human decision making. We believe that our investment modeling can handle more data on companies than a traditional analyst approach and enables us to evaluate more information on a much wider universe of stocks with greater efficiency than the traditional fundamental manager.

The Research Center develops long-term research activities and enhances and maintains quantitative investment models for management of a broad range of global and regional equity strategies. The Research Center, through the output of its quantitative models, provides investment advice on portfolio construction and stock selection to certain of its affiliated investment adviser entities within the AXA Rosenberg Group:

- AXA Rosenberg Investment Management LLC
- AXA Rosenberg Investment Management Ltd. (London)
- AXA Investment Managers Japan Ltd.
- AXA Rosenberg Investment Management Asia Pacific Ltd. (Singapore)
- AXA Rosenberg Investment Management Asia Pacific Ltd. (Hong Kong)

While the Research Center does not directly manage investment advisory accounts, each of the AXA Rosenberg Group investment advisers, in its sole discretion, constructs client-specific portfolios based on the Research Center’s recommendations. Each of the AXA Rosenberg Group investment advisers is responsible for the implementation of its clients’ accounts and for the day-to-day portfolio management monitoring and operations.

The Research Center is registered as an investment adviser with the US Securities and Exchange Commission.

#### **Corporate structure**

Barr Rosenberg Research Center LLC is a wholly owned, indirect subsidiary of AXA Group, the diversified, global financial services company. Our chain of ownership to our ultimate parent holding company AXA SA is as follows:

- AXA SA directly and indirectly owns substantially all of AXA Investment Managers SA’s equity ownership interests
- AXA Investment Managers SA indirectly owns 100% of AXA Rosenberg Group LLC
- AXA Rosenberg Group LLC owns 100% of Barr Rosenberg Research Center

C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

#### Customization

We provide our AXA Rosenberg Group investment advisers with data and recommendations on publicly traded companies as well as certain tools they use for the optimization and implementation of portfolios. These advisers adjust settings in the portfolio management system to produce customized portfolios for their clients based on specific benchmarks.

D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

The Research Center does not participate in wrap fee programs.

E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date "as of" which you calculated the amounts.

The Barr Rosenberg Research Center provides investment advice to its AXA Rosenberg Group investment adviser affiliates for their management of client portfolios. As of December 31, 2011, AXA Rosenberg Group, had approximately \$21 billion in discretionary assets under management of which \$181 million are non-discretionary assets under management.

#### **Item 5. Fees and Compensation**

A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.

C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

The Research Center's clients are its AXA Rosenberg Group investment adviser affiliates, which receive revenue from investment management fees they charge their clients. AXA Rosenberg Group utilizes a set of transfer pricing policies and fee sharing arrangements to reasonably determine the allocation of any fees charged and allocated to each affiliate.

D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

Research Center clients are not required to pay fees in advance.

E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact.

Neither the Research Center nor any of our supervised persons accepts compensation for the sale of securities or other products.

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

If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.

The Research Center's clients are its AXA Rosenberg Group investment adviser affiliates, which receive revenue from investment management fees they charge their clients, which may be based on assets, performance, or a combination of both. AXA Rosenberg Group utilizes a set of transfer pricing policies and fee sharing arrangements to reasonably determine the allocation of any fees charged and allocated to each affiliate. The portfolio optimizing system is constructed to apply the same analytical process, regardless of fee structure, for all portfolios. The construction of portfolios via the optimization system is subject to settings maintained for each account by members of the investment advisers' portfolio management team to meet their unique investment mandates.

#### **Item 7. Types of Clients**

Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

The Research Center develops long-term research activities and enhances and maintains quantitative investment models for management of a broad range of global and regional equity strategies. The Research Center, through the output of its quantitative models, provides investment advice on portfolio construction and stock selection to certain of its affiliated investment adviser entities within the AXA Rosenberg Group.

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

A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.

We provide investment advice generated by our proprietary stock selection model which incorporates valuation and earnings forecasts, as well as, our risk modelling to our AXA Rosenberg Group investment adviser affiliates.

We rigorously analyze fundamental data and historical price performance of up to approximately 21,000 publicly traded companies world-wide (data permitting) . We generate an earnings outlook and

fundamental value estimation for each company relative to its peers. By using a systematic implementation of traditional analysts' methods, we believe we are able to conduct this analysis dispassionately and consistently on a global basis.

The stock selection approach, which can be characterized as a systematic implementation of the traditional analyst's methods, seeks to estimate the fair value per share for every company. This is done by estimating the market's valuation of each component of company value to identify companies that are trading at a premium/or a discount to the value of the sum of their parts. We combine our valuation and year-ahead earnings measures to derive a predicted return over the next 12 months. The goal is to find attractively priced companies with a future earnings advantage in every sector of the market as identified by our models.

Our portfolio construction process uses currently available fundamental data (balance sheet, profit and loss and cash flow statements, together with industry breakdown information) and the latest publicly available prices for each company to estimate the fair value per share for each company. To predict year-ahead earnings, we use currently available fundamental data (various operating ratios and profitability measures), analyst information (earnings estimates and buy/sell recommendations) and recent stock price performance.

#### Risk Forecasts

Our risk modelling is integrated into the portfolio construction system that our AXA Rosenberg Group investment adviser affiliates use in managing portfolios for their clients. After stocks have been ranked by expected return, data on the relative rankings are fed into an optimization program, which seeks to balance the trade-off between risk and reward relative to the client's benchmark.

B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.

