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March 31, 2012

This Brochure provides information about the qualifications and business practices of Numeric Investors LLC (“Numeric”). If you have any questions about the contents of this Brochure, please contact us at 617-897-7800 or [info@numeric.com](mailto:info@numeric.com). 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 Numeric also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Numeric is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

## **Item 2 – Material Changes**

This Brochure dated March 30, 2012 has no material changes at this time. In the event of a material changes we will provide you with a new brochure as necessary based on changes or new information without charge.

Only specific material changes that are made to the Brochure since its last annual update are summarized in this Item. The date of the Brochure's last annual update was March 31, 2011. Currently, our Brochure may be requested by contacting Kristina I. Eisnor, Chief Compliance Officer, at 617-897-7800 or [compliance@numeric.com](mailto:compliance@numeric.com).

Additional information about Numeric is available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Numeric who are registered, or are required to be registered, as investment adviser representatives of Numeric.

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## Item 4 – Advisory Business

### Services Provided

Numeric Investors LLC (“Numeric”) was founded in 1989 and is a wholly owned subsidiary of Numeric Midco LLC, which is wholly-owned by Numeric Holdings LLC, both Delaware limited liability companies. Numeric Holdings LLC is owned by certain senior employees and a private equity partner, TA Associates, Inc.

Numeric provides investment advisory services for U.S. and non-U.S. taxable and tax-exempt clients. Numeric’s clients are primarily institutions that invest through separately managed accounts (“separate accounts”); however Numeric also advises private investment funds sponsored by Numeric (“Funds”) in which individuals invest.

Numeric manages assets in domestic and international strategies. All strategies invest primarily in publicly traded equity securities. Some strategies may also invest in single equity swaps while others may invest in equity index futures or swap contracts. Equity swaps are derivative contracts where a set of future cash flows are agreed to be exchanged between two counterparties at set dates in the future, thereby giving each party to a swap contract the ability to diversify its income. Equity index futures are futures contracts used to replicate the performance of an underlying stock market index. Equity index futures generally are used for hedging against an existing equity position or for speculating on future movements of an index.

Investment strategies are driven by quantitative investment principles which seek to maximize total return while controlling risk within specified parameters. Strategies offered include:

- Conventional portfolios (containing only long equity positions), for United States, European, Japanese and Global strategies;
- Hedged portfolios (containing offsetting long and short positions), for United States, European, Japanese, Global and Emerging Markets strategies;
- Equitized hedged portfolios (containing offsetting long and short positions plus index futures sufficient to give the portfolio equity

market exposures), for United States, European, Japanese, Global and Emerging Markets strategies;

- Levered hedged portfolios (containing offsetting long and short positions in which total gross exposure, measured as total long exposure plus total short exposure, is approximately 140%-300% of an account's value) for United States, European, Japanese, Global and Emerging Markets strategies;
- Hybrid long only and hedged portfolios (approximately 30% long and 30% short positions for a 60% market-neutral portfolio, coupled with a 40% traditional long-only portfolio) for United States and Emerging Markets strategies; and
- Absolute return portfolios (containing portfolio sleeves investing in a wide range of investment strategies, trading strategies, ideas and instruments) for United States, European, Japanese, Global and Emerging Markets strategies.

Numeric's quantitative process utilizes internally developed stock-selection models. By breaking up the investable universe of stocks into brackets along proprietary criteria, the most influential model or models in determining a stock's expected performance in that particular bracket can be emphasized. The combined score for each stock will drive the buy/sell decision.

We will tailor our advisory services to the individual needs of our clients. Clients are able to impose reasonable restrictions on the securities or types of securities purchased on their behalf for a separate account, provided that the client supplies Numeric in advance with such information as it determines is reasonably necessary to apply the restrictions. Examples of types of restrictions include:

- Weapons dealers/manufacturers
- Tobacco dealers/manufacturers
- Gambling institutions
- Country specific restrictions

- Affiliate restrictions
- ERISA restrictions

Numeric's management of each Fund, and the terms of any investor's investment in a Fund, are governed exclusively by the terms of that Fund's organizational documents, confidential offering memorandum, limited partnership agreement or memorandum and articles of association, investment management agreement, and subscription agreement (collectively, the "governing documents"). **All discussions in this brochure of the Funds, their investments, the strategies Numeric uses in managing the Funds, and the fees associated with an investment in the Funds are qualified in their entirety by reference to the relevant Fund's governing documents. THIS BROCHURE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY ANY SECURITY.**

As of December 31, 2011, Numeric had approximately \$8.6 billion in assets under management. All such assets are considered discretionary assets.

## **Item 5 – Fees and Compensation**

Numeric offers fee structures that are based on assets under management, investment performance or a combination of both. Performance-based fees will be charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

Numeric's minimum portfolio size for separate accounts is typically between \$20 and \$30 million, depending on the strategy, although Numeric will accept smaller portfolios at its discretion.

Numeric's strategies are available to investors through separate accounts and investment in Funds managed and sponsored by Numeric. Investments in Funds, depending on the Fund's structure, involve purchasing either:

- (i) limited partnership interests in onshore or offshore limited partnerships of which Numeric is general partner; or
- (ii) shares in offshore corporations of which Numeric is appointed as investment manager.

Each of Numeric's strategies is also available to clients investing in separate accounts for which Numeric is engaged as investment manager.

### Standard Fee Schedules

Numeric's standard fee schedule for separate account clients is detailed below.

