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*Investment Adviser Brochure Form ADV Part 2A*  
*Disclosure Statement*  
Item 1. Cover Page

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**AXA Rosenberg Investment Management LLC**

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This brochure provides information about the qualifications and business practices of AXA Rosenberg Investment Management LLC. 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 AXA Rosenberg Investment Management LLC also is available at the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

AXA Rosenberg Investment Management LLC is a SEC registered investment adviser. Registration with the SEC does not imply a certain level of skill or training.

**Brochure version: March 31, 2014**

## Item 2. Material Changes

**Brochure Version: March 31, 2014**

### **Annual Updating Amendment**

- Item 8
  - Remove reference to Long/Short Strategies
  - Enhance Quantitative Model/Technology Risk disclosure - investment process error identification, review, correction and client disclosure
- Item 13
  - Enhance Investment Operations Outsourcing – Middle office function outsourcing project was completed in 2013
  - Enhance language to describe oversight of investment actions
- Item 17
  - Enhance Voting Client Securities – i.e. description of process and conflicts management

**Last annual amendment: March 31, 2013**

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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).

Within the AXA Investment Managers Group, AXA Rosenberg Investment Management LLC, together with certain international investment adviser affiliates (each, an “AXA Rosenberg Business Adviser” and collectively, the “AXA Rosenberg Business”), provide investment management services based on fundamental equity analysis using quantitative methods.

Since 1985, the AXA Rosenberg Business has refined a highly disciplined system that leverages proprietary and third-party computer software and data with the aim of enhancing the decision making of portfolio managers. We believe that our investment modeling can handle more data on more companies than a traditional analyst’s approach and enables us to evaluate more information on a much wider universe of stocks with greater efficiency than the traditional fundamental manager.

AXA Rosenberg Investment Management LLC (“AXA Rosenberg”) is registered as an investment adviser with the US Securities and Exchange Commission, and also operates under the international adviser exemption in Canada.

### CORPORATE STRUCTURE

AXA Rosenberg 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 AXA Rosenberg Investment Management LLC

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.

### OUR ADVISORY SERVICES

AXA Rosenberg offers advisory services via separate account portfolios or, potentially, funds to public and private pension funds, insurance companies, endowments, foundations, mutual fund sponsors, and other institutional investors.

AXA Rosenberg offers an objective, data intensive, model-driven approach that is applied systematically, overseen by investment professionals and subject to their ultimate discretion. Research, modeling and investment implementation activities are fully integrated firm-wide. Our investment process is applied globally and implemented by strategy by our investment team in the US, as well as experienced investment teams based in Europe and Asia. AXA Rosenberg develops long-term research activities and enhances and maintains quantitative investment models for management of a broad range of global and regional equity strategies and, through the output of its quantitative models, provides investment research relating to portfolio construction and stock selection, which may be utilized by AXA Rosenberg and/or certain of its affiliated investment adviser entities within the AXA Rosenberg Business. Each of the AXA Rosenberg Business Advisers (including AXA Rosenberg), in its sole discretion, constructs client-specific portfolios based on AXA Rosenberg’s models. Each individual AXA Rosenberg Business Adviser is responsible for the implementation of its clients’ accounts and for the day-to-day portfolio management, monitoring, and operations. Risk control is designed to be an important component of our process which

incorporates managing overall portfolio risk relative to the client's investment strategy. We primarily invest in common stocks traded on the principal exchanges of major markets. The use of derivatives is currently not a strategic component of our investment approach. However, our goal is to be fully invested in equities at all times. When permitted, we may use stock index futures or exchange-traded funds to overlay cash or accruals and obtain exposure to the equity markets.

We offer our clients a variety of equity investment strategies, including regional and global broad market/large cap and mid/small cap, global emerging markets, Defensive Equity Income (DEI), SmartBeta™, actively managed enhanced index, and strategies incorporating shorting techniques. We also work with our clients to develop customized equity investment solutions to meet their individual needs. We work closely with our investment adviser affiliates located in London and Singapore within the AXA Rosenberg Business to implement portfolios with strategies involving markets outside of the Americas, as described further in Item 10 below.

Please see *"Item 8. Methods of Analysis, Investment Strategies and Risk of Loss"* for a description of our investment process.

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.

Each separate account is designed specifically for the client; therefore, it is possible to tailor certain portfolio characteristics for the unique needs of each separate account client. Any client-directed characteristics, restrictions or services negotiated with the client are documented in the client's investment management agreement and investment guidelines.

Examples of portfolio characteristics that can be tailored are:

- Benchmark
- Markets
- Long/Short strategies
- Futures
- Socially responsible investments
- Restricted securities lists
- Currency hedging

Additional customizable services:

- Client reporting
- Proxy voting (described in the Voting Client Securities section)
- Client directed brokerage (described in the Brokerage Practices section)

Commingled fund products are pooled vehicles, and by construct, cannot be tailored to an individual client's needs.

#### RESEARCH AND MODELS SERVICES

We provide the other AXA Rosenberg Business Advisers with data and investment models, as well as certain tools they use for the optimization and implementation of portfolios. Our affiliated investment advisers adjust settings in their respective portfolio management systems to produce customized portfolios for their clients based on specific benchmarks and client specific investment guidelines.

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.

AXA Rosenberg does not currently 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.

### ASSETS UNDER MANAGEMENT

AXA Rosenberg directly manages client assets as well as provides investment models to the other AXA Rosenberg Business Advisers for their management of client portfolios. As of December 31, 2013, the AXA Rosenberg Business, which **includes** AXA Rosenberg and the other AXA Rosenberg Business Advisers, had over \$26 billion in discretionary assets under management of which over \$136 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.

As an SEC registered adviser who advises only qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, AXA Rosenberg does not generally publish a fee schedule. Nevertheless, below is an overview of our compensation structure.

We charge an investment management fee for the accounts we manage based on a percentage of assets, performance, or a combination of both. Our management fees vary based on the type of investment strategy, and may be subject to negotiation on a client-by-client basis at our sole discretion.

For separate accounts, payments are due quarterly, in arrears. They are calculated by multiplying one-quarter of the appropriate annual fee percentage by the average of the assets under management at the close of business on the last day of each month in the preceding quarter. Actual arrangements for calculation and payment of fees for separate accounts may vary, as agreed with our clients on an individual basis.

In addition to management fees paid to AXA Rosenberg as compensation for managing portfolios, our clients’ portfolios also incur the brokerage and other transactions costs for their respective portfolios. Our separate account clients engage their own custodians and negotiate and pay their own custodial fees. Please see Item 12, Broker Practices.

In addition, AXA Rosenberg provides its research and models only to other AXA Rosenberg Business Advisers, which receive revenue from investment management fees they charge their clients. The AXA Rosenberg Business 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.

AXA Rosenberg clients are not required to pay fees in advance. If we were to set up an account in which we allowed or required clients to pay fees in advance, the client would automatically receive a pro-rata refund if the agreement was terminated before the end of the relevant period.

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 AXA Rosenberg nor any of our supervised persons accepts compensation for the sale of securities or other investment 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.

We manage accounts from which we receive asset-based management fees, performance-based management fees, or a combination of both types of fees. Because performance-based fees have the potential to generate more revenue for us than asset-based fees, there is a conflict of interest which could cause AXA Rosenberg or our supervised persons to favor accounts that have a higher fee rate or cause such accounts to be invested differently than they might otherwise have been.

While such favoritism could occur during the investment of client portfolios such as in allocating investment opportunities, allocating aggregated trades, or trading between client accounts, we believe that our quantitative investment process and compliance policies and procedures effectively mitigate this potential conflict of interest.

As a matter of the utmost importance in managing our client's assets, we seek to treat all of our clients in a fair and equitable manner and will act in a manner that we believe to be in the best interest of our clients. Consequently, our investment teams are instructed not to favor one client over another in the investment process. This is documented in our Code of Ethics, which all AXA Rosenberg's supervised persons receive and acknowledge. To reduce the incentive to favor one account over another, aspects of our systematic processes are designed to mitigate conflicts. All supervised persons receive a salary and are eligible to participate in AXA Rosenberg's success through discretionary bonus awards that are tied to both individual and our overall performance against objectives. Compensation for supervised persons is not directly derived from an account's performance.

In addition, AXA Rosenberg provides its research and models only to other AXA Rosenberg Business Advisers, which receive revenue from investment management fees they charge their clients, which may be based on assets under management. The AXA Rosenberg Business 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. As a result, it is possible that AXA Rosenberg's compensation may be affected

by differences in fee structures agreed to by other AXA Rosenberg Business Advisers and their clients, including performance-based structures. The models constructed by AXA Rosenberg apply the same analytical process by strategy, regardless of fee structure, for all portfolios managed by its affiliated investment advisers. The actual construction of portfolios is subject to settings maintained for each account by the investment advisers' portfolio management teams to meet the specifics of their investment mandates.

#### ALLOCATION OF INVESTMENT OPPORTUNITIES AND ALLOCATION OF AGGREGATED TRADES

Our policy is to allocate investment opportunities and aggregated trades both fairly and equitably among our client accounts as well as in a manner that is economically efficient for our clients. We are aided by automated tools to recommend investment opportunities and to generate, fill and allocate aggregated orders among accounts. Please see Item 12.B. Brokerage Practices for further information.