#### GENERAL INVESTMENT RISKS

Management Risk. Each Portfolio is subject to management risk because it is an actively managed investment portfolio. This includes the risk that AXA Rosenberg will make poor investment selections. There can be no guarantee that a Portfolio will produce the desired results. In some cases, certain investments may be unavailable or a Portfolio may not choose certain investments under market conditions when, in retrospect, their use would have been beneficial to the Portfolio.

Investment Risks. The value of a Portfolio may vary depending on external conditions affecting the Portfolio. These conditions depend upon market, economic, political, regulatory and other factors. Investment in a Portfolio is more volatile and risky than some other forms of investment.

Equity Securities Risk. Equity securities include common, preferred, and convertible preferred stocks and securities, the values of which are tied to the price of stocks, such as rights, warrants, and convertible debt securities. Common and preferred stocks represent equity ownership in a company. Stock markets are volatile, and the price of equity securities (and their equivalents) will fluctuate. The value of equity securities purchased by a Portfolio could decline if the financial condition of the companies in which the Portfolio invests decline or if overall market and economic conditions deteriorate.

**Liquidity Risk.** A Portfolio is exposed to liquidity risk when trading volume, lack of a market maker, or legal restrictions impair the Portfolio's ability to sell particular securities or close derivative positions at an advantageous price. Portfolios with principal investment strategies that involve securities of companies with smaller market capitalizations, foreign securities, derivatives, or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk.

#### ACTIVE TRADING RISK

A Portfolio that actively trades portfolio securities in an attempt to achieve its investment objective may have high portfolio turnover rates that may increase the Portfolio's brokerage and other transaction costs, accelerate the realization of taxable gains, and adversely impact Portfolio performance.

#### MARKET SEGMENT RISK

**Market Segment Risk.** Portfolios are subject to the risk that their principal market segment, such as large capitalization, mid-capitalization, or small capitalization stocks, or growth or value stocks, may underperform compared to other market segments or to the equity markets as a whole. Thus:

- **Mid Cap:** A Portfolio's strategy of investing in mid cap stocks carries the risk that in certain markets mid cap stocks will underperform small cap or large cap stocks.
- **Large Cap:** A Portfolio's strategy of investing in large cap stocks carries the risk that in certain markets large cap stocks will underperform small cap or mid cap stocks.
- **Small Cap:** A Portfolio's strategy of investing in small cap stocks carries the risk that in certain markets small cap stocks will underperform mid cap or large cap stocks.

**Small Company Risk.** Investments in companies with smaller capitalizations may involve greater risk and price volatility than investments in larger, more mature companies. Smaller companies may be developing or marketing new products or services for which markets are not yet established and may never become established. While small, unseasoned companies may offer greater opportunities for capital growth than larger, more established companies, they also involve greater risks and should be considered speculative.

**Mid Cap Stock Risk.** Medium capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, mid-size companies may pose greater risk due to narrow product lines, limited financial resources, less depth in management, or a limited trading market for their securities.

**Sector Risk.** This is the risk that a Portfolio may from time to time overweight investments in certain sectors or industries of the stock market. When a Portfolio's investments are concentrated or overweighted in a particular industry or sector of the economy (e.g., real estate, technology, financial services), they are far less diversified than the broad securities markets. Portfolios concentrating or overweighted in a particular industry sector tend to be more volatile than more broad-based portfolios, and the values of their investments tend to go up and down more rapidly. A Portfolio that concentrates in or overweights a particular industry or sector is particularly susceptible to the impact of market, economic, regulatory, and other factors affecting that industry or sector.

**Growth Stock Risk.** Growth stocks typically trade at higher multiples of current earnings than other securities. Growth stocks are often more sensitive to market fluctuations than other securities because their market prices are highly sensitive to future earnings expectations. Similarly, because growth securities typically do not make dividend payments to shareholders, investment returns are based on capital appreciation, making returns more dependent on market increases and decreases. Growth stocks may therefore be more volatile than non-growth stocks. A Portfolio's strategy of investing in growth stocks also carries the risk that in certain markets growth stocks will underperform value stocks.



Value Stock Risk. A Portfolio's investments in value stocks carry the risk that the market will not recognize a security's intrinsic value for a long time or that a stock judged to be undervalued may actually be appropriately priced. A value stock may not increase in price if other investors fail to recognize the company's value and bid up the price or invest in markets favoring faster growing companies. A Portfolio's strategy of investing in value stocks also carries the risk that in certain markets value stocks will underperform growth stocks.

## SPECIFIC PORTFOLIO RISKS

Exchange Traded Funds and Other Pooled Vehicles Risk. To gain or hedge equity exposure, a Portfolio may invest or take short positions in exchange traded funds, and other types of pooled or bundled investment vehicles. Investment in such vehicles may involve a layering of fees and other costs. A Portfolio's investment in such vehicles that are registered under the Investment Company Act of 1940, as amended, is limited under the provisions of that Act.

Master Limited Partnership ("MLP") Risk. MLPs are limited partnerships in which the ownership units are publicly traded. MLP units are registered with the U.S. Securities and Exchange Commission and are freely traded on a securities exchange or in the over-the-counter market. MLPs often own several properties or businesses (or own interests) that are related to oil and gas industries, but they also may finance research and development and other projects. To the extent that an MLP's interests are all in a particular industry, the MLP will be negatively impacted by economic event adversely impacting that industry. The risks of investing in a MLP are generally those involved in investing in a partnership as opposed to a corporation. For example, state law governing partnerships is often less restrictive than state law governing corporations. Accordingly, there may be fewer protections afforded to investors in a MLP than investors in a corporation. In addition, MLPs may be subject to state taxation in certain jurisdictions, which will have the effect of reducing the amount of income paid by the MLP to its investors.