<u>Strategy</u>	<u>Strategy Category</u>	<u>Management Fee - Annual Rate</u>	<u>Performance Fee</u>
CORE	Conventional Long Only Strategy	0.75% on the first \$20m, 0.60% next \$180m, 0.50% next \$200m, 0.40% next \$200m, 0.30% thereafter	n/a
EUROPEAN CORE	Conventional Long Only Strategy	0.75%	n/a
GLOBAL CORE	Conventional Long Only Strategy	0.75% on the first \$100m, 0.60% next \$100m, 0.50% next \$200m, 0.40% thereafter	n/a
HORIZON SMALL CAP	Conventional Long Only Strategy	0.90%	n/a
INTERNATIONAL SMALL CAP	Conventional Long Only Strategy	0.90%	n/a
JAPANESE CORE	Conventional Long Only Strategy	0.75%	n/a
LARGE CAP CORE	Conventional Long Only Strategy	0.55% on the first \$50m, 0.45% next \$50m, 0.40% next \$100m, 0.30% next \$200m, 0.25% thereafter.	n/a
LARGE CAP VALUE	Conventional Long Only Strategy	0.55% on the first \$50m, 0.45% next \$50m, 0.40% next \$100m, 0.30% next \$200m, 0.25% thereafter	n/a
ALL-CAP CORE	Conventional Long Only Strategy	0.75% on the first \$20m, 0.60% next \$180m, 0.50% next \$200m, 0.40% next \$200m, 0.30% thereafter	n/a

SMALL CAP CORE	Conventional Long Only Strategy	0.90%	n/a
SMALL CAP GROWTH	Conventional Long Only Strategy	0.90%	n/a
SMALL CAP VALUE	Conventional Long Only Strategy	0.90%	n/a
SMALL-MID CAP GROWTH	Conventional Long Only Strategy	0.90%	n/a
VALUE	Conventional Long Only Strategy	0.75% on the first \$20m, 0.60% next \$180m, 0.50% next \$200m, 0.40% next \$200m, 0.30% thereafter	n/a
AMPLIFIED CORE (130/30) - fixed fee	Hybrid Long Only & Hedged Strategy	1% on the first \$50m, 0.80% next \$50m, 0.70% next \$100m, 0.60% next \$200m, 0.55% thereafter	n/a
AMPLIFIED CORE (130/30) - blended fee	Hybrid Long Only & Hedged Strategy	0.55% on the first \$50m; 0.45% the next \$50m, 0.30% thereafter	14.5% over S&P 500 - look-back to previous perf. fee payment, no drop-off
EMERGING MARKETS	Hybrid Long Only & Hedged Strategy	1.10% on the first \$50m,  0.90% next \$50m,  0.80% next \$100m,  0.70% thereafter	n/a
JAPANESE MARKET NEUTRAL	Hedged Strategy	1.00%	20% over index
WORLD MARKET NEUTRAL	Hedged Strategy	1.00%	20% over index
WORLD FSA MARKET NEUTRAL*	Hedged Strategy	1.50%	20% on the excess up to 9%, and 25% thereafter
MULTI-STRATEGY MARKET NEUTRAL*	Hedged Strategy	1.50%	20% over index
ABSOLUTE RETURN	Hedged Strategy	1.50%	20% over index
* Leveraged Only Strategies			



The fee schedule for each of the Funds is detailed below.

Name of Fund	Management Fee	Performance Fee
Numeric Japanese Market Neutral Equitized Onshore Fund II L.P.	1.00%	20% Topix
Numeric Multi-Strategy Market Neutral Levered Offshore Fund Limited	1.50%	20% T-bills
Numeric World Market Neutral Offshore Fund I Ltd.	1.00%	20% T-bills
Numeric World Market Neutral Onshore Fund II L.P.	1.00%	20% T-bills
Numeric World Fundamental Statistical Arbitrage Levered Offshore Fund I Ltd.	1.50%	20% T-bills
Numeric Small Cap Core Onshore Fund I, L.P.	1.00%	n/a
Numeric Amplified Core Onshore Fund II L.P.	.55% first \$50m; 45% 50-100m, .30% over \$100m	14.5% S&P 500
Numeric Emerging Markets Alpha Fund L.P.	1.10% on the first \$50m, 0.90% next \$50m, 0.80% next 100m, 0.70% thereafter	n/a
Numeric Absolute Return Fund Offshore. Ltd.	1.50%	20%
Numeric Absolute Return Fund, L.P.	1.50%	20%
Numeric Strategic Alpha Fund, L.P.	1.50%	20%
Numeric Socially Aware Multi-Strategy Fund Ltd.	1.50%	20%

### Payment of Compensation

Management fees accruing to Numeric as investment manager of a separate account are payable on a quarterly basis in arrears on the first day of the subsequent quarter. Management fees accruing to Numeric as investment manager of a Fund are payable on a monthly basis in arrears and calculated based on the value of the Fund's portfolio on the last day of that month. For separate accounts, fees are calculated on the basis of either the portfolio's value on the last day of that quarter, or the average of the portfolio's value at the end of each of the three months in the quarter.

With respect to separate account clients, performance fees are paid to Numeric on the first anniversary of a client's investment and annually thereafter, usually on a quarter end date. In some cases, performance fees are payable on the date of any withdrawal of capital by the client and on the termination of the client's investment.

Performance fees accruing with respect to Funds structured as corporations generally are paid by such Funds to Numeric. When a Fund structured as a limited partnership provides for performance-based compensation, such compensation is paid by the partnership in the form of special profit allocations to Numeric, as general partner, rather than in the form of a fee payment. Performance compensation is measured over historical periods of one- to three -year periods, although in some cases a longer period may be used. Each Fund's governing documents specifies how its performance fee is calculated and paid or allocated by such Fund, and any discussion in this Brochure is qualified in its entirety by the Fund's governing documents.