#### TRADES BETWEEN CLIENT ACCOUNTS (CROSS TRADES)

AXA Rosenberg does not engage in "cross trades" between client accounts. Should we determine it is in the best interest for both clients to conduct a cross trade between client accounts, we will implement compliance policies and procedures that define internal approval procedures as well as client consent and notification procedures.

### **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.

AXA Rosenberg's clients and prospective clients include a variety of U.S. and Canadian institutional investors. AXA Rosenberg's clients typically include:

- Public and private retirement plan sponsors
- Insurance companies
- Endowments
- Foundations
- Mutual fund sponsors
- Other types of institutional investors

In addition, AXA Rosenberg conducts long-term research and maintains quantitative investment models for the management of a broad range of global and regional equity strategies. AXA Rosenberg provides its investment models only to certain of its affiliated investment adviser entities within the AXA Rosenberg Business.

#### **MINIMUM INVESTMENT SIZE**

Our minimum investment size varies by investment strategy and investment vehicle. In establishing minimum investment sizes, we consider the minimum amount required to establish a diversified portfolio. We generally have lower investment minimums for our pooled investment vehicles than our separate accounts.

For separate accounts, our minimum initial account size is \$10 million for single country or regional strategies and \$25 million for multi-regional strategies.

#### **REQUIRED CLIENT INFORMATION**

We may require prospective clients as well as our existing clients to provide certain information and/or records necessary to meet any customer identification requirements set forth by our program for anti-money laundering and combating terrorist financing.

## 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.

### INVESTMENT APPROACH APPLIES ACROSS OUR RANGE OF STRATEGIES

AXA Rosenberg's investment approach is driven by bottom-up stock selection based on the rigorous fundamental analysis of company valuations and earnings combined with an understanding of both the stock specific and environmental risks that accompany this approach. While our approach is akin to that of a traditional fundamental investor, our implementation is systematic.

The investment approach, which is based on over 25 years of experience, is applied globally and implemented locally by experienced investment teams based in the US, Europe and Asia to create broadly diversified portfolios with a range of objectives from active equities (including enhanced index, large cap, small cap and "defensive equity income" type strategies) and SmartBeta™ strategies.

Using technology to drive investment decisions is often described as a quantitative investment process. However, by modelling fundamentals from the detailed components of company accounts rather than simply comparing summary factors, AXA Rosenberg is more like a traditional fundamental analyst.

Our investment process does not presume to model or create a singular perfect portfolio for our clients. Instead, we seek to build portfolios with exposures to stock characteristics that reflect our investment beliefs and philosophy. In this, we are similar to other fundamentally-oriented investors. Accordingly and in keeping with our long-term investment horizons, we reject notions of "false precision" that may be implied by a process that relies to a great extent on data and quantitative methods. Our systematic approach primarily allows us to express easily scalable views on a large number of equity securities, thereby affording great flexibility in addressing unique investor strategic objectives and investment constraints in constructing portfolios.

A strength of this approach is that we can construct portfolios that differ in terms of composition (e.g., to address unique investor circumstances), but which are similar (ex-ante) in terms of exposures to the investment characteristics we deem important. Because of this focus on meaningful exposures against the backdrop of noisy data in which all managers operate, we believe that our process and controls ensure a significant degree of robustness to small errors that are an inevitable by-product of processing large amounts of data from multiple sources. Also, because the purpose of our models is to systematically encapsulate and express our views as investors, our investment professionals can and do exercise oversight and discretion at virtually every step of the process to complement our systematic approach and ensure our investment intentions are fulfilled, particularly in rapidly changing market conditions.

### INVESTMENT PHILOSOPHY AND PROCESS - ACTIVE STRATEGIES

#### INVESTMENT PHILOSOPHY

AXA Rosenberg's investment beliefs have remained constant since the formation of our predecessor (Rosenberg Institutional Equity Management) in 1985: namely that company fundamentals and earnings ultimately drive price performance and therefore by identifying and investing in companies that display superior fundamentals at an attractive price, it is possible to add value.

For this philosophical premise to be valid, markets must be efficient but not perfectly efficient at pricing stocks. So, while on average the price of a stock may properly reflect the market's consensus view of the stock's ability to generate future earnings, there will be times when stocks are either under or overvalued relative to this fair value, and it is these mispricings that AXA Rosenberg seeks to identify and exploit.

AXA Rosenberg believes that it is difficult to time markets or sectors consistently and as a result seeks to add value primarily from stock selection rather than asset allocation.

The systematic implementation of our investment philosophy enables us to find large numbers of relatively mispriced stocks and to build well-diversified portfolios designed to outperform their benchmarks across markets and over time.

#### FUNDAMENTAL COMPANY VALUATION

We rigorously analyze fundamental data and historical price performance of all of the companies in our broad, global universe (subject to limitations on data); and 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.

#### STOCK SELECTION APPROACH

AXA Rosenberg's core investment process seeks to estimate the fair value per share for every company in our investment universe. 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.

To increase the accuracy of the valuations and address the limitations of financial accounts, the published accounts are complemented by proprietary AXA Rosenberg forecasts and estimates, for example, estimated up-to-date balance sheets and earnings based on forecast modelling and estimated valuations of off-balance sheet assets such as R&D and goodwill.

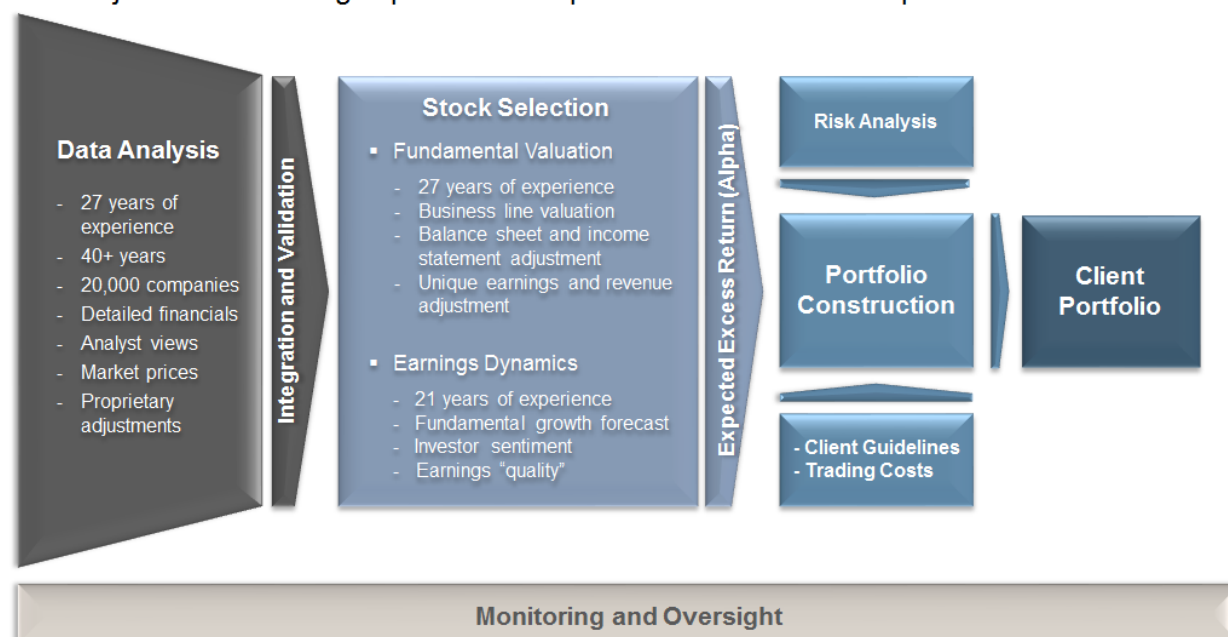
The process by which stock prices are compared to company fundamentals involves:

- Assembling the latest full balance sheet, income statement and estimated data across all companies in the investment universe (some 200 items)
- Estimating the latest market value for financial statement items, i.e. the business lines to which the company is exposed and making adjustments for its unique revenues and unique earnings
- Assessing the correct values of the balance sheet, top line and earnings fundamentals in each company's valuation, according to its business model
- Forecasting the fair value for each stock by comparing the fundamental valuation to the latest share price.
- The estimated fair value is then compared to the current market price to determine whether a company appears over or undervalued, relative to other companies in the same industry/ sector.

As well as deriving the fundamental value for each stock in the investment universe, we also evaluate each stock's earnings dynamics. Historical fundamental data is used to assess future earnings-growth potential and to form a view on the "quality" of a company's earnings. Sentiment indicators are also used to provide the current market view on a stock and its growth prospects.

## DIAGRAM OF THE INVESTMENT PROCESS FOR ACTIVE STRATEGIES

- Objective: Maximizing expected active performance relative to expected active risk



The above diagram is demonstrative of our core investment approach. The approach to portfolio construction is modified to accommodate our Defensive Equity Income strategy (see Defensive Equity Income section under portfolio construction).

### FUNDAMENTALS-DRIVEN HIGHLY DIVERSIFIED PORTFOLIOS

The objective for our core approach is to build highly diversified portfolios with superior fundamentals relative to the market and modest active exposures to expected factor risk, such as size, market and industry, through the combined output of our stock-selection and risk models. We use an optimizer designed to simultaneously consider the opportunity associated with any given combination of stocks and the active risk implied by such a combination. The optimizer also aims to limit risk along specified dimensions such as target benchmark exposures to industries, sectors, countries and risk factors, in addition to trading costs, stock position, active weight limits or client specific restrictions. As noted previously, it is our objective as fundamentally-oriented investors to build portfolios with exposures to such stock characteristics that reflect our investment beliefs and philosophy. In doing so, there is no precise model or perfect portfolio for our clients, and in keeping with our long-term investment horizons, we reject notions of "false precision" that may be implied by a process that relies to a great extent on data and quantitative methods.