OTC Transactions Risk. Portfolios may in certain instances trade in instruments that are not traded on organized exchanges and, as such, are not standardized. These transactions are known as over-the-counter ("OTC") transactions. In general, there is less governmental regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. This leads to the risk that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. In addition, there is a chance that counterparties will be unable to perform with respect to transactions, whether due to insolvency, bankruptcy, governmental prohibition, or other causes, which could lead to losses.

Real Estate Investing Risk. Investing in REITs exposes investors to the risks of owning real estate directly, as well as to risks that relate specifically to the way in which REITs are organized and operated. Real estate is a cyclical business, highly sensitive to general and local economic developments and characterized by intense competition and periodic overbuilding. Real estate income and values also may be greatly affected by demographic trends, such as population shifts or changing tastes and values. Government actions, such as tax increases, zoning law changes or environmental regulations, also may have a major impact on real estate. Changing interest rates and credit quality requirements also will affect the cash flow of real estate companies and their ability to meet capital needs. REITs generally invest directly in real estate (equity REITs), in mortgages (mortgage REITs) or in some combination of the two (hybrid REITs). Operating REITs requires specialized management skills and a Portfolio or portion thereof indirectly bears REIT management and administration expenses along with the direct expenses of the Portfolio. Individual REITs may own a limited number of properties and may concentrate in a particular region or property type. REITs also must satisfy specific Internal Revenue Code requirements in order to qualify for the tax-free pass through of income.



**Forward Trading Risk.** Certain of our Portfolios may invest in forward contracts and options thereon. Forward contracts, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by a Portfolio due to unusually high trading volume, political intervention or other factors. The imposition of controls by government authorities might also limit such forward (and futures) trading to less than that which AXA Rosenberg would otherwise recommend, to the possible detriment of a Portfolio. Market illiquidity or disruption could result in major losses to a Portfolio.

**Purchase and Sale of Futures Risk.** Certain of our Portfolios may invest in futures on individual securities, indexes and currencies. Futures are highly volatile and are influenced by a variety of factors, including national and international political and economic developments. In addition, because of the low margin deposits normally required in futures trading, a high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to a Portfolio. Positions in futures may be closed out only on the exchange on which they were entered into or through a linked exchange, and no secondary market exists for those contracts. Although relevant Portfolios typically will enter into futures contracts only if an active market exists for the contracts, no assurance can be given that an active market will exist for the contracts at any particular time. Moreover, futures positions are marked-to-market at the end of each trading day. This process ensures that outstanding futures obligations are limited by the maximum daily permissible price movement and to prevent losses from accumulating in any futures account. Accordingly, if a Portfolio’s futures positions have declined in value, the Portfolio may be required to post additional margin to cover this decline. Alternatively, if a Portfolio’s futures positions have increased in value, this increase will be credited to the Portfolio’s account or transferred to the Portfolio’s custodian. Unlike trading on U.S. futures exchanges, trading on non-U.S. futures exchanges is not regulated by the U.S. Commodity Futures Trading Commission and may be subject to greater risks than trading on U.S. exchanges. For example, some non-U.S. exchanges are principal markets so that no common clearing facility exists and a trader may look only to the broker for performance of the contract. In addition, unless a Portfolio successfully hedges against fluctuations in the exchange rate between the U.S. dollar and the currencies in which trading is done on foreign exchanges, any profits that the Portfolio might realize in trading could be eliminated by adverse changes in the exchange rate, or the Portfolio could incur losses as a result of those changes.

**Credit Crisis Liquidity Risk.** Certain types of credit instruments, such as investments in collateralized debt obligations, high-yield bonds, debt issued in leveraged buyout transactions, mortgage-related and asset-backed securities, and short-term asset-backed commercial paper, became very illiquid in the latter half of 2007 and in 2008. General market uncertainty and consequent re-pricing of risk led to market imbalances of sellers and buyers, which in turn resulted in significant valuation uncertainties in mortgage and credit-related securities and other instruments. These conditions resulted, and in many cases continue to result in, greater volatility, less liquidity, widening credit spreads and a lack of price transparency, with many instruments remaining illiquid and of uncertain value. Such market conditions, and the above factors, may make valuation for many investments uncertain and/or result in sudden and significant valuation declines in a Portfolio’s assets (including pursuant to the investment and reinvestment of any cash balances and/or cash collateral for the Portfolio’s securities lending activities, if any).

## QUANTITATIVE MODEL/TECHNOLOGY RISKS

Technology and Licensing Risk. The investment strategy of AXA Rosenberg relies heavily on the use of proprietary and non-proprietary software, data and intellectual property being licensed to it on a non-exclusive basis by commercial software analytics, research and data supply entities. To the extent that an unforeseeable software or hardware malfunction or problem is caused by a defect, virus or other outside force, AXA Rosenberg's business, including its financial condition, and/or its Portfolios may be adversely affected. In addition if the licensed material is found to be owned by a third party, and not by the licensing company, as represented, AXA Rosenberg's business, including its financial condition, and/or its Portfolios could be adversely affected.