The type of investment strategy (such as long only, hybrid, equitized or leveraged) generally determines how performance is measured. For example, some strategies measure performance on a rolling four-quarter basis and others may measure performance on a one-year or three-year basis, or over the life the account.

For the levered versions of its hedged strategies, Numeric will proportionally increase the rates of management and performance fees quoted in the standard fee schedules outlined above to reflect the increased equity exposure of levered separate accounts (or Funds), generally ranging from between one and a half and three times the capacity in the strategy as unlevered ones. In calculating the performance fee on levered accounts (or Funds), Numeric reduces the performance of the appropriate index that the account (or Fund) must outperform to accrue the performance fee, by the cost of financing such leverage so that the performance fee paid to Numeric is not reduced by this cost.

For equitized hedged portfolios (those that contain long and short positions plus index futures in order to give the portfolios equity market exposure), the index is the S&P 500 or a customized index selected by the separate account client (or specified in the Fund's governing documents) for portfolios investing in United States equities, the Tokyo Stock Price Index for portfolios investing in Japanese equities, the MSCI Pan European Index for portfolios investing in European equities, the MSCI World Index for portfolios investing in Global equities and the MSCI Emerging Markets Index for portfolios investing in Emerging Markets equities.

Numeric does not charge a separate fee for the management of futures positions to establish equitized portfolios.

With respect to separate accounts, fees are negotiable, but every effort is made to make fees (whether fixed or performance-based) comparable among all clients in a given strategy, provided they entered the strategy at the same time and the assets managed by Numeric are the same size.

Fees will vary between clients entering earlier or later in a strategy and smaller and larger accounts.

With respect to the Funds, Numeric reserves sole discretion to waive all or a portion of the management fee and/or performance fee with respect to any investor in any Fund; or, as agreed to by the investor, Numeric may charge a management fee and/or a performance fee that is lower than, or otherwise on different terms than, those described above.

Certain employees and officers of Numeric invest as limited partners in the Funds structured as partnerships for which Numeric acts as general partner and as shareholders in the Funds structured as offshore companies for which Numeric acts as investment adviser. Numeric generally waives or charges lower management fees and/or performance allocations to its current and former directors, employees, affiliates and their family members, as well as the directors or senior management of TA Associates, Inc. and their family members that invest in the Funds (collectively, "Insiders").

### Withdrawals and Termination

Clients investing in separate accounts are able to terminate advisory agreements with Numeric upon five business days prior written notice to Numeric, although some clients have negotiated shorter termination periods. In the event that a client adds or withdraws assets under management during a quarter, management fees charged in arrears will be adjusted *pro rata* for the number of days during the quarter on which the assets were managed. Such clients can elect to be billed directly for fees or to authorize Numeric to directly debit fees from client accounts.

Clients investing in Numeric's Funds are able to withdraw their investments monthly by providing twenty business day's prior written notice unless the notification period is waived by Numeric. Partial withdrawals or redemptions must be an amount equal to at least \$250,000 unless such minimum amount is waived by Numeric. Management fees and performance fees, if any, will be charged to a client's account before any such withdrawal. Withdrawals and redemptions also are subject to provision by Numeric for all Fund liabilities in accordance with governing law.

At the discretion of Numeric, withdrawals or redemptions from certain Funds may be subject to a charge of up to 2% of the amount withdrawn, to cover the costs of effecting the withdrawal or redemption, including the costs of liquidating any necessary investments and rebalancing the Fund's investment distribution. In addition to the discretionary withdrawal or redemption charge described in the preceding sentence, any withdrawals or redemptions made by an Investor within twelve months from the date of such Investor's initial investment in the Fund, may be subject, in the discretion of Numeric, to an early withdrawal/redemption charge equal to an amount not exceeding 1% of the amount withdrawn or redeemed. These charges will be paid to the Fund and are intended to place the cost of withdrawal on the Investor seeking liquidity. When a Fund's investors consist of a single entity or individual or a group of affiliated investors, withdrawal privileges may be negotiable. As a result, persons investing in a Fund with unaffiliated investors may have less advantageous withdrawal privileges than those investing in separate accounts or Funds that include only affiliated investors.

For Funds, the management fees payable to Numeric are deducted directly from the Fund unless otherwise negotiated with Numeric. Any performance fees accrued by a Fund are deducted or allocated directly from each Fund and paid or allocated to Numeric unless otherwise negotiated with Numeric. In the event that an investor purchases or redeems shares or interests in a Fund during a quarter, or in the event that a Fund begins or terminates during a quarter, management fees payable will be adjusted *pro rata* for the number of days during the quarter on which the assets were managed. Numeric may, in its sole discretion, enter into agreements that have the economic effect of waiving, in whole or in part, the management and/or performance fee with respect to any Investor, or charging a management and/or performance fee on a different basis or at a different rate, all without the consent or approval of, or notice to, any unaffected Investor.

## Other Fees and Expenses

Numeric's management and performance fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses. These additional costs and expenses will be incurred by the separate account client or Fund (and, therefore, indirectly by the Fund's investors). Charges may be imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Numeric's fee, and Numeric will not receive any portion of these commissions, fees, and costs (except for certain soft dollar benefits described in Item 12 Brokerage Practices below). Employees of Numeric do not receive commissions as part of their compensation package.

Each Fund bears its own expenses, including, but not limited to, organizational expenses, ongoing expenses in connection with the offering of the Fund's interests, and other operating expenses such as interest, taxes, custodial fees, regulatory fees and expenses, brokerage commissions and spreads paid in the course of the purchase or sale of securities, administrative fees and expenses (including without limitation fees and expenses of the Fund's administrator) and legal and accounting expenses associated with the Fund. Numeric generally is not responsible for any expenses or fees in connection with management of the Funds other than as set forth in each Fund's governing documents.