### PORTFOLIO CONSTRUCTION

#### Core Equity

For our active equity strategies, our portfolio construction process is benchmark driven; we seek to outperform a portfolio's designated benchmark while appropriately managing portfolio risk relative to the benchmark.

As active managers, we are not interested in neutralizing all risks – common factor or stock-specific – within our portfolios. By analyzing the risk characteristics of the benchmark, we set targets for portfolio exposure to systematic factors of risk, such as country, industry and individual stock exposure, together

with other factors such as market capitalization, price/earnings etc. Our portfolio construction process then aims to exploit the information developed by the stock selection process in order to maximize active return while striving to minimize unintended risks, resulting in recommended positions in companies designed, in the aggregate, to constitute efficient portfolio in terms of expected risk and reward as identified by our modeling. As noted previously, it is our objective as fundamentally-oriented investors to build portfolios with exposures to such stock characteristics that reflect our investment beliefs and philosophy. In doing so, there is no precise model or perfect portfolio for our clients, and in keeping with our long-term investment horizons, we reject notions of “false precision” that may be implied by a process that relies to a great extent on data and quantitative methods.

#### Enhanced Index

AXA Rosenberg’s Enhanced Index strategies offer benchmark-like risk characteristics but with the potential ability to benefit from AXA Rosenberg’s fundamental stock insights on the stocks within the chosen benchmark. The objective is to build highly-diversified risk-controlled portfolios with superior fundamentals relative to the benchmark and small active exposures to common factor risk such as size, market and industry. By definition, our Enhanced Index strategies tend to have lower tracking error and alpha targets than our core strategies.

#### Defensive Equity Income (DEI)

The objective of the Defensive Equity Income strategy product is to deliver a portfolio with a reduced total risk profile, but also aims to generate outperformance versus standard market capitalization-weighted benchmarks over a market cycle. The product’s investment objective is to have a lower sensitivity to market movements and a higher yield than its comparative benchmark. While we use the same fundamental valuation process that we use for our core equity portfolios, the benchmark for the strategy is AXA Rosenberg own ‘risk efficient beta’ rather than the market cap benchmark.

The optimizer is then used to find the optimal trade-off between the risk profile that is embedded in the ‘risk efficient beta’ benchmark and the expected excess return opportunities identified by our stock selection model. The result is a portfolio that targets alpha but a lower total risk.

### **INVESTMENT PHILOSOPHY & PROCESS FOR SMARTBETA™**

#### SmartBeta™ Equity

The objective of our SmartBeta™ Equity strategy is to capture market beta efficiently while avoiding the investment limitations of both market cap-weighted indices and alternative weighting schemes. We seek to achieve this through a series of filters in an effort to reduce exposure to uncompensated risk. Typically, almost half of the starting universe is filtered out through this process. The final result of the filtering process is a fundamentally-anchored weighting scheme with reduced exposure to uncompensated risks in our models’ view. Next, we diversify the strategy by applying our proprietary PowerRank™ methodology in order to avoid concentration risk and manage liquidity.

Our SmartBeta™ Equity strategies follow a long-term investment approach that aims to capture equity market beta more efficiently, while avoiding the investment limitations of both market-cap weighted indices and alternative weighting schemes. This is achieved with three building blocks:

- Filtering to systematically reduce exposure to uncompensated risks present in equity markets
- Diversifying intelligently to avoid concentration risk, whilst managing liquidity
- Implementing in a manner that leverages our experience as investors while keeping costs low.

Applying these three building blocks should result in a portfolio that has the fundamental characteristics we seek (i.e. reduced exposure to uncompensated risk), while diversifying across a large number of names without compromising liquidity.

**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.

## **RISK OF LOSS**

Investing in equities is speculative and involves risk of loss. Due to the uncertain nature of markets, investments, the strategies employed, and the implementation of such investment strategies, investors risk loss of some or all of their investment capital. Investing in a strategy should not itself be considered a balanced or diversified investment program and includes no guarantee of capital preservation. Investors should understand the risks of investing in securities and strategies, including those described herein, and should be prepared to withstand the loss of their investment.

## **GENERAL INVESTMENT RISKS**

### MANAGEMENT RISK

Accounts managed by us (or by our affiliates in reliance on our models) (each, a “portfolio”) are subject to the management risks inherent in an actively managed investment portfolio. This includes the risk that the models will lead to poor investment selections and that we or our affiliates might not properly or efficiently implement our models. 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 include certain investments under market conditions when, in retrospect, their use would have been beneficial to the portfolio.

### MARKET RISKS

Some strategies embed residual or active market exposure risk (commonly known as beta exposure) as a result of the stock selection and portfolio construction process. Such strategies may experience a level of volatility different from that of the overall equity market or investment universe, whether higher or lower. There is no guarantee that a strategy targeting a lower level of volatility will deliver, depending on the direction of the market, superior or inferior returns compared to the overall equity market or investment universe.

### 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 stocks as well as securities for which the value is linked to the price of stocks, such as futures contracts, exchange traded funds, rights, warrants, and convertible 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 greater exposure to liquidity risk.

### **ACTIVE TRADING RISK**

A portfolio that actively trades portfolio securities in an attempt to achieve its investment objective may have 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.

Trading may be conducted on multiple venues in order to take advantage of liquidity and promote best execution. These may include physical exchanges, electronic exchanges and unregulated electronic venues (sometimes referred to as "dark pools"). Portfolios are subject to trade execution risks associated with identifying suitable venues. Transparency and liquidity may change rapidly for specific securities or in selected venues due to undetected electronic or systemic failures, broker participants' withdrawal or broker algorithmic errors.

### **MARKET SEGMENT RISKS**

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

- MidCap: 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.
- LargeCap: 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.
- SmallCap: 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 economy. 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 concentrated 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 stocks. Growth stocks are often more sensitive to market fluctuations than other stocks because their market prices are highly sensitive to future earnings expectations. Similarly, because growth securities typically do not make dividend payments to shareholders, total return is dependent upon price appreciation. Growth stock prices may therefore be more volatile than those of 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 market exposure, a portfolio may invest or take short positions in exchange traded funds, and other types of pooled or bundled investment vehicles. However, such investments may not be successful in replicating underlying market performance and may be subject to liquidity risk and foreign investment risks (in the case of foreign country ETF's). Investment in such vehicles may involve a layering of fees and other costs.

### 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 or engage in other types of businesses. To the extent that an MLP's interests are concentrated 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 to 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, may 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

The strategies do not invest directly in real estate assets. However, investing in public exchange traded real estate investment trusts ("REITs") may be permitted depending upon strategy. REITs expose investors to some of 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 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 and recommendations developed by AXA Rosenberg rely heavily on the use of proprietary and non-proprietary software, data and intellectual property being licensed to us 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 our financial condition, and/or our client's 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 our financial condition, and/or our client's portfolios could be adversely affected.

### ANALYTICAL MODEL RISK

AXA Rosenberg and its investment adviser affiliates seek to achieve their clients' investment objectives primarily in reliance on signals generated by AXA Rosenberg's analytical models, whether third party or proprietary. 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, changes in market conditions, and the successful deployment of the models' output into the investment portfolio construction process. Each factor may have subjective elements that present the possibility of human error.

While AXA Rosenberg employs controls designed to assure that our models are sound in their development and appropriately adapted, calibrated and configured, analytical error, software development errors, and implementation errors are an inherent risk of complex analytical models and quantitative investment management processes. These errors may be extremely hard to detect in some cases, and some errors may go undetected for long periods of time, or not be detected at all. AXA Rosenberg's controls, including our escalation policies, are designed to assure that certain types of errors are subject to review once discovered. However, the effect of errors on our investment process and, where relevant, performance, (which can be either positive or negative) may not be fully apparent even when discovered.

For analytical model or investment process errors that are determined to cause trade errors (i.e., an unintentional action in the placement, execution or settlement of an advisory client's trade), AXA Rosenberg adheres to the industry standard that a client should never suffer a loss resulting from a trade error. For investment process errors that do not give rise to trade errors (i.e. an error has occurred in the process of generating the list of trade recommendations), investment advisers as fiduciaries do not breach their duties merely in the good faith exercise of investment discretion, even if resulting in "poor" investment decisions from a performance perspective.

Rather, a breach of an investment adviser's fiduciary duties relates more to the prudence and propriety of the adviser's conduct. Given these complex processes, the inevitability of error and the difficulty of error detection, determining whether AXA Rosenberg has met its standard of care in connection with an investment process errors will be based both upon (1) how the error relates to AXA Rosenberg's key investment objectives and attributes (namely, to build portfolios with exposures to stock characteristics that reflect our investment beliefs and philosophy) as well as (2) the nature and design of the controls designed to ensure such objectives and attributes are achieved in the manner intended. Accordingly and in keeping with our long-term investment horizons, we reject notions of "false precision," (either in terms

of stock composition or investment performance), that may be implied by a process that relies to a great extent on data and quantitative methods.