Analytical Model Risk. AXA Rosenberg seeks to achieve its clients' investment objectives in reliance on signals generated by AXA Rosenberg's analytical models. Certain special risks are associated with this approach, both in the development of these models and in their implementation via the investment process. The accuracy of the signals produced by the models is dependent on a number of factors, including without limitation the analytical and mathematical underpinning of the models, the accurate encapsulation of those principles in a complex computational (including software code) environment, the quality of the data put into the models, and the successful deployment of the models' output into the investment portfolio construction process. While AXA Rosenberg attempts to ensure that its models are sound in their development and appropriately adapted, calibrated and configured, software development and implementation errors and other types of inadvertent systems or human errors are an inherent risk of complex analytical models and the quantitative investment management processes. Moreover, even if the signals produced through this process are accurate, the ultimate investment performance still depends on AXA Rosenberg's ability to interpret the buy and sell signals generated by the models and to then implement these signals through the purchase and sale of securities and other investments. AXA Rosenberg has established certain systematic rules and processes for generating trading signals, implementing trades and managing risk, but there is no guarantee that these rules or processes will effectively implement the models' buy and sell signals or manage the risk associated with such signals.

Nonstandard Programming Language Risk. One or more nonstandard programming languages are utilized in some aspects of our investment process, which could subject us to a higher degree of exposure to modeling risk in two ways depending on their level of usage: one, nonstandard programming languages tend not have the breadth of developer support that other more mainstream languages have; therefore they can be heavily reliant upon self-development and self-testing of complex constructs. Two, there may only be a small community of developers for the language; therefore it may be difficult to hire and retain skilled programmers on short notice.

## FOREIGN SECURITIES RISK (INCL. EMERGING MARKETS)

Foreign Securities Risk. A Portfolio's (or portion thereof) investments in foreign securities, including depositary receipts, involve risks not associated with investing in U.S. securities that can adversely affect a Portfolio's or portion's performance. Foreign markets, particularly emerging markets, may be less liquid, more volatile and subject to less government supervision than domestic markets. The value of a Portfolio's or portion's investment may be negatively affected by changes in the exchange rates between the U.S. dollar and foreign currencies. There may be difficulties enforcing contractual obligations, and it may take more time for trades to clear and settle. A Portfolio or portion thereof may be subject to the following risks associated with investing in foreign securities:

Currency Risk. The risk that fluctuations in currency exchange rates will negatively affect securities denominated in, and/or receiving revenues in, foreign currencies. Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or reverse any potential gains from a Portfolio's or portion thereof investment in securities denominated in a foreign currency or may widen existing losses.

**Depository Receipts.** A Portfolio or portion thereof may invest in securities of foreign issuers in the form of depository receipts or other securities that are convertible into securities of foreign issuers. American Depository Receipts (“ADRs”) are receipts typically issued by an American bank or trust company that evidence underlying securities issued by a foreign corporation. European Depository Receipts (issued in Europe) and Global Depository Receipts (“GDRs”) (issued throughout the world) each evidence a similar ownership arrangement. A Portfolio or portion thereof may invest in unsponsored depository receipts. The issuers of unsponsored depository receipts are not obligated to disclose information that is, in the United States, considered material. Therefore, there may be less information available regarding these issuers and there may not be a correlation between such information and the market value of the depository receipts. Depository receipts are generally subject to the same risks as the foreign securities that they evidence or into which they may be converted.

**Emerging Markets Risks.** Investments in emerging countries may be subject to potentially higher risks and greater volatility than in developed countries. These risks include (without limitation) (i) less social, political and economic stability; (ii) the small size of the markets for such securities and the low or non-existent volume of trading potentially resulting in a lack of liquidity and in greater price volatility; (iii) the existence of certain national policies which may restrict investment opportunities, including restrictions on investment in issuers or industries deemed sensitive to national interests; (iv) foreign taxation; (v) the absence of developed legal structures governing private or foreign investment or allowing for judicial redress for injury to private property; (vi) the absence, until recently in many developing countries, of a capital market structure or market-oriented economy, and (vii) the possibility that recent favorable economic developments in some emerging countries may be slowed or reversed by unanticipated political or social events in such countries. In addition, many emerging countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on the economies and securities markets of certain countries. Investments in emerging countries may involve risks of nationalization, expropriation, confiscatory taxation and restrictive currency control regulations. In the event of an expropriation of property without adequate compensation, a Portfolio could lose a substantial portion of any investments it has made in the affected countries. Further, accounting standards may not exist in certain emerging countries. Finally, even though the currencies of some emerging countries, including (without limitation) certain Eastern European countries, may be convertible into U.S. dollars, the conversion rates may be artificial to the actual market values and may be adverse to investors. Repatriation of investment income, capital and proceeds of sales to foreign investors may require governmental registration or approval in some emerging countries. Delays in or a refusal to grant any required governmental registration or approval for such repatriation could adversely affect a Portfolio. Further, the economies of emerging countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realizing investments. In addition, market practices in relation to settlement of securities transactions and custody of assets in such markets could provide a material risk to a Portfolio. Furthermore, due to the local postal and banking systems, no guarantee can be given that all entitlements attaching to securities acquired by a Portfolio (including in relation to dividends) can be realized.

**Geographic Risk.** The economies and financial markets of certain regions, such as Latin America and Asia, can be highly interdependent and may decline all at the same time.

**Political/Economic Risk.** Changes in economic and tax policies, government instability, war or other political or economic actions or factors may have an adverse effect on a Portfolio's or portion thereof foreign investments.

Regulatory Risk. Less information may be available about foreign companies. In general, foreign companies are not subject to uniform accounting, auditing and financial reporting standards or to other regulatory practices and requirements as are U.S. companies.