A more complete description of the fees to be paid to Numeric in connection with an investment in each Fund, as well as the expenses of each Fund, is available in the confidential offering memorandum and other governing documents of such Fund, which are made available to each prospective investor before, or by the time of, any investment in the Fund.

Item 12 further describes the factors that Numeric considers in selecting or recommending broker-dealers for Fund or separate account client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

Numeric has entered into performance fee arrangements with qualified clients as described in Item 5. Performance fees are subject to individualized negotiation with each separate account client and set forth in each Fund's governing documents. Numeric will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (The Advisers Act) in accordance with the available exemptions, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Numeric will include realized and unrealized capital gains and losses. Numeric has discretion in valuing assets if, in its opinion, market prices are not readily available or accurate and, with performance-based fees, there is an incentive for Numeric to over value clients' assets to accrue a larger performance fee.

Performance-based fee arrangements create an incentive for Numeric to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Performance fee arrangements also create an incentive to favor Funds and separate account clients that pay a higher fee over others in the allocation of investment opportunities. Numeric has procedures designed and implemented to ensure that all clients are treated fairly and equally. To counter the potential for overvaluation of clients' assets, Numeric has instituted valuation policies and procedures that portfolio managers must follow when valuing assets for which market prices are unreliable or unavailable. Other procedures are designed to prevent the channeling of riskier or more promising investments to the performance fee-paying accounts within a strategy by requiring the same allocation of investment opportunities among all clients within a strategy irrespective whether paying performance fees. Numeric also has procedures designed to prevent favoritism towards performance fee-paying accounts by requiring aggregation of trades for all accounts within a strategy. Accounts with performance fees are traded together with accounts that are not charged performance fees. All accounts in the strategy will be allocated the security traded with a daily average price to prevent preferential trading for performance-based fee accounts. For additional information on trade aggregation and allocation, please see Item 12.

## Item 7 – Types of Clients

Numeric provides investment advisory services for U.S. and non-U.S. taxable and tax-exempt clients. Numeric's clients are primarily institutions that invest through separately managed accounts; however Numeric also advises private investment funds sponsored by Numeric in which individuals invest.

Numeric provides portfolio management services to high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions. Numeric's account minimums for a separate account are between \$20 and \$30 million, depending upon the strategy. The typical minimum initial investment for Numeric's private funds is \$1 million. These minimums may be waived in the discretion of Numeric and generally are waived for Insiders as defined in Item 5.

To establish a separate account, Numeric generally requires the prospective client to execute an investment management agreement that sets forth the terms under which Numeric will provide its services.

To invest in a Fund, Numeric generally requires the prospective investor to complete and submit a subscription agreement binding them to the terms of a Fund's governing documents. Certain Funds admit only sophisticated U.S. taxable investors that are "accredited investors," as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, and generally "qualified clients" as defined in Rule 205-3 of the Advisers Act (or "knowledgeable employees", as defined in the Investment Company Act of 1940 ("Investment Company Act")) and the rules thereunder. Other Funds admit only sophisticated non-U.S. investors, or sophisticated U.S. tax-exempt investors that are "accredited investors" and generally "qualified clients." Other limitations on establishing a separate account or investing in a Fund also may apply.

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

Numeric will generally, but may not always, employ quantitative models to select investments. There can be no assurance that these models will operate correctly or as expected in all market conditions.

A broad summary of Numeric’s proprietary models follows:

- Valuation Models - designed to capture excess returns due to investor over-reaction in the marketplace by combining model outputs from various proprietary valuation models.
- Information Flow Models – designed to capture catalysts in a stock’s price. These models capture trends in prices and earnings as well as assess the quality of a company’s financial statements.

All portfolios at Numeric are team managed under the direction of Robert Furdak (Chief Investment Officer or “CIO”). Each Fund is managed by Numeric in accordance with the investment objectives and strategies disclosed in the applicable Fund’s governing documents. Investors and prospective investors in a Fund should consult the relevant governing documents to see which methods of analysis, investment strategies and risks are most relevant to that Fund. Numeric manages each separate account client in accordance with the terms of the investment management agreement and any other contractual arrangements between Numeric and such client.

The entire investment process is overseen by the Investment Committee, which includes the Chief Investment Officers, senior investment professionals, and the Director of Trading.

Risk is managed by the portfolio managers and overseen by the compliance group and the Investment Committee. We have both internally and externally developed real-time risk monitors to predict and measure intended/unintended risks in the portfolio. In addition to real-time risk monitors, we also utilize internally developed risk models and compliance systems to monitor the portfolios. Portfolio managers and compliance professionals review these models and compliance systems on a daily basis. These risk parameters are incorporated into our daily quantitative model process to prevent the taking of unintended risks.



We address risk controls in three distinct areas: Alpha Construction, Portfolio Construction and Analytics/Compliance. Risk is controlled through portfolio construction rules, which are designed to result in a predictable performance tracking error range assuming overall market volatility remains relatively stable.

All portfolio managers and research analysts involved with each strategy review daily monitors prior to the market open to ensure the accounts are within appropriate risk levels. External risk tools include S&P Barra. Internal risk systems are designed and monitored by Numeric employees not involved in the investment decision-making process. Further, reports/holdings/risk exposures are run daily and accessible for review across the firm.

In addition, there is an independent review conducted by the compliance group and any infractions are recorded and reported to the portfolio managers and the Investment Committee.