Because of the complexity involved and indeterminate nature of the undertaking, AXA Rosenberg may in good faith and in accordance with its obligations decide not to correct an error if doing so would be imprudent or otherwise than in the client's best interests in light of AXA Rosenberg's key investment or client-specified considerations or if the cost of the fix greatly outweighs the benefit and/or the error truly represents noise. Also, AXA Rosenberg in its discretion may determine not to disclose (non-trade) investment process errors not otherwise determined to be compensable or constituting material information to affected clients, AXA Rosenberg will not be under any obligation to disclose such errors, but may voluntarily do so in its discretion.

While AXA Rosenberg's investment process principally relies on the models (and is subject to the risks) referred to above, AXA Rosenberg's process also incorporates the investment judgment of its portfolio managers who exercise such judgment with the aim of capturing the intent of the models and/or ensuring that portfolios are better positioned to adapt to changing market conditions. As such, even if the signals produced by AXA Rosenberg's models are accurate, the ultimate investment performance still depends on AXA Rosenberg's (and its affiliates' portfolio managers') 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 and its affiliates have 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.

#### 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 RISKS (INCLUDING EMERGING MARKETS)**

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 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 investment may be negatively affected by currency exchange rate fluctuations. 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 may negatively affect the value of securities denominated, and/or receiving income 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.

#### DEPOSITARY RECEIPTS

A portfolio or portion thereof may invest in securities of foreign issuers in the form of depositary receipts or other securities that are convertible into securities of foreign issuers. American Depositary Receipts ("ADRs") are receipts typically issued by an American bank or trust company that evidence underlying securities issued by a foreign corporation. European Depositary Receipts (issued in Europe) and Global Depositary Receipts ("GDRs") (issued throughout the world) each evidence a similar ownership

arrangement. A portfolio or portion thereof may invest in unsponsored depositary receipts. The issuers of unsponsored depositary 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 depositary receipts. Depositary 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 within certain regions, such as Latin America, Europe or 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 geopolitical or economic actions or factors may have an adverse effect on a portfolio's (or portion thereof) foreign investments.

### REGULATORY RISK

Even though international financial reporting standards are widely used, less information may be available about foreign companies. In general, foreign companies are subject to different accounting, auditing and financial reporting standards or to other regulatory practices and requirements from those of U.S. publicly listed companies.

### SETTLEMENT RISK

Settlement and clearance procedures in certain foreign markets may differ significantly from those in the United States. Foreign settlement and clearance procedures and trade regulations also may involve certain risks (such as differences in the timing of or 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 to carry out certain 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 aggregate costs of buying and selling foreign securities, including tax, brokerage and custody costs, can vary within many markets and in some cases are higher than those involving domestic transactions.

### DERIVATIVES RISK

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 (or an affiliated investment adviser) 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**

Certain portfolios may engage in short selling as part of any such portfolio's general investment strategy. A short sale is affected 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 funds. 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 Group”), AXA Rosenberg, and Barr Rosenberg Research Center LLC in an order dated February 3, 2011, the US

Securities and Exchange Commission ("SEC") found, and AXA Rosenberg Group, AXA Rosenberg 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 and the compliance and control procedures in effect at Barr Rosenberg Research Center; AXA Rosenberg 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 (the "Coding Error"); 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, and Barr Rosenberg Research Center undertook: to make a payment, jointly and severally, in the amount of \$217 million to compensate clients of AXA Rosenberg 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, Barr Rosenberg Research Center, and certain affiliated entities that, among other things, would create a global compliance and ethics 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. The third party consultant has completed its final review and AXA Rosenberg is in the process of evaluating and/or implementing the final recommendations of the consultant.

With respect to the same incident above, pursuant to offers of settlement by AXA Rosenberg Group LLC, AXA Rosenberg, 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 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 2013, 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.

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 following relationships or arrangements with related persons are material to our business and may create potential conflicts of interest.

#### **NON-US INVESTMENT ADVISORY AFFILIATES**

As described in Item 4, AXA Rosenberg offers an objective, data intensive, model-driven approach that is implemented systematically. Research, modeling and investment implementation activities are fully integrated firm-wide and our investment process is applied globally and implemented by strategy by our investment teams in the US, as well as experienced investment teams based in Europe and Asia.

To this end, to implement our investment strategies, we may work with associated persons employed by our international adviser affiliates located in London and Singapore listed as follows.

AXA Rosenberg Business Entity	Location	Foreign Regulatory Authority
AXA Investment Managers Asia (Singapore) Ltd	Singapore	Monetary Authority of Singapore
AXA Rosenberg Investment Management Ltd (UK)	United Kingdom	Financial Services Authority

AXA Rosenberg and these investment advisory affiliates within the AXA Rosenberg Business are parties to intercompany fee sharing and expense recharge arrangements as described under “Our Parent Company – AXA Investment Managers” below

#### **OUR PARENT COMPANY – AXA INVESTMENT MANAGERS**

Together with the other AXA Rosenberg Business Advisers, we are a systematic global equity investment management firm within the AXA Investment Managers group (“AXA IM”) for which AXA Investment Managers Paris is a registered investment adviser with the Financial Markets Authority in France.

Accordingly, certain AXA Rosenberg functions, such as distribution, Control (compliance, legal and risk) and business support (HR, Finance) have been integrated with AXA IM's shared functions in these areas across all of its geographical entities. AXA Rosenberg remains focused on the investment “expertise”, which includes primarily research and investment models, investment implementation, technology and data, while benefiting from the broader resources, experience and global footprint of AXA IM's shared support infrastructure. Notably, some of the AXA IM shared functions are wholly dedicated to AXA

Rosenberg and dually accountable to AXA Rosenberg and AXA IM. AXA IM solicits clients and provides certain client services on our behalf.

AXA Investment Managers Inc., an affiliated SEC registered investment adviser located in Greenwich Connecticut (File No. 801-60374), is responsible for distribution and client service activity in North America. AXA Investment Managers Inc. is also a member of the AXA Investment Managers group, (See Item 14 “Client Referrals and Other Compensation” for more information regarding these solicitation activities). As a natural part of this interaction, in order to properly provide support to AXA Rosenberg and its clients, client information will naturally be shared with AXA IM employees on a need-to-know basis in order for AXA Rosenberg to provide its contractually agreed products and services to its clients, including compliance with any regulatory requirements such as anti-money laundering laws.

To effectuate the business model described above, AXA Rosenberg, the other AXA Rosenberg Business Advisers, and affiliates within AXA IM (including AXA Investment Managers Inc.) are parties to fee allocation, business recharge and revenue sharing arrangements that allocate both fee revenue and expenses among these various entities by function (e.g., research, sales, marketing, client service, trading, operations, and business support services), according to metrics intended to reflect the respective proportion of services provided by each entity (or its employees or department(s)) in connection with a client account.

In addition, because of the joint marketing arrangements that exist among AXA IM and its subsidiaries representing its various business lines, we share client information with AXA IM and its affiliates so that AXA IM can best assess the suitability of products and services for all of its clients, including those directly contracting with AXA Rosenberg. Regardless, any client information that is shared with AXA IM will be subject to physical, electronic and procedural safeguards as required by applicable law and standards to guard confidential or non-public information.

Our personnel or those of our affiliates may come in possession of inside information concerning various companies. We and the other AXA Rosenberg Business Advisers have taken measures to establish information barriers that serve to limit the dissemination of such information and provide flexibility in managing client portfolios. The investment management and operations functions at AXA Rosenberg are independent from those at AXA IM or AXA Group. Nevertheless, if we or our affiliates possess such information, our ability to buy or sell securities of such issuers for our clients may be restricted, although any such restrictions are expected to be infrequent.

## **MANAGEMENT AND COMPENSATION**

Each member of the AXA Rosenberg Group Board of Directors (including the AXA Rosenberg Group chief executive officer) is a director or officer of AXA IM. Some of our associated persons may also be officers or serve on various committees of the other AXA Rosenberg Business Advisers and/or AXA IM affiliated companies. In addition, our employees and employees of other the AXA Rosenberg Business Advisers and/or AXA IM affiliated companies regularly work together on the development of investment products and strategies.

Financial rewards include base salary, discretionary variable remuneration (which would include discretionary cash bonus and any long-term incentives) and employee benefit programs. AXA Rosenberg evaluates the market position of employee compensation annually through the use of investment management specific market data survey sources.

Employee's base salaries are reviewed annually against both external market information, as well as internal parity. Discretionary rewards are determined annually based on several factors, including an individual's performance and positive contribution to AXA Rosenberg's culture. Core members of the research and investment teams may also receive annual long-term incentives as part of their total remuneration package. Additionally, AXA Rosenberg provides market-competitive benefit packages to employees in each of our geographic locations. Beyond salary, all employees are eligible to participate in

the firm's success through discretionary bonus awards that are tied to both individual and firm performance against objectives. AXA IM is the ultimate arbiter of the size of the variable remuneration pool allocated to AXA Rosenberg and its investment advisory affiliates, out of which discretionary bonus awards are made, and may in its discretion provide funding for such pool if AXA Rosenberg self-funding is insufficient.

Non-financial awards include access to training and development programs, career development, opportunity for international assignments, and work-life balance programs. Certain of our employees also participate in an AXA IM long-term incentive plan, which provides awards based on the performance of AXA IM, subject to vesting and other plan requirements.

In addition, we are a participant in the AXA Shareplan series, which permits eligible employees to purchase AXA ordinary shares on preferential terms, subject to various limits.

As systematic managers, portfolio managers and analysts are oversee a well-established investment framework and process which they do not have the discretion to comprehensively change. Therefore, their performance is in part based on ensuring effective execution of the process, and fulfilling the investment intentions in changing market environments, with particular attention given to the value of their discretion and contribution to the evolution of the investment process and outcome for investors. Notwithstanding the foregoing, we exercise independent judgment in the management of our clients' investments.