Settlement Risk. Settlement and clearance procedures in certain foreign markets differ significantly from those in the United States. Foreign settlement and clearance procedures and trade regulations also may involve certain risks (such as delays in payment for or delivery of securities) not typically associated with the settlement of U.S. investments. At times, settlements in certain foreign countries have not kept pace with the number of securities transactions. These problems may make it difficult for a Portfolio or portion thereof to carry out transactions. If a Portfolio or portion thereof cannot settle or is delayed in settling a purchase of securities, it may miss attractive investment opportunities and certain of its assets may be uninvested with no return earned thereon for some period. If a Portfolio or portion thereof cannot settle or is delayed in settling a sale of securities, it may lose money if the value of the security then declines or, if it has contracted to sell the security to another party, the Portfolio or portion thereof could be liable for any losses incurred.

Transaction Costs Risk. The costs of buying and selling foreign securities, including tax, brokerage and custody costs, generally are higher than those involving domestic transactions.

## DERIVATIVES

Derivatives Risks. In certain instances, Portfolios may engage in a variety of derivative transactions. All derivative instruments, including options, forward contracts and swap contracts involve risks different from, and, in certain cases, greater than the risks presented by more traditional investments. Following is a general discussion of important risk factors and issues concerning the use of derivatives that investors should understand before investing in a Portfolio that engages in such transactions.

Market Risk. This is the general risk attendant to all investments that the value of a particular investment will change in a way detrimental to a Portfolio.

Management Risk. Derivative products are highly specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to a Portfolio and the ability to forecast price, interest rate or currency exchange rate movements correctly.

Credit Risk. This is the risk that a loss may be sustained by a Portfolio as a result of the failure of the other party to a derivative (usually referred to as a “counterparty”) to comply with the terms of the derivative contract. The credit risk for exchange-traded derivatives is generally less than for privately negotiated derivatives, since the clearing house, which is the issuer or counterparty to each exchange-traded derivative, provides a guarantee of performance. This guarantee is supported by a daily payment system (i.e., margin requirements) operated by the clearing house in order to reduce overall credit risk. For privately negotiated derivatives, there is no similar clearing agency guarantee. Therefore, AXA Rosenberg considers the creditworthiness of each counterparty to a privately negotiated derivative in evaluating potential credit risk.

Liquidity Risk. Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price.

**Leverage Risk.** Since many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself. In the case of swaps, the risk of loss generally is related to a notional principal amount, even if the parties have not made any initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.

**Other Risks.** Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives. Many derivatives, in particular privately negotiated derivatives, are complex and often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to a Portfolio. Furthermore, derivatives do not always perfectly, or even highly, correlate or track the value of the assets, rates or indices they are designed to track. Consequently, a Portfolio's use of derivatives may not always be an effective means of, and sometimes could be counterproductive to, furthering the Portfolio's investment objective.

## SHORT-SELLING RISK

**Short-Selling Risk.** Certain Portfolios may engage in short selling as part of any such Portfolio's general investment strategy. A short sale is effected by selling a security which the Portfolio does not own, or, if the Portfolio does own the security, is not to be delivered upon consummation of the sale. If the price of the security in the short sale decreases, the Portfolio will realize a profit to the extent that the short sale price for the security exceeds the market price. If the price of the security increases, the Portfolio will realize a loss to the extent that the market price exceeds the short sale price. Selling securities short runs the risk of losing an amount greater than the initial investment therein. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short-selling can expose a Portfolio to unlimited risk with respect to that security due to the lack of an upper limit on the price to which an instrument can rise. For any Portfolio with a long/short, market neutral or limited shorting strategy, the Portfolio is subject to the risk that, for some period of time, the Portfolio's short positions may go up while the long positions decline (a "convergent impact"). The occurrence of a convergent impact would aggravate any losses the Portfolio may sustain.

**Leverage Risk.** For any Portfolios with a long/short, market neutral or limited shorting strategy, the Portfolio's strategy is inherently leveraged, and the Portfolio will be exposed to the risk of investment leverage. Leverage involves investment exposure to positions in excess of the amount actually invested. Because the use of leverage effectively compounds investment exposure, it can improve the return on invested capital if the leveraged investments increase in value. However, leverage may involve costs to a Portfolio and, through the compounding effect, will proportionally enhance the adverse impact to the Portfolio if leveraged investments decrease in value.

## COMMINGLED FUNDS OR POOLED INVESTMENT VEHICLES

**Unregistered Fund Risk.** Certain of the funds managed by AXA Rosenberg will not be registered under the 1940 Act. The 1940 Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to such funds.

**Securities Lending Risk.** To earn additional income, certain funds managed by AXA Rosenberg may lend portfolio securities to approved financial institutions. Risks of such a practice include the possibility that a financial institution becomes insolvent, increasing the likelihood that the any such fund will be unable to recover the loaned security or its value. Further, the cash collateral received by any such fund in connection with such a loan may be invested in a security that subsequently loses value.

**ERISA Restrictions Risk.** If, as is expected, a fund managed by AXA Rosenberg is deemed to hold "plan assets" for purposes of ERISA, the fund will be restricted from investing in any securities which are issued by any employer corporation which is a sponsor of a qualified plan, which is itself an investor, and will be subject to other restrictions which it otherwise would not be were it not holding "plan assets."



**Lack of Transferability Risk.** Interests in certain funds managed by AXA Rosenberg have not been registered under the securities laws of any jurisdiction and may be subject to restrictions on transfer contained in the relevant fund operating documentation. Such interests may not assignable or transferable without the prior consent of the fund, which consent may be withheld in its sole discretion. In such instances, there will not be any market for such interests.