Fund and separate account portfolios may utilize leverage. Leverage creates an opportunity for increased net income or capital appreciation but also creates special risk considerations. Leveraging will generally exaggerate the effect on the Fund or separate account client portfolio's value of any increase or decrease in the market value of the Fund's investments. Leveraging will create interest expenses for the Fund or separate account portfolio which can exceed the investment return from the borrowed funds. In this instance, the Fund or separate account's investment return will be greater if leverage were not used.

Fund and separate account portfolios may engage in short sales by selling securities that it does not own at the time of the sale. The Fund or separate account is then obligated to purchase and deliver securities against the short position. In the event that the price of a security increase between the short sale and the Fund or separate account's subsequent purchase of shares of that security, the Fund or separate account will suffer a loss on that transaction and the value of the Fund or separate account will decrease accordingly. There can be no assurance that a Fund or separate account utilizing short sales will not suffer losses.

The value of foreign currencies relative to the U.S. dollar varies continually, causing changes in the dollar value of a Fund or separate account portfolio (even if the local market price of the investments is unchanged) and changes in the dollar value of a Fund or separate account portfolio's income available for distribution. The effect of changes in the dollar value of a foreign currency on the dollar value of a Fund's or separate account

portfolio's assets and on the net investment income available for distribution may be favorable or unfavorable. A Fund or separate account portfolio will incur costs in connection with conversions between various currencies.

The risks of owning an exchange traded fund ("ETF") generally reflect the risk of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile than the underlying securities and ETFs have management fees that increase their costs. As a shareholder of an ETF, a Fund or separate account portfolio would bear its *pro rata* portion of the ETF's expenses, including advisory fees. These expenses would be in addition to the fees and other expenses that a Fund or separate account bears directly in connection with its own operations.

Investing in securities involves the risk of loss. Clients should be aware that past performance is not a guarantee of future results.

The success of a Fund's or separate account portfolio's investments may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of security prices and the liquidity and the value of the securities held by a Fund or separate account portfolio. Unexpected volatility or illiquidity could impair a Fund's or separate account portfolio's profitability or result in its suffering losses.

In addition, the world's financial markets over the past few years have experienced significant turmoil, resulting in reductions in available credit, significantly increased costs of credit, depression in equity values and the re-alignment of major investment banks and other financial institutions. These events have materially and adversely impacted the availability of financing to a wide variety of businesses, including hedge funds and other investment funds, and their portfolio companies. As a consequence, the global market has experienced a significant downturn in initial public offerings as well as merger and acquisition activities. These downturns reflect, among other things, the absence of acquisition capital and the significant challenges involved in arriving at appropriate valuation judgments regarding potential transactions in the current environment. The current state of the world's financial markets could have a material and adverse impact on a Fund or separate account portfolio and its investments, including their ability to obtain leverage where appropriate and/or identify and execute transactions and carry out a Fund's or separate account portfolio's objectives.

Numeric will receive information regarding the performance of a Fund's or separate account portfolio's investments from data provided by outside vendors, and reserves the right to rely on such data. Such data include stock quotations, earnings reports, balance sheets, and other indicators of financial performance. Numeric has no independent means to ensure that such data are error-free or to discover that such data are in other ways incomplete or inaccurate.

In order to seek positive returns in global markets, Numeric's trading and investment for a Fund or separate account portfolio may involve multiple instruments, multiple brokers and counterparties and multiple strategies. As a result, the execution of the trading and investment strategies employed by Numeric for a Fund or separate account portfolio can often require rapid execution of trades, high volume of trades, complex trades, difficult to execute trades, use of negotiated terms with counterparties such as in the use of derivatives and the execution of trades involving less common or novel instruments. In each case, Numeric seeks best execution. However, in light of the high volumes, complexity and global diversity involved, some slippage, trade errors and miscommunications with brokers and counterparties are inevitable and may result in losses to the Fund. Trade errors will be handled by Numeric in accordance with its trade error policy in effect from time to time.

The investment strategy to be employed by a Fund or a separate account portfolio will result in the portfolio having a high degree of turnover which will result in higher transaction costs than would be the case if a Fund or separate account portfolio employed a buy-and-hold strategy. The transaction costs associated with an active trading strategy may lower returns. If a Fund or separate account portfolio is successful, it will also generate significant amounts of short-term capital gain related to the sale of securities held for less than one year and relatively little long-term gain, which may have disadvantageous tax consequences for a Fund or a separate account. Furthermore, trading costs outside the United States are typically higher than those found in the United States.

The above discussions of the various risks associated with an investment with Numeric are not, and are not intended to be, a complete enumeration or explanation of the risks involved in an investment. Fund investors should refer to their offering documents, and consult with their own advisors before deciding whether to invest.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Numeric or the integrity of Numeric’s management.

On September 7, 2006, the SEC instituted and simultaneously settled Administrative and Cease-and-Desist proceedings against Numeric in connection with Numeric’s provision of investment advisory services to RBB Fund, Inc. (“RBB”). The SEC found that Numeric improperly received more than \$919,000 in performance-based fees from n/i Small Cap Value Fund (the “Small Cap Fund”), one of RBB’s portfolio funds. The SEC found that Numeric’s advisory contract with the Small Cap Fund did not provide for assessing the performance-related portion of its total advisory fee against the Small Cap Fund’s average net assets over the same period in which performance was measured, in violation of Section 205(A) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

Upon notification by the SEC that Numeric was charging the Small Cap Fund a total advisory fee based on a method that did not comply with Section 205, Numeric’s management discontinued the method and subsequently reimbursed the Small Cap Value Fund in December 2006, \$919,857 plus interest of \$110,230, for a total payment of \$1,030,087.