#### **AXA GROUP AND OTHER AFFILIATE RELATIONSHIPS**

AXA Rosenberg Investment Management LLC is an indirect subsidiary of AXA Group, the diversified, global financial services company. AXA SA and its subsidiaries constitute 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 Financial Services, LLC. These affiliates provide a broad range of financial services including investment management and investment advisory services. In that these affiliates and AXA Rosenberg (and its investment adviser affiliates implementing the same or similar strategies) generally conduct their business independently of one another (other than common administrative and marketing resources shared with AXA IM Group affiliates, as described above), we do not believe these affiliations give rise to material conflicts of interest.

AXA Rosenberg currently does not trade with any AXA Group affiliated broker-dealers.

#### **CLIENTS – US CLIENTS AND NON-US INVESTMENT ADVISER AFFILIATES**

The clients and prospects of AXA Rosenberg are generally public and private pension funds, insurance companies, endowments, foundations, mutual fund sponsors, and other institutional investors.

AXA Rosenberg does not invest securities for our own account. However, as we may manage accounts and /or funds for our affiliates, as noted above, clients should be aware that this may be deemed to create a conflict of interest for AXA Rosenberg since there could be an incentive for AXA Rosenberg to allocate investment opportunities to these accounts and/or funds at the expense of other advisory clients.

While such favoritism could occur during the investment of client portfolios such as in allocating investment opportunities, allocating aggregated trades, or trading between client accounts, we believe that our quantitative investment process and compliance policies and procedures effectively mitigate this potential conflict of interest. See "Allocation of Investment Opportunities" below for more information.

As a matter of the utmost importance in managing our client's assets, we seek to treat all of our clients in a fair and equitable manner and will act in a manner that we believe to be in the best interest of our clients. Consequently, our investment teams are instructed not to favor one client over another in the investment process. This is documented in our Code of Ethics, which all AXA Rosenberg's supervised persons receive and acknowledge annually. Additionally, our supervised persons are not individually compensated based on an account's performance; thereby reducing the incentive to favor one account over another.

In addition, AXA Rosenberg currently provides and has from time to time provided research and models, and investment management or related services to AXA Rosenberg affiliates, AXA SA and/or its insurance subsidiaries (including both general and separate accounts), AXA Investment Managers and AXA Financial or their affiliates. This includes accounts that are investment vehicles for insurance products sponsored by an AXA Group affiliate and/or for which AXA IM or another AXA Group affiliate is the adviser. In addition, AXA Rosenberg from time to time provides investment management services to various pooled investment vehicles, collective investment trusts and private investment funds for which AXA Rosenberg, AXA IM or another affiliate may act as sponsor, general partner, managing member, or in a similar capacity.

### **PUBLICLY TRADED SECURITIES**

We may purchase publicly traded equity securities issued by one of our related parties if it is recommended by our investment models. However, these purchases are subject to client constraints, applicable laws or regulations (e.g., where AXA Rosenberg does not possess material nonpublic information about the issuer and where effective information barriers exist between AXA Rosenberg and the issuer).

We may recommend securities or other investments to clients, or engage in transactions on behalf of clients and our employees, their family members, and our affiliates may own and transact in securities, where a related person has a financial interest. We have a Global Personal Trading and Insider Trading Policy intended to regulate personal transactions in such a manner to satisfy our primary obligation of loyalty to our clients. See "Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," below.

We prohibit the use of material, non-public information ("inside information"). Our personnel or those of our affiliates may come into possession of inside information concerning various companies. We and our investment adviser affiliates have taken measures to establish restricted and watch-list controls and/or information barriers that serve to limit the dissemination of such information and provide flexibility in managing client portfolios. While the investment management and operations functions at AXA Rosenberg are independent from those at AXA IM or AXA Group, if we or our affiliates possess such information, our ability to buy or sell securities of such issuers for our clients may be restricted. Nevertheless, AXA Rosenberg's systematic approach to stock valuation and selection creates a large universe of potential buy candidates. Consequently, there will be alternative stocks from which to choose, and any impact on performance should be negligible.

### **ALLOCATION OF INVESTMENT OPPORTUNITIES**

While there may be a potential conflict of interest or incentive to favor an account or fund of an affiliated entity, we have established procedures to allocate investment opportunities and to order and allocate trades fairly and equitably, without regard to client affiliation. While affiliated or related accounts and funds may receive negotiated investment management fee discounts from our standard pricing, they do not receive preferential treatment in the investment process; their allocations of investment opportunities are consistent with those of our other similarly situated clients.

Certain accounts, including affiliated or related accounts may have frequent and/or significant cash flows, may limit/restrict the brokers with whom AXA Rosenberg can trade the client's account, or may require more frequent rebalancing of their portfolio. Consequently, these accounts may be traded separately from

other accounts, and potentially receive better or worse trade execution than the accounts for which the trades are aggregated. We believe, however, trade execution for all accounts is fair and equitable over time and in accordance with our Global Best Execution and Trading policies.

*Please see Item 6. Performance-Based Fees and Side-By-Side Management for procedures designed to address other potential conflicts of interest.*

## 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.*

### CODE OF ETHICS

AXA Rosenberg's Code of Ethics (the "Code") applies to all AXA Rosenberg employees as well as AXA Rosenberg supervised persons employed by an AXA IM entity or various other investment advisory affiliates of AXA Rosenberg. AXA Rosenberg is committed to conducting its business in accordance with best international practice, and within the laws of the countries in which it operates, in a manner that manages conflicts of interest appropriately and seeks to avoid even any appearance of conflict of interest. Employees are expected to observe a high standard of business and personal ethics and to exercise proper judgment in conducting AXA Rosenberg's business. Regional compliance officers are responsible for administration and implementation of personal trading policies and protection of non-public information. The Code describes the standard of conduct we require of our employees (and other supervised persons) 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.

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

- Protect 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
- Require pre-clearance of "covered" securities against model recommendations through our automated Compliance tool
- Require review and resolution of trade alerts or exceptions received in MCO
- Require quarterly/annual certification of accounts, transactions, holdings and acknowledgment of understanding the Code as well as other ethical policies
- Block employees from purchasing restricted or watch list securities via the automated compliance tool
- Protect AXA Rosenberg's reputation
- Guard against violation of the securities laws and violations of ERISA
- Summarize the values, principals, and business practices that guide AXA Rosenberg's business conduct

### PERSONAL TRADING

Access Persons (within the meaning of Rule 204A-1 under the Investment Advisers Act) may purchase and sell for their own accounts the same securities held by our clients. Because the Code permits employees to invest in the same securities as our clients, there is a possibility that Access Persons might

benefit from the market activity by a client in a security held by the Access Person. To mitigate this potential conflict of interest, each Access Person must obtain written approval before trading in a Covered Security (as defined in the Advisers Act) which is provided through an automated compliance monitoring system that gives feedback to an employee as to whether a request is approved or denied or escalates the request for manual approval. Authorization is effective only for the calendar day that the request was submitted and approved.

Securities that are not on the relevant current buy list may be purchased by an Access Person 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 Access Person with approval. Thus, Access Persons are unable to purchase or sell a security that is being recommended for its clients. Access Persons may not engage in short-term trading (the purchase and sale or sale and purchase within 90 days) of any Covered Security.

Access Persons are required annually to certify they have complied with the Code and to make annual reports regarding their personal securities account holdings and quarterly reports regarding their personal securities trading activity and covered accounts.

Access persons are required to report personal securities transactions in all Covered Securities, which excludes the following:

- Direct investments in obligations of the U.S. Government
- Shares of mutual funds for which we are not the investment adviser or sub-adviser
- Bankers' acceptances, bank certificates of deposit, commercial paper, certificates of deposit, and high quality short-term investments
- Shares issued by money market funds
- Unit investment trusts that are invested exclusively in one or more open-end funds, none of which we advise or sub-advise
- Commodities and commodity futures
- Direct investment in real estate (excluding securities investing in real estate)
- Securities held in managed accounts over which the employee has no direct or indirect control

Access persons may not trade for their personal accounts in securities of issuers that are identified on any restricted or watch list that may be established from time to time.

In addition, AXA Rosenberg may invest in publicly traded 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 process.

Employees who violate our Code can have their personal securities trading privileges suspended, may be required to reverse the transaction regardless of the loss that the employee may incur or to donate any profits resulting from an unauthorized trade to a designated charity. Violation of the Code may also result in more serious disciplinary action including disgorgement of profits, suspension of employment and termination.

We will provide a copy of our Code to any client or prospective client upon request. To request a copy, please contact:

AXA Rosenberg Investment Management LLC  
4 Orinda Way, Building E  
Orinda, CA 94565  
Attn: Chief Compliance Officer

In addition to the Code of Ethics and Personal Trading Policy, employees are required to follow related policies including those listed in the sections below.

#### GIFTS AND ENTERTAINMENT

A conflict of interest occurs when the personal interest of employees interfere or could potentially interfere with their responsibilities to AXA Rosenberg and its clients. 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. Employees are required to adhere to the AXA Rosenberg Group Global Gift, Entertainment and Charitable Contribution Policy.