**Substantial Redemptions Risk.** Substantial redemptions by investors in a fund managed by AXA Rosenberg within a short period of time could require such fund to liquidate its investments more rapidly than would otherwise be desirable, possibly reducing the value of the fund's assets and/or disrupting the fund's investment strategies. Reduction in the fund's size could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

**Underlying Fund Risk.** Certain of our Portfolios operate as funds of funds and invest principally in underlying funds that may be managed by AXA Rosenberg or one of its affiliates. From time to time, an underlying fund may experience relatively large investments or redemptions by a fund of funds due to the reallocation or rebalancing of its assets. These transactions may have adverse effects on underlying fund performance to the extent an underlying fund is required to sell portfolio securities to meet such redemptions, or to invest cash from such investments, at times it would not otherwise do so. This may be particularly important when a fund of funds owns a significant portion of an underlying fund. These transactions may also accelerate the realization of taxable income if sales of portfolio securities result in gains, and could increase transaction costs. In addition, when a fund of funds reallocates or redeems significant assets away from an underlying fund, the loss of assets to the underlying fund could result in increased expense ratios for that fund.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in investing in pooled investment vehicles. Prospective investors should read the relevant fund documents and consult with their own advisers before deciding to invest in any commingled funds.

## **Item 9. Disciplinary Information**

If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

Pursuant to offers of settlement by AXA Rosenberg Group LLC, AXA Rosenberg Investment Management, Barr Rosenberg Research Center in an order dated February 3, 2011, the US Securities and Exchange Commission ("SEC") found, and AXA Rosenberg Group, AXA Rosenberg Investment Management and Barr Rosenberg Research Center neither admitted nor denied, that AXA Rosenberg Group violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 by making material misrepresentations and omissions concerning the quantitative investment model used by AXA Rosenberg Investment Management and the compliance and control procedures in effect at Barr Rosenberg Research Center; AXA Rosenberg Investment Management and Barr Rosenberg Research Center violated Section 206(2) of the Investment Advisers Act of 1940 ("Advisers Act") by breaching their fiduciary duty to clients when they concealed and delayed fixing an error in the quantitative investment model; and Barr Rosenberg Research Center violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder by failing to adopt and implement policies and procedures designed to ensure that it did not make false and misleading statements to clients and investors, including failing to ensure that the quantitative investment model performed as represented.

As part of the SEC order, AXA Rosenberg Group, AXA Rosenberg Investment Management, and Barr Rosenberg Research Center have undertaken: to make a payment, jointly and severally, in the amount of

\$217 million to compensate clients of AXA Rosenberg Investment Management and certain affiliated entities; to subject Barr Rosenberg Research Center to all of AXA Rosenberg Group's internal controls and compliance policies and procedures; through at least 2015, to maintain a global compliance and ethics oversight structure encompassing AXA Rosenberg Group, AXA Rosenberg Investment Management, Barr Rosenberg Research Center, and certain affiliated entities that, among other things, would create a global compliance committee to review violations or potential violations of the code of ethics, escalation policy, and compliance policies and procedures; to retain an independent compliance consultant to, among other things, review compliance, supervisory, and other policies and procedures; to adopt the recommendations of such consultant subject to a mechanism for resolving disagreements; and to undergo third party compliance review by the consultant at the end of fiscal years 2012 and 2013.

With respect to the same incident above, pursuant to offers of settlement by AXA Rosenberg Group LLC, AXA Rosenberg Investment Management LLC, and Barr Rosenberg Research Center LLC also entered into a settlement agreement with the US Department of Labor ("DOL") dated January 5, 2012, based upon a finding by the Employee Benefits Security Administration of the DOL ("EBSA") that "one or more of the parties" also violated fiduciary duties under the Employee Retirement Income Security Act of 1974 ("ERISA") with respect to an affiliated 401(k) plan, and the pension plans of unrelated ERISA clients. AXA Rosenberg Group, AXA Rosenberg Investment Management and Barr Rosenberg Research Center neither admitted nor denied the findings by the EBSA, but agreed to certain undertakings designed to strengthen ERISA compliance controls. No payments were required to be made to the DOL or other parties as part of the settlement agreement.

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

A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.

As of the end of 2011, neither AXA Rosenberg nor its management persons are registered (nor have an application pending to register) as a broker-dealer, representative of a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor.

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships.



#### AXA Group relationships

Barr Rosenberg Research Center is a wholly owned, indirect subsidiary of AXA Group, the diversified, global financial services company.

AXA SA is a global company that provides insurance and asset management services worldwide. It is a French public limited company whose common shares are traded on the Euronext. AXA Rosenberg, through its relationship with AXA SA and its subsidiaries, may be deemed to be affiliated with other members of AXA Group, including certain registered broker-dealers and investment advisors located in the U.S. and outside. These members may include affiliates and other subsidiaries of AXA Investment Managers, AllianceBernstein and AXA Equitable. These affiliates provide a broad range of financial services including investment management and investment advisory services. In that these affiliates and AXA Rosenberg generally conduct their business independently of one another, we do not believe these affiliations give rise to material conflicts of interest.

#### Publicly traded securities of affiliates and clients

Our investment models provide analysis as well as buy or sell recommendations for both our publicly traded affiliates as well as clients that are publicly traded companies. Our investment models use the same systematic analysis for these companies that they apply to the other publicly traded companies they analyze. It is incumbent upon our AXA Rosenberg Group investment adviser affiliates to manage their clients' portfolios according to any investment restrictions pertaining to securities restricted for purchase by certain accounts.

D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

The Research Center does not recommend or select other investment advisers for clients.

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

A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request.

AXA Rosenberg's Code of Ethics (as amended from time to time, the "Code") applies to all AXA Rosenberg employees, as well as, AXA Rosenberg supervised persons employed by various investment advisory affiliates of AXA Rosenberg. The Code describes the standard of conduct we require of our employees and sets forth certain restrictions on activities such as personal trading and engaging in outside business or investment activities. Compliance with the Code is a condition of employment for all employees, and a serious violation of the Code or related policies may result in dismissal. Certain key provisions of the Code are summarized below.