In addition, the SEC found that Numeric used the same method of calculating its performance fees for two other portfolio funds of RBB, resulting in underpayments to Numeric. Upon notification by the SEC of such finding, Numeric discontinued this method of performance fee calculation for the other two funds. However, Numeric did not seek reimbursement from either of the two funds for any underpayments.

Numeric settled this matter with the SEC, pursuant to which the SEC issued an order in which Numeric neither admitted nor denied the SEC’s findings. The order censured Numeric and required it to cease-and-desist from committing or causing violations of Section 205(A) of the Advisers Act.

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

In addition to providing investment advisory services, Numeric sponsors the twelve Funds, each of which is an unregistered commingled investment fund. Numeric

serves as general partner of the eight Funds that are structured as limited partnerships and, as such, receives the performance fee for its services.

All of the Funds pay performance-based compensation to Numeric, with the exception of Numeric Small Cap Core Onshore Fund I L.P. and Numeric Emerging Markets Alpha Fund L.P. Please see our discussion of performance-based compensation in Item 5 above.

Two of Numeric's directors serve as officers of TA Associates, Inc. ("TA"). TA is one of the oldest and largest private equity firms in the world. These directors could have a conflict of interest between discharging their obligations in such capacities as officers of TA and acting in the best interests of Numeric's clients.

## **Item 11 – Code of Ethics**

Numeric has adopted a Code of Ethics (the "Code of Ethics" or "Code") for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Numeric must acknowledge the terms of the Code of Ethics annually, or as amended.

Numeric, in appropriate circumstances, consistent with clients' investment objectives, will cause Funds and accounts over which Numeric has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Numeric, its affiliates and/or clients, directly or indirectly, have a position of interest. Numeric's employees and persons associated with Numeric are required to follow Numeric's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Numeric and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Numeric's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Numeric will not interfere with:

- (i) making decisions in the best interest of advisory clients and

- (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Numeric's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, which is designed to reasonably prevent conflicts of interest between Numeric and its clients.

As noted in Items 5 and 10, Numeric acts as either general partner or investment manager to each of the twelve private Funds sponsored by Numeric. For its services as general partner or investment manager, Numeric generally receives a management fee calculated as a percentage of the Fund's net assets and, in most cases, a performance-based fee. Also, certain of Numeric's current and former directors, employees, affiliates and their family members (as well as the directors or senior management of TA and their family members) have accounts advised by Numeric ("Affiliate Accounts") that are permitted to own, buy and/or sell interests in the Funds. Accordingly, Numeric and its Affiliate Accounts may from time to time have a substantial interest in certain of the Funds managed by the Numeric which could create an incentive for Numeric to favor such Funds over other Funds and separate account clients. If Numeric's or its Affiliate Accounts' interests in a Fund or separate account are substantial, such Fund or separate account may also be treated as an Affiliated Account for certain purposes. Affiliated Accounts may have more restrictions than non-affiliated accounts due to their relationship with Numeric. Please see Item 10 above for more details about our private Funds.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Numeric's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Numeric will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a *pro rata* basis. Any exceptions will be explained on the order.

Numeric's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Kristina I. Eisnor, Chief Compliance Officer at 617-897-7800 or [compliance@numeric.com](mailto:compliance@numeric.com).

Numeric may engage in securities "crosses" among portfolios managed by Numeric. Such crosses are executed when Numeric determines that it is appropriate for one or more clients to purchase securities from another client to rebalance portfolios, execute contributions or withdrawals or modify sector exposure or for other reasons. Crosses are executed only with prior client authorization and, to the extent applicable, in compliance with the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Under certain circumstances, Numeric may take inconsistent positions in the same security on a particular trading day. This can happen in one of two cases:

- account rebalancing (for example, in connection with a contribution or withdrawal or the commencement or termination of an account); or
- our investment models provide conflicting signals (buy or sell) for different strategies with different objectives.

In the former case, these transactions are client directed. In the latter case, these situations can arise, for example, when the model for a strategy that is focused on longer-term valuation might be positive for a particular stock at the same time that the model for a strategy that is focused on shorter-term momentum is negative.

In order to mitigate potential conflicts that arise from these situations, Numeric has implemented two controls. The first is a pre-trade check that warns a portfolio manager if he or she has placed an order that is contrary to the model for the applicable strategy. When such an order is placed, the system will not allow the order to proceed without being expressly overridden in the order management system. This check is designed to ensure that conflicting orders in the same strategy (for example, in the case of a contribution, withdrawal or commencement or termination of an account) are intentional and not the result of an error. In addition to the pre-trade check, we ensure that opposite way trades that are handled manually are never handled by the same trader and opposite way trades that are handled algorithmically are handled through tools that cannot favor one account to the detriment of another.

Numeric has adopted its Code of Ethics in accordance with Rule 204A-1 of the Advisers Act. The purpose of the Code is to set forth certain key guidelines that have been adopted by Numeric as office policy for the guidance of all personnel and to specify the responsibility of all employees of Numeric, including interns and consultant who work on site, full time on Numeric projects and have been engaged by Numeric for such purposes for a period of at least six months, (“Employees”) to act in accordance with their fiduciary duty to Numeric’s clients and to comply with applicable federal and state laws and regulations. The Code requires that all Employees conduct themselves in accordance with high ethical standards, which should be premised on the concepts of integrity, honesty and trust, and in full compliance with all applicable federal and state laws and regulations concerning the securities industry. In addition, Numeric wishes to maintain a reputation for high integrity. To accomplish this goal, Numeric requires that all Employees continually adhere to the following basic principles:

- (1) place the interests of clients first;
- (2) treat clients fairly and reasonably and those in similar circumstances as equally as possible;
- (3) exercise due care in handling all information concerning clients;
- (4) avoid any actual or potential conflict of interest in personal securities transactions;
- (5) avoid taking inappropriate advantage of positions of trust and responsibility; and
- (6) do not damage the efficient, fair and orderly operation of the securities markets or investors’ confidence therein.