#### POLITICAL CONTRIBUTIONS

Employees of AXA Rosenberg and AXA Rosenberg as a company may not make any payment of any kind, directly or indirectly, to any official of any government or government instrumentality, any political party, political official or any candidate for any political office (domestic or foreign, for the purpose of influencing any act or decision in order to help AXA Rosenberg obtain or retain business for or with, or direct business to, any person. Employees are required to adhere to the AXA Rosenberg Group Global Political Contributions Policy.

#### CONFLICTS OF INTEREST - OUTSIDE ACTIVITIES

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

#### INSIDER TRADING POLICY

AXA Rosenberg’s policy prohibits employees from trading on material non-public information. Employees are required to escalate receipt of non-public information to Compliance for further evaluation and monitoring. Information is deemed non-public if it has not been disseminated in a manner making it available to investors or the market generally. Information is “material” if there is a “substantial likelihood that a reasonable investor would consider it important in making an investment decision.

#### POLICY ON ANTI-CORRUPTION IN INTERNATIONAL BUSINESS TRANSACTIONS

AXA Rosenberg’s policy prohibits the paying, offering, giving, authorizing, or promising, either directly or indirectly, of money or “anything of value” to any government official in order to secure an improper benefit, obtain or retain business, or direct business to any person or entity.

#### INFORMATION SECURITY

AXA Rosenberg’s Information Security Code of Conduct and Standards Policy addresses employee obligations in connection with administrative, technical and physical safeguards for customer information.

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.

## PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

AXA Rosenberg does not invest securities for our own account. However, as we may manage accounts and/or funds for our affiliates, as noted above, clients should be aware that this may be deemed to create a conflict of interest for AXA Rosenberg since there could be an incentive for AXA Rosenberg to allocate investment opportunities to these accounts and/or funds at the expense of other advisory clients.

While such favoritism could occur during the investment of client portfolios, such as in allocating investment opportunities, allocating aggregated trades, or trading between client accounts, we believe that our quantitative investment process and compliance policies and procedures effectively mitigate this potential conflict of interest. See “Allocation of Investment Opportunities” and Performance-Based Fees” for more information.

We seek to treat all of our clients in a fair and equitable manner and will act in a manner that we believe to be in the best interest of our clients. Consequently, our investment teams are instructed not to favor one client over another in the investment process. In addition, it is our policy that we will not permit cross trades between 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.

## OTHER CONFLICTS OF INTERESTS

From time to time, AXA Rosenberg employees and supervised persons may have the opportunity and may invest in pooled investment vehicles that we either manage or manage a portion of the vehicle with our adviser affiliates.

Additionally, we may recommend certain securities to our clients in which AXA Group, our ultimate parent company, has a material interest, e.g., AXA SA publicly traded stock. These recommendations would generally be derived from our investment models.

As discussed in the Personal Trading section above, AXA Rosenberg's Access Persons may purchase and sell for their own accounts the same securities held by our clients. Accordingly, AXA Rosenberg Access Persons must comply with the personal trading requirements described in the Code of Ethics to mitigate the conflicts of interests their trades may present.

## 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).

## BROKER SELECTION AND COMMISSIONS

When AXA Rosenberg selects or recommends a broker-dealer for transactions in our clients' accounts, we weigh a combination of criteria regarding the broker-dealer and the reasonableness of its compensation. The factors we may consider in selecting a broker-dealer and determining the reasonableness of its compensation include the broker-dealer's:

- Quality of executions, which includes the accuracy and timeliness of executions, clearance of transactions and error/dispute resolution
- Ongoing reliability and speed with which transactions are executed
- Integrity to handle transactions and ability to maintain the confidentiality of trading activity and information
- Reputation, financial condition, disciplinary history and stability
- Compensation and competitiveness of rates and spreads
- Status as women-, veteran- or minority-owned business, if applicable
- Block trading and block positioning capabilities and ability to execute difficult transactions
- Responsiveness to our traders

When selecting broker-dealers to execute transactions, we are not obligated to seek the lowest available commission cost, but rather best overall execution.

AXA Rosenberg and the other AXA Rosenberg Business Advisers (listed below) may conduct trading in securities on behalf of AXA Rosenberg's clients.

AXA Rosenberg Business Entity	Location
AXA Investment Managers Asia (Singapore) Ltd.	Singapore
AXA Rosenberg Investment Management Ltd (UK)	United Kingdom

AXA Rosenberg and the other AXA Rosenberg Business Advisers maintain a list of approved broker-dealers through which portfolio transactions may be executed. Our trading desks have established standard commission rates with the broker-dealers they transact with, with an exception for some of the emerging markets. The standard commission rates vary based on the type of transaction.

Each portfolio pays the brokerage commissions attributable to its transactions. For aggregated trades, each account participating in a trade receives the average price and average transaction cost of the trade.

As requested by some clients with investment mandates that include securities traded outside of the US, we conduct currency hedging for their portfolios with the goal of compensating for shifts in the relative value. For portfolios on behalf of which we conduct currency hedging, we generally conduct the foreign exchange transactions (FX) through the respective portfolio's custodian bank. For certain portfolios, however, we may conduct such currency hedging transactions through third-parties.

## TRADE EXECUTION

We seek best execution in conducting trades on behalf of the portfolios we manage. We consider best execution not to be simply the lowest commission cost for a transaction, but a process to obtain the best qualitative execution for transactions. As a part of this process, our traders may consider a combination of various factors, including but not limited to:

- The broker-dealer's effectiveness in executing trades
- The reliability, integrity, confidentiality, promptness, reputation, and financial condition of the broker-dealer (including AXA Rosenberg's past execution history with the broker-dealer)
- The size of the trade, its relative difficulty and the security's trading characteristics and liquidity
- The nature and frequency of the coverage
- The trading expertise and market knowledge of the broker
- The quality and breadth of products offered by the broker-dealer including the ability to handle a mix of trades and to "work" large or difficult trades
- Adequacy of back office staff to efficiently handle trading activity, especially in volatile or high volume markets

- Statistics on securities executions and frequency of trading errors
- The broker-dealer's willingness to accept our standardized commission rates

It should be noted that we may conduct transactions where portfolios may pay one broker a higher commission than another broker for effecting the transaction if we determine in good faith that the commission is reasonable in relation to these factors.

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.

## SOFT DOLLAR PRACTICES

AXA Rosenberg (which may include, for purposes of this section, one of our affiliates) has entered into soft dollar arrangements with a number of US brokers with which its trading desk conducts trades. Under these individually-negotiated arrangements, selected brokers have agreed to provide us with soft dollar credits based upon the value of commissions they have earned from the transactions we place with them. We do not pay up for soft dollar trades. We use the soft dollar credits to obtain research and brokerage services or products which we use in our investment process. By using such soft dollar credits, we are able to defray our research and brokerage expenses; we receive a benefit because we do not have to produce or pay for the research, products or services. We intend for our soft dollar practices to comply with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934.

We may obtain soft dollar research and brokerage services or products either directly from the broker or indirectly through a third party (billed to the broker, with the financial obligation running only to the broker).

Although soft dollar practices are permitted by Section 28(e), there is a potential conflict of interest inherent in using soft dollars. The ability to obtain services or products from brokers without having to use the firm's own resources creates an incentive to direct transactions to soft dollar brokers without consideration of execution costs or quality and creates an incentive to trade a portfolio's securities more frequently than would otherwise be necessary to execute its investment strategy.

We are aware of the potential conflicts of interest inherent in the use of soft dollars, and believe that we have sufficient controls in place to prevent the misuse of client portfolios.

- We conduct all trades based on our consideration of best execution, as described above, and conduct reviews of the execution of the brokers we use, including soft dollar brokers.
- We do not "pay up" for the transactions we place with our soft dollar brokers in order to obtain research or services.
- It is our general policy to pay all brokers our standard negotiated commission rates, regardless as to whether or not we have a soft dollar arrangement with the broker.

- In general, portfolio transactions are based on the output of our investment models, which substantially mitigates the risk of conducting excessive transactions in a portfolio to generate soft dollar credits.

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.

In accordance with Section 28(e), we use soft dollar services or products for the general benefit of all accounts we manage as well as accounts that we implement on behalf of other AXA Rosenberg Business Advisers. In some instances due to the broad nature of the use of certain soft dollar products and services across the other AXA Rosenberg Business Advisers to whom we provide research and models (such as stock prices, e.g.), accounts that are contracted with other AXA Rosenberg Business Advisers that do not have investment portfolios implemented by AXA Rosenberg may also receive some benefit from the research and services obtained using soft dollars.

We use soft dollar products and services to obtain limited research data and/or brokerage services, which generally benefit all portfolios managed according to the quantitative investment process of the AXA Rosenberg Business. This type of cross-subsidization occurs across investment strategies, account types and vehicles. For example, soft dollar commissions generated by transactions of account types that are eligible to participate in soft dollar arrangements may be used for soft dollar services or products that may benefit account types that are not eligible to participate in such arrangements. Soft dollar services or products may benefit accounts that have different investment strategies than the account generating the transactions that are used to obtain the service or product.

Not all accounts that we manage accrue soft dollar credits and most of the other AXA Rosenberg Business Advisers' accounts, including those portfolios implemented by AXA Rosenberg, do not generate soft dollar commissions which can be used to purchase soft dollar services or products. Therefore, research products and services obtained using soft dollar credits generated by one portfolio generally benefit our other accounts that generate soft dollar credits as well as those that do not and may also benefit other AXA Rosenberg Business Advisers' accounts. We do not attempt to allocate soft dollar benefits to each client account in proportion to the soft dollar credits that it generates, and we may or may not use any or all of the soft dollar services or products obtained with an account's brokerage commissions in managing the account.