#### Personal Trading

Each employee must obtain written permission from the compliance officer or her/his designee before initiating a personal trading transaction as such trades are defined in AXA Rosenberg Policy on Personal Trading and Insider Trading. Securities that are not on the relevant current buy list may be purchased by an employee for her/his personal account with the appropriate approval. Likewise, any security that is not on the relevant current sell list may be sold by an employee with approval. Thus, no employee has authority to buy a security that any company in the AXA Rosenberg Group of companies is buying for its

clients. Likewise, no member/employee has authority to sell a stock that any company in the AXA Rosenberg Group of companies is selling for its clients.

The AXA Rosenberg Policy on Personal Trading and Insider Trading is incorporated into the Applicant's Code of Ethics. The Code is designed to:

- Protect the our clients by deterring misconduct
- Educate employees regarding AXA Rosenberg's expectations and the laws governing their conduct
- Remind employees that they are in a position of trust and must act in accordance with this position of trust and responsibility;
- Protect AXA Rosenberg's reputation
- Guard against violation of the securities laws
- Establish procedures for employees to follow so that the AXA Rosenberg may determine whether its employees are complying with its ethical principles.

In addition, AXA Rosenberg may invest in securities which may be owned or controlled by its related persons (including but not limited to, employees or family members), or for which such related persons serve in management of the issuer. However, AXA Rosenberg's investment in and disposal of any such securities, if any, shall be based on publicly available information and on AXA Rosenberg's investment models.

#### Gifts and Entertainment

Employees should never encourage a quid pro quo (i.e., "favor for favor") business transaction or feel beholden to a person or firm. The overriding principle is that employees should not accept inappropriate gifts, favors, entertainment, special accommodations, charitable contributions or other things of material value that could be construed as an actual or perceived conflict of interest. Similarly, employees should not offer gifts, favors, entertainment, or other things of value that could be viewed as excessive or lavish or aimed at influencing decision making.

#### Outside Activities

AXA Rosenberg prohibits its employees from engaging in outside activities (whether business, investment or otherwise) that interfere or could potentially interfere with their duties at the Firm, the Firm's interests or the interests of the Firm's clients.

Regardless of whether an outside activity is specifically addressed in the Code, employees must disclose to their manager and obtain written approval from both their manager and Compliance prior to engaging in any outside activity that could potentially interfere with their duties at the Firm, the Firm's interests or the interests of the Firm's clients.

We will provide our clients and prospective clients a copy of our Code of Ethics upon their request.

B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Examples: (1) You or a related person, as principal, buys securities from (or sells securities to) your clients; (2) you or a related person acts as general partner in a partnership in which you solicit client investments; or (3) you or a related person acts as an investment adviser to an investment company that you recommend to clients.

C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection

with personal trading.

D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

#### AXA Rosenberg and our affiliates' interests

Neither the Research Center nor any of our AXA Rosenberg Group affiliates maintain proprietary investment accounts, other than those established for the resolution of any trading errors, and do not invest in securities in which we recommend for our clients. From time to time, AXA Rosenberg Group employees may have the opportunity and may invest in pooled investment vehicles that we either manage or implement a segment of with our AXA Rosenberg Group adviser affiliates.

As discussed in Item 10.C. Other Financial Industry Activities and Affiliations section, we recommend certain securities to our clients in which AXA Group has a material interest, e.g., AXA SA publicly traded stock.

In making investment decisions, AXA Rosenberg will abide by the stock selection policies or restrictions agreed to between AXA Rosenberg and/or its direct or indirect parent companies with regards to the holding of either individual securities or various categories or classes of securities. The stock selection universe may also be modified as a result of any local regulatory limitations on stock holdings imposed as a result of AXA Rosenberg offering units in a Fund in various jurisdictions.

#### **Item 12. Brokerage Practices**

A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

The Research Center does not conduct trades with broker-dealers. While the Research Center does not directly manage investment advisory accounts, each of the AXA Rosenberg Group investment advisers, in its sole discretion, constructs client-specific portfolios based on the Research Center's recommendations. In doing so, these AXA Rosenberg Group investment advisers conduct trades with broker dealers.

1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.

a. Explain that when you use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.

b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your clients' interest in receiving most favorable execution.

c. If you may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.

d. Disclose whether you use soft dollar benefits to service all of your clients' accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to client accounts

proportionately to the soft dollar credits the accounts generate.

e. Describe the types of products and services you or any of your related persons acquired with client brokerage commissions (or markups or markdowns) within your last fiscal year.

f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.

AXA Rosenberg Investment Management LLC, an affiliate of the Barr Rosenberg Research Center, has maintained a soft dollar program whereby the transactions of certain eligible clients generate soft dollars that AXA Rosenberg Investment Management uses to obtain soft dollar products and services. AXA Rosenberg Investment Management's soft dollar program is intended to comply with Section 28(e) of the Securities Exchange Act. AXA Rosenberg Investment Management uses soft dollar products and services to maintain the Research Center's investment models, which generally benefit the Research Center and all model-driven portfolios managed by AXA Rosenberg Group.