## **Item 12 – Brokerage Practices**

Numeric assumes general supervision over placement of securities orders for the client portfolios it manages. Numeric has the authority to determine the broker-dealer to be used in any securities transaction and the commission rate to be paid. While the primary criterion for all transactions in portfolio securities is the execution of orders at the most favorable net price, numerous additional factors are considered by Numeric when arranging for the purchase and sale of clients’



portfolio securities. These include restrictions imposed by the federal securities laws and the allocation of brokerage in return for certain services and materials described below. In determining the abilities of the broker-dealer to obtain best execution of a particular transaction, Numeric will consider all relevant factors including the execution capabilities required by the transaction(s), the ability and willingness of the broker-dealer to facilitate the account's portfolio transactions promptly and at reasonable expense, the importance to the account of speed, efficiency, or confidentiality, and the broker-dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold, as well as any other matters Numeric deems relevant to the selection of a broker-dealer for a particular portfolio transaction of the account.

When the "best execution" criteria are satisfied, those broker-dealers who supplement Numeric's capabilities with research, quotation, and certain software materials, may be selected by Numeric to provide brokerage services.

Ongoing research and live data feeds are critical elements of Numeric's investment management process. Accordingly, Numeric is a significant user of broker-provided research and brokerage related products and services which assist Numeric in carrying out its investment decision making responsibilities. These services may include, but are not limited to, research, data feeds, and analytical software. Numeric adheres to Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") in connection with its use of soft dollars. In some cases, Numeric acquires a research product or service with soft dollars which also has non-research uses. In these cases, Numeric makes a reasonable allocation of the cost of the product or service according to its use. That portion of the product or service which provides administrative or other non-research services is paid for by Numeric in hard dollars. Soft dollar services include the following:

- indices data
- pricing data
- equity research analysis
- research newsletters
- exchange data (i.e. Bloomberg)
- news services

- swift fees
- FIX engine
- EDGAR data
- Trade affirmation fees
- SAS Sunfire

Soft dollars earned may be used for the benefit of accounts over which Numeric has investment discretion that did not participate in a particular trade, or for the benefit of an account or accounts that have not generated or do not generate soft dollar credits (*i.e.*, do not pay the portion of the commission attributable to research and brokerage related services). Numeric reserves the right to charge such accounts a higher fee. Numeric also reserves the right to purchase (and from time to time purchases) research and brokerage related services with “hard dollars”.

All research services received from broker-dealers to whom commissions are paid are used collectively. There is no direct relationship between commissions received by a broker-dealer from a particular client’s transactions and the use of any or all of that broker-dealer’s research material in relation to that client’s account. Numeric may cause a client to pay a broker-dealer a brokerage commission in excess of that which another broker-dealer might have charged for the same transaction in recognition of research and brokerage related services provided by the broker-dealer.

Soft dollar arrangements present a potential conflict of interest. When soft dollar arrangements are not used, research and brokerage services are treated as a direct expense of the investment adviser. When soft dollar arrangements are used, such services are paid for with commissions on client transactions. As a result an investment adviser may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products, rather than on the client’s interest in receiving most favorable execution. To mitigate this potential conflict, Numeric actively manages its soft dollar budget to ensure compliance with Section 28(e) of the Exchange Act and to ensure that the overall expenditures are reasonable in relation to Numeric’s business.

Numeric would be pleased to provide additional detail to clients about its soft dollar practices upon request.

Numeric does not receive client referrals from any broker-dealers or third parties, so no such referrals are considered by Numeric when selecting or recommending broker-dealers to clients.

Numeric does not accept client-directed brokerage ("Directed Brokerage"). Notwithstanding the foregoing, Numeric is able to accommodate clients with limited restrictions on their ability to trade with certain brokers (*i.e.*, affiliates and fiduciaries). However, it should be understood that such arrangements could result in investment performance that is different, and potentially lower than, that of other accounts in the same strategy. Directed Brokerage can result in a client paying higher commissions than would be the case if Numeric were able to select brokers freely. Directed Brokerage in many cases would limit Numeric's ability to negotiate commissions for all clients and its ability to aggregate orders, resulting in an inability to obtain volume discounts or best execution for the client in some transactions.

## **TRADE AGGREGATION AND ALLOCATION**

Numeric has established policies and procedures for, and engages in, the aggregation and allocation of trades for its clients. As a general principle, Numeric seeks to allocate trading and investment opportunities among all accounts in a manner it deems equitable over time. However, there can be no assurance that any separate account client or Fund will participate in any particular trade or investment opportunity on an equal or *pro rata* basis with other clients. The Trade Aggregation and Allocation policies and procedures set forth the conditions that determine how Numeric will aggregate and/or allocate a given investment opportunity or trade among clients, including without limitation conditions relating to the establishment of a trading threshold (*i.e.*, a percentage of predicted average daily trading volume of a security), the principles and exceptions to the policy and procedures, IPO allocations, eligibility to participate in IPOs, commingled fund IPO allocations and compliance review of the policies and procedures.

## Item 13 – Review of Accounts

Ordinarily, Fund and separate account client portfolios are reviewed against Numeric’s quantitative models and against client investment objectives and risk constraints every day before the market opens by portfolio managers for the appropriate investment strategy (the “Portfolio Management Team”). In addition, corporate and earnings news is received and interpreted as it happens during the day to identify specific stocks whose model scores may change enough to elicit a trade. A member of the Portfolio Management Team reviews all final model scores from the firm’s quantitative models in order to determine that the inputs are accurate and the models were run correctly. All Funds and separate accounts receive this treatment and are managed by the Portfolio Management Team.