- 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.

### **MIXED-USE PRODUCTS AND SERVICES**

We use soft dollar products and services to aid in the investment decision making and trade execution processes. In some instances, however, we may also use the product or service for another non-research function. In the event that we use soft dollar products or services in a substantial way for a function that is not considered to be research, we make a good faith determination of the proportion of use for research versus non-research, and proportionately allocate soft dollar credits and our own resources accordingly. We may use various methodologies to determine this allocation, including but not limited to the percentage of time the product or service is used for research or the percentage of the job function that is research oriented. To the extent that we have not generated sufficient commissions with a broker to cover the cost of a soft dollar product or service, we may use our own resources towards purchasing the product or service.

We may from time to time, receive research services or products that have both a research and non-research use. Under such circumstances, AXA Rosenberg will allocate the anticipated use of the product or service to its research and non-research components using certain methods, such as percentage of time used, percentage of job function which is research oriented, or others, but under all circumstances, the mixed use allocation will be made in good faith, documented accordingly and as outlined in our Soft Dollar Policy.

### **SOFT DOLLAR PRODUCTS AND SERVICES OBTAINED**

Historically, we have obtained the following types of products and services either using soft dollars or a combination of soft dollars and our own resources:

- Stock exchange market data
- Stock index data
- Equities and equity options data

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

### **BROKER REFERRALS**

We do not receive client referrals from brokers through which we conduct client portfolio transactions.

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.

### **DIRECTED BROKERAGE**

Our clients may direct us to conduct transactions for their portfolios through specific brokers or specific types of brokers. In some instances clients may request us to direct transactions through certain brokers because they have established a directed brokerage/commission recapture relationship with the brokers. Certain clients may also request that we direct transactions through brokers with certain designations such as emerging, minority-owned and women-owned. We may accept such direction to the extent that it is consistent with seeking best execution and meets our regulatory obligations and constraints. Our clients should be aware, however, that due to our trading processes, we cannot guarantee that a specific portion of a client's trades will be executed with the brokers or types of brokers specified by the client.

Additionally, a client may pay higher commissions and/or receive less favorable prices in the event we do not aggregate their order.

Our optimization-based portfolio construction process makes recommendations for each client's account, which allows for aggregating transactions across multiple accounts when appropriate. Our traders then place the aggregated order with a broker that our traders believe will provide the best execution. Consequently, our general practice of aggregating trades as opposed to instructing transactions for each portfolio separately is not conducive to directing trades to brokers in order to fulfill a client's directed brokerage expectations. Nevertheless, a client may receive directed brokerage credit if any of the US brokers with whom the client has directed brokerage/commission recapture arrangements are on our Approved Broker list, and AXA Rosenberg executes trades with this broker.

Our traders determine which brokers they will place orders with based on their consideration of best execution. Clients should be aware that many non-US broker-dealers do not participate in directed brokerage/commission recapture programs; therefore, we cannot guarantee that fixed dollar amount or percent of commission will be paid to a broker with which our client has a directed brokerage relationship. Furthermore, because we have negotiated very competitive commission rates with the broker-dealers with whom we trade, clients with directed brokerage arrangements may not receive the directed brokerage benefit(s) from the broker-dealer.

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.

#### **AGGREGATION AND ALLOCATION OF TRADES**

In general, subject to our duty of best execution and each client's investment guidelines, our authority to select the securities and amount of securities to be traded for client portfolios, to determine the broker with which to conduct a transaction, and to determine the commission rates for transactions is not limited. We may aggregate AXA Rosenberg Business client orders when purchasing or selling particular securities. Our aggregation of trade orders and the allocation of the trades are based upon the recommendations of our optimization systems. The practice of aggregating orders may provide an overall benefit to our clients by aligning like orders and preventing clients' orders from competing in the market place. Aligning orders through aggregation can reduce market impact and other factors that influence execution levels.

Our policy is to allocate aggregated trades both fairly and equitably among AXA Rosenberg Business client accounts as well as in a manner that is economically efficient for AXA Rosenberg Business clients. We are aided by automated tools to make, fill and allocate aggregated orders among accounts. The allocation algorithms are intended to treat all accounts equally, regardless of the fee arrangement (i.e., asset-based or performance fee-based) for the account or the type of client (e.g., investment company accounts are treated the same as separate accounts or private fund accounts).

Our trade allocation process integrates each account's demand for a particular trade, as determined by our investment models. Trades are generally allocated pro-rata based on each account's respective demand for a trade, which may change during the trading day based on the investment models' output. With respect to partial fills, if an aggregated order is placed for more than one client on a particular day and that order is not fully completed, the algorithm will allocate the order primarily in pro-rata fashion while respecting economic size.

From time to time, trades may be allocated in odd lots due to corporate action activity, etc. and may increase the cost of trading such positions due as odd lots are traded in the odd lot market. As part of the allocation process, an allocation may be adjusted to keep the accounts within their respective high and low limits for cash by readjusting trade allocations if necessary.

At the end of the trading day when the allocation processes have been completed, if any accounts would be in breach of their respective high or low limits for cash, we have the discretion to manually adjust the trade allocations in order to keep the account within its cash limits. In doing so, we may either allocate

trades to an account from one or more accounts or from the account to one or more accounts. We also have the discretion to manually reallocate trades in order to prevent other types of errors or breaches. However, traders are restricted from allocating trades to an account if the security was not a model recommendation for the account, or if the number of shares exceeds the model's recommendation for the total number of shares for that account. These adjustments are monitored by Head of Global Trading and Compliance. AXA Rosenberg may also exercise its discretion not to make allocations to any given account on the basis of immateriality of the position to the account.

As described above, AXA Rosenberg Business client orders for trades are generally aggregated based upon the recommendations of our optimization process. Nevertheless, if an account has certain requirements (restricted approved broker lists, redemptions/subscriptions, more frequent rebalancing, etc.) we may intentionally exclude an account in the aggregated order. We will usually instruct a broker to execute on a best efforts basis all recommended security transactions for the particular account in order to prevent a potential issue. Although the account may be buying or selling the same security as other accounts whose orders have been aggregated, our traders will respect the different strategies for each order, and will monitor for market impact. Nevertheless, the accounts that are traded separately may potentially receive better or worse trade execution than the accounts for which the trades are aggregated. We believe, however, trade execution for all accounts is fair and equitable over time and in accordance with our Global Best Execution and Trading policies.

### 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.

AXA Rosenberg regularly reviews and evaluates client accounts for compliance with the client's investment guidelines, restrictions and any applicable regulatory requirements.

### POST-TRADE REVIEW

A compliance monitoring application is used daily to review quantifiable regulatory and client investment guideline rules for each portfolio. At the end of each trading day, the compliance application tests the rules coded for each portfolio against the portfolios holdings and identifies any potential incidents. Portfolio managers review and investigate the incidents and determine whether or not the incident represents a regulatory or investment guideline breach. Portfolio managers record the disposition of their review and recommend appropriate action. Regional Compliance teams will review the portfolio manager's assessment for reasonableness. If an exception is determined to be an investment guideline breach, it is reported and escalated for review according to our Incident Escalation and Error Correction Policy.

### INVESTMENT REVIEWS

Although our process is largely quantitatively driven, Portfolio Managers designated by strategy ensure compliance with a client's stated objectives and risk tolerance. The Chief Investment Officers (CIOs), Deputy CIOs and the Portfolio Managers together are responsible for reviewing the investment models' recommendations, portfolio construction, adherence to client and internal guidelines, and portfolio performance.

In the course of the investment process, Traders and Portfolio Managers review accounts regularly to ensure compliance with the client's investment guidelines and/or regulatory requirements. In addition to these regular reviews, reviews will be triggered by client flows and the rebalancing of portfolios. Other

reviews will be triggered if an account exceeds a warning threshold of our internal investment guidelines, which are used to keep the account within our risk-based expectations.

The CIOs within the AXA Rosenberg Business, or their designees, meet weekly with the investment and model teams to review the investment models' recommendations for reasonableness and monitor for any data issues. The CIOs and Head of Global Trading are responsible for verifying the trades generated by the optimization system and, with the assistance of the traders, for implementing its decisions.

Additionally, the Portfolio Managers, Deputy CIOs and CIOs within the AXA Rosenberg Business meet monthly to review performance and exposure of the investment strategies.

The Investment Committee ("IC") oversees the investment management process (although not necessarily of individual client portfolios). The responsibilities of the IC include, but are not necessarily limited to, timely evaluation, approval and implementation of model enhancements; setting AXA Rosenberg Business global investment policies, along with the periodic re-evaluation of these policies; ongoing performance review at the regional and strategy level of portfolios; review and validation of research efforts; prioritization of research and investment technology resources; and timely review and resolution of open breaches and items requiring IC attention.

Manual investment actions are also integral to standard investment oversight. They are taken to help ensure the intention of the models is reflected in the client's portfolio positioning and the portfolio risk profile is appropriate for market conditions. Investment actions vary widely based upon potential impact, breadth of that impact and associated investment risk and can include anything from actions affecting a single portfolio, to those affecting selected or all portfolios within a strategy or all portfolios managed within a region. Investment actions that have potentially broad impact across many portfolios or significant impact within selected portfolios may require notification and/or pre-approval by the Regional CIO, the IC or other parties before investment implementation.