#### Soft dollar products and services obtained

In 2011, AXA Rosenberg Investment Management obtained the following types of products and services either using soft dollars or a combination of soft dollars and its own resources:

- Stock exchange market data
- Stock index data
- Public company research reports, news and financial data
- Equities and equity options data
- Software products that display company and market data (e.g., Bloomberg)
- Corporate action data
- Economic research reports and data
- Currency exchange rate and interest rate data
- Social screening stock data
- Securities identifier license

*Please refer to AXA Rosenberg Investment Management LLC's Part 2A for more information regarding its soft dollar program.*

**2. Brokerage for Client Referrals.** If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.

. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving client referrals, rather than on your clients' interest in receiving most favorable execution.

. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for client referrals.

The Research Center does not receive client referrals from broker-dealers or third parties.

#### **3. Directed Brokerage.**

a. If you routinely recommend, request or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of

client transactions, and that this practice may cost clients more money.

b. If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

The Research Center does not recommend, request or require clients to direct us to execute transactions through a specific broker.

B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.

The Research Center does not purchase or sell securities.

### **Item 13. Review of Accounts**

A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.

B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.

C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.

While the Research Center does not directly manage investment advisory accounts, each of the AXA Rosenberg Group investment advisers, in its sole discretion, constructs client-specific portfolios based on the Research Center's recommendations. Each of the AXA Rosenberg Group investment advisers is responsible for reviewing their client accounts.

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

A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

The Research Center's clients are its AXA Rosenberg Group investment adviser affiliates, which receive revenue from investment management fees they charge their clients. AXA Rosenberg Group utilizes a set of transfer pricing policies and fee sharing arrangements to reasonably determine the allocation of any fees charged and allocated to each affiliate. Other than through this process and the soft dollar products and services obtained by AXA Rosenberg Investment Management, we do not receive an economic benefit from any parties for providing investment advice or advisory services to our clients.

B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.

The Research Center does not directly or indirectly compensate for client referrals.

#### **Item 15. Custody**

If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.

The Research Center does not directly manage investment advisory accounts and does not have physical or constructive custody of client assets.

While the Research Center's AXA Rosenberg Group investment adviser affiliates do not generally maintain physical custody of client assets, under some circumstances, they are considered to have custody due to their status as a managing member or as acting in a similar capacity to private investment funds.

#### **Item 16. Investment Discretion**

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

While the Research Center does not directly manage securities accounts on behalf of clients, each of the AXA Rosenberg Group investment advisers, in its sole discretion, constructs client-specific portfolios based on the Research Center's recommendations.

#### **Item 17. Voting Client Securities**

A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.

B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

The Research Center does not directly manage securities accounts on behalf of clients and does not have authority to vote proxy ballots for the securities of public companies. It AXA Rosenberg Group investment adviser affiliates may, however, obtain authority to vote proxy ballots for their clients' portfolio securities.



## **Item 18. Financial Information**

A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.

1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.

2. Show parenthetically the market or fair value of securities included at cost.

3. Qualifications of the independent public accountant and any accompanying independent public accountants report must conform to Article 2 of SEC Regulation S-X.

The Research Center does not require or solicit prepayment of client fees.

B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.

In 2010, our Board of Directors initiated a review into a coding error that we discovered during research associated with our “state contingent risk model.” This process included a comprehensive, objective and detailed analysis performed by Cornerstone Research, with input from AXA Rosenberg, to assess the impact that may have been caused by potential overexposure to common factor risks as a result of the coding error. On February 3, 2011, we announced that the review was complete and we had reached a settlement with the SEC related to the coding error matter. Pursuant to the SEC Order, we agreed to compensate adversely impacted clients in the amount of approximately \$217 million, and to pay a \$25 million civil penalty.

In addition, some private litigation relating to the coding error was initiated, and demand letters received. A settlement for class plaintiffs in the amount of US\$65 million has been reached in the class action law suit. The court preliminarily approved the settlement in December 2011.

AXA Rosenberg Group LLC has taken affirmative steps to help ensure that Barr Rosenberg Research Center LLC as well as its other investment management entities remain solvent and capable of meeting their respective obligations.

C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.  
If you are registering or are registered with one or more state securities authorities, you must respond to the following additional Item.

## **Item 19. Requirements for State-Registered Advisers**

The Barr Rosenberg Research Center files notices with states (Form ADV Part 1), but is not registered with any states.

## **Part 2A Appendix 1 of Form ADV: Wrap Fee Program Brochure**

The Barr Rosenberg Research Center does not currently participate in wrap fee programs.



### **Additional Information: Valuation Policy**

AXA Rosenberg's valuation principles are intended to ensure that all investments are valued in a fair and accurate manner and that the methodologies used are consistent with regulatory requirements and industry best practices. Official valuations for segregated accounts are determined and maintained by each client's respective custodian or designee. For funds managed or sub-advised by AXA Rosenberg, official valuations are determined by the fund's independent custodian/administrator.

AXA Rosenberg's Performance and Valuation Sub-Committee, a sub-committee of AXA Rosenberg's Global Compliance, Ethics and Risk Committee, is responsible for oversight of the implementation of the Valuation Policy, including establishing standards for pricing and oversight of fair value activity, and AXA Rosenberg's Performance Team is responsible for the overall implementation of valuation procedures.

The majority of AXA Rosenberg's investments are domestic and international equity securities actively traded on major stock exchanges or over-the-counter. Generally, investments listed or traded on a securities exchange or quoted over-the-counter are valued as of the close of trading on the valuation day. Such prices are obtained from independent third party service providers.

Where the standard pricing methodology cannot be applied, a fair value determination may be required. Some circumstances where this may be necessary are: absence of price, state/static price, significant events and other circumstances identified at the discretion of the Performance and Valuation Sub-Committee.

For further information, a copy of AXA Rosenberg's Valuation Policy is available upon request.