Numeric has no specific policy with respect to the number of Fund or separate account client portfolios assigned to each reviewer. This varies depending on the nature and complexity of the portfolio.

In addition to the reviews performed by the Portfolio Management Team, Numeric’s Compliance department reviews portfolios for adherence with Fund and separate account client guidelines daily. Upon the commencement of a new mandate from a separate account client or launch of a Fund, a member of the Compliance department prepares a detailed summary of all investment guidelines and restrictions applicable to the new mandate. That summary is provided to both the Operations and Systems groups. In addition, the summary of investment guidelines and restrictions is made part of a master summary of guidelines and restrictions for all Funds and separate account clients. A member of the Compliance department is responsible for entering new client guidelines and restrictions into our in-house, proprietary automated guideline monitoring application, which is integrated into our order management system. Reports detailing all guideline exceptions are sent to the Portfolio Managers and Compliance department daily.

Most separate accounts clients receive performance and valuation reports each month with their portfolio’s return and value for the preceding month. In some cases, preliminary returns are provided to separate account clients. At the end of each quarter, such separate account clients receive a letter showing portfolio returns versus their benchmark’s returns. In such letters, the portfolio’s holdings may be compared with the benchmark’s concentrations in each market sector.

Investors in each Fund receive, on a monthly basis, an unaudited calculation of the performance return earned by the Fund's portfolio during the quarter. These investors also receive audited financial information from the Fund on an annual basis.

All assets in the Fund and separate account client portfolios are maintained with prime brokers, broker-dealers, banks or other qualified custodians. Numeric's separate account clients are responsible for the selection and appointment of their own qualified custodians. Numeric forms a reasonable basis for belief, after due inquiry, that the custodian is obligated to send to its separate account client an account statement, at least quarterly, identifying the amount of funds and of each security in the account at the end of the period and setting forth all transactions in the account during that period. Some separate account clients request that, in addition to the statements they receive from their qualified custodians, Numeric separately provide account statements. When doing so, Numeric urges such clients to compare the account statements they receive from their qualified custodians with the statements they receive from Numeric.

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

Numeric does not compensate third parties for client referrals.

#### **Item 15 – Custody**

As noted in Item 13, all the Funds' and separate account clients' funds and securities are held by qualified custodians. Investors in the Funds receive the applicable Fund's annual financial statements audited by an independent public accounting firm. Separate account clients will receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. Numeric urges you to carefully review such statements and compare such official custodial records to any account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please see Item 13 for additional information.

## **Item 16 – Investment Discretion**

Numeric usually receives discretionary authority from the separate account client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Numeric exercises discretion in managing the investments of each Fund, based on the Fund's applicable investment objectives, policies and strategies set forth in its governing documents.

When selecting securities and determining amounts, Numeric observes the investment policies, limitations and restrictions of the Funds and separate account clients it advises. For registered investment companies, Numeric's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Numeric in writing.

## **Item 17 – Voting Client Securities**

Numeric has a written proxy voting policy, which is the most current policy of Institutional Shareholder Services, Inc., and related procedures which are intended to assure that securities held by each Fund and separate account are voted in the best interests of such Fund or separate account client, and which address material conflicts of interest that may arise between them and Numeric. Unless otherwise stated in the investment management contract or set forth in a Fund's governing documents, Numeric will vote proxies of United States, Japanese and certain European issuers. Due to restrictions on trading during the proxy solicitation period imposed by many non-United States issuers, Numeric does not vote shares of issuers traded in markets that impose such trading restrictions.

In voting proxies, it is possible that a certain issue will present a conflict of interest for Numeric. The Chief Compliance Officer will identify any conflicts that exist between the interests of Numeric and its clients. This examination will include a review of the relationship of Numeric and its affiliates with the issuer of each

security and any of the issuer's affiliates to determine if the issuer is a client of Numeric or an affiliate of Numeric or has some other relationship with Numeric or a client of Numeric.

If a material conflict exists, Numeric will determine whether voting in accordance with the voting guidelines and factors described above is in the best interests of the Fund or separate account client. Numeric will also determine whether it is appropriate to disclose the conflict to the affected clients and, with respect to separate account clients (excepting separate account clients subject to ERISA), give the clients the opportunity to vote their proxies themselves. In the case of ERISA separate account clients, if the Investment Management Agreement reserves to the ERISA client the authority to vote proxies when Numeric determines it has a material conflict that affects its best judgment as an ERISA fiduciary, Numeric will give the ERISA client the opportunity to vote the proxies themselves, or special ERISA proxy voting procedures must provide for a pre-determined voting policy that eliminates the discretion of Numeric when voting proxies if such a conflict exists.

Separate account clients may contact a member of Numeric's Client Service Group via e-mail: [clientservice@numeric.com](mailto:clientservice@numeric.com) or via telephone at: (617) 897-7800, in order to obtain information on how Numeric voted such client's proxies, and to request a copy of these policies and procedures. If a separate account client requests this information, the Client Service Group will prepare a written response to the client that lists, with respect to each voted proxy that the client has inquired about:

- (1) the name of the issuer;
- (2) the proposal voted upon; and
- (3) how Numeric voted the client's proxy.

Numeric has authority to vote proxies on behalf of the Funds in accordance with Numeric's written proxy voting policy. Each Fund, acting through its general partner or board of directors, may request information from Numeric with respect to such Fund regarding how Numeric voted any proxies on behalf of the applicable Fund.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Numeric’s financial condition. Numeric has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.