#### **INVESTMENT OPERATIONS OUTSOURCING**

In 2011, we made the strategic decision to outsource our middle office functions to The Northern Trust Company ("Northern Trust"). We believe this will allow us to provide better service to our clients, while at the same time, benefit from the enhanced capabilities of a recognized industry leader in middle office services.

We selected Northern Trust following a comprehensive and thorough due-diligence process, based among other aspects, on their emphasis on quality and efficiency, as well as their ability to provide a comprehensive service via a single global platform. We believe that Northern Trust offers industry-leading solutions and is the best strategic fit for AXA Rosenberg. The business functions in scope for outsourcing are all middle office functions, including trade processing, reconciliation, spot foreign exchange execution, performance measurement and client reporting. As part of this initiative, we have created an Operations (Operations) team responsible for overseeing the outsourced services and managing the relationship with Northern Trust.

On October 1, 2012 we completed the migration of the trade processing functions including trade matching, trade settlement and trade notification. On October 1, 2013 the remaining operations functions were outsourced to Northern Trust including: accounting, corporate actions, cash management, income processing, reconciliation, performance measurement, client reporting and spot FX execution.

#### **ACCOUNT AND TRADE RECONCILIATION**

On a daily basis, the traders and Operations team monitor trade transmission to Northern Trust as well as address trade matching and settlement exceptions notified by Northern Trust. The Operations team also monitors fail trades daily.

For the period from January 1, 2013 to September 30, 2013, AXA Rosenberg's back-office system was integrated into the trading system so that all trades were automatically booked into each account's transaction file. AXA Rosenberg's Global Reconciliation Team in AXA Investment Managers Asia (Singapore) Ltd. and the regional Operations teams reconcile cash for each client account daily against the custodian's records. Asset reconciliation was conducted either on a weekly or monthly basis depending on client and regulatory requirements by the same teams. Beginning October 1, 2013, Northern Trust records all trades into each client account on a daily basis. Northern Trust is also responsible for reconciliation of cash and assets against the custodians' records on a daily basis. The AXA Rosenberg Operations team monitors all key services outsourced to Northern Trust.

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

### CLIENT REPORTING

We offer the following regular reporting to our clients, which we provide in an electronic format unless arranged otherwise.

Client Type	Report Frequency	Content
Separate account	Monthly	Monthly book <ul style="list-style-type: none"> <li>• Performance</li> <li>• Market value</li> <li>• Active exposure to risk</li> <li>• Holdings</li> <li>• Transactions</li> <li>• Interest, dividends and expenses</li> </ul>
	Quarterly	Quarterly report – In addition to the content listed above, the following information is included in the quarterly report <ul style="list-style-type: none"> <li>• Strategy and market commentary</li> <li>• Portfolio characteristics</li> <li>• Turnover</li> </ul>
Pooled investment fund participant	Monthly	Custodial account statement <ul style="list-style-type: none"> <li>• Statement of net assets and change of net assets</li> <li>• Holdings</li> <li>• Transactions</li> <li>• Interest, dividends and expenses</li> <li>• Performance</li> </ul>
	Quarterly	Fact sheet <ul style="list-style-type: none"> <li>• Performance</li> <li>• Top 10 fund holdings</li> <li>• Fund economic sector weights</li> <li>• Fund characteristics</li> <li>• Active exposure to risk</li> <li>• Industry weight breakdown</li> <li>• Strategy and market commentary</li> </ul>

Upon request or as arranged on an ongoing basis, we may be able to provide additional customized reporting for clients with separate 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.

As described under “Item 10. Other Financial Industry Activities and Affiliations” above or Item 14B below, our parent company, AXA Investment Managers, may provide their employees annual discretionary bonuses, which may be based on factors including the employee’s performance, the performance of AXA Investment Managers or AXA Group, and other factors.

Except as may have been described above under “Item 10 Other Financial Industry Activities and Affiliations” or Item 14B below, we do not receive an economic benefit from any parties other than the investment management fees (or allocation thereof) our clients provide for management of their portfolios with the exception of receiving research products and services from broker dealers using soft dollar credits. Our soft dollar practices are described above in Item 12A.1. Brokerage Practices.

With respect to research and models as well as any implementation services we provide for the management of the other AXA Rosenberg Business Advisers’ accounts, the AXA Rosenberg Business 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.

**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.**

AXA Investment Managers Inc. (“AXA IM Inc.”), an SEC registered investment adviser, provides certain client services, marketing and sales services on behalf of the AXA Rosenberg Business. In addition, for regulatory purposes, employees of AXA IM Inc. who solicit prospective investors for interests in funds managed by AXA Rosenberg are also associated with an unaffiliated registered broker-dealer that is not compensated for AXA Rosenberg-related sales. AXA Rosenberg, the other AXA Rosenberg Business Advisers, AXA IM Inc. and other affiliates within AXA IM are parties to various intercompany revenue and expense sharing/recharge arrangements.

If we pay a cash referral fee to anyone for soliciting clients on our behalf, we comply with the requirements of the SEC’s cash referral fee rule. This rule requires that there is a written agreement between the investment adviser and the person soliciting clients on its behalf. Since we only use affiliated solicitors, the solicitors must disclose the nature of the affiliation to prospective clients at the time of the solicitation or as otherwise permitted by regulation, but no disclosure about the specific terms of the solicitation is required. The fact that we may share a portion or percentage of the compensation we receive for investment advisory services will not result in charging any client fees at a rate in excess of, or less than, the rate or level of advisory fees we customarily charge to our investment advisory clients for similar services to comparable accounts.

## **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.

With respect to pooled investment vehicles and certain separate account arrangements, we may be considered to have custody of our clients’ funds and securities. Other than inadvertently or in connection

with certain class action filing activities we may take on behalf of our clients, we do not maintain physical custody of our clients' assets; physical custody of assets is provided by the funds' and clients' custodians.

None of our current arrangements require the delivery of quarterly account statements to clients under Rule 206(4)-2 (Custody Rule) under the Investment Advisers Act of 1940. We do, however, typically provide clients with reports on a quarterly basis that provide information on transactions, holdings and portfolio values. We urge our clients to compare these reports with the statements that they receive from the custodian, and to carefully review all the statements they receive from the custodian.

For separate accounts, if a client were to authorize us to deduct advisory fees directly from its account, we would be considered to have custody of the account's funds and securities. Where we obtain this authorization, we would ensure that a qualified custodian maintains those funds and securities in a specified manner and we would request the custodian to provide the client with quarterly account statements. These arrangements are not typical for AXA Rosenberg, and there are no current arrangements of this nature. We would not enter into any such arrangement unless the "qualified custodian" provisions of the Custody Rule are met.

For the pooled investment vehicles for which AXA Rosenberg serves as general partner, managing member or in some similar capacity, AXA Rosenberg or its designee will only select qualified custodians to custody the fund's assets, and will ensure that an audit of such funds is conducted at least annually by an independent public account duly registered with the Public Company Accounting Oversight Board (PCAOB) and that audited financial statements, prepared in accordance with or appropriately reconciled with US GAAP, are distributed to the funds' participants within 120 days of fiscal year end and upon liquidation.

## 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).

### SEPARATE ACCOUNTS

We manage separate account investment portfolios for our clients pursuant to investment management agreements that we negotiate on a client-by-client basis. Each client's investment management agreement stipulates the investment guidelines by which its portfolios are to be managed.

Pursuant to the terms of the investment management agreements entered into with our clients, we generally have complete discretion in managing the portfolio with respect to buying and selling securities and choosing the brokers with which to transact, as well as the transaction price and commission rates, subject to the investment guidelines and applicable law. Certain clients may have legal or other types of restrictions which may limit our authority in managing their portfolios.

In addition to investment guideline restrictions, we also prefer that the investment management agreement state the following arrangements:

- Proxy voting. Whether or not the client has delegated to us the voting of proxy ballots for the securities held in their portfolios.
- Restricted securities. Certain clients provide us with lists of securities that are prohibited for purchase and/or sale by their portfolios. We restrict the applicable securities in our investment systems to prevent transactions in such securities for accounts that provide restricted lists.
- Socially responsible investing. We have managed portfolios with socially responsible investment constraints since 1991 for our clients that request these restrictions. Historically, we use data from

third-party providers that identify public companies that do not meet various socially responsible criteria, and restrict transactions based on the criteria or lists chosen by our clients. Currently, we use data from AXA IM's Responsible Investing team, an advisory affiliate, to research strategy ideas and build portfolios on behalf of clients wanting full environmental, social and corporate governance ("ESG") integration. We believe our investment process is well suited for accommodating both client-specified restrictions as well as comprehensive ESG integration. Typically, our portfolios have broad investment universes; therefore, we generally are able to find substitutes for securities that are excluded from a portfolio based on ESG criteria that our models evaluate or forecast expected returns for securities displaying similar fundamental characteristics to the excluded securities.

- *Class action lawsuits related to portfolio securities.* From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. As a general matter, AXA Rosenberg has no obligation to determine if securities held by a client are subject to a pending or resolved class action lawsuit. We also have no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, we have no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, omissions, misconduct or negligence by corporate management of issuers whose securities are held by clients. That said, should AXA Rosenberg receive notice of a class action lawsuit, settlement or verdict affecting securities owned by a client, unless instructed otherwise, we will use reasonable efforts to forward all notices, proof of claim forms and other materials to the client's custodian, including by way of electronic mail. We may retain a service provider to assist with all or any of this process.

## **POOLED FUNDS**

We manage our pooled investment funds according to the investment management agreement between us and each pooled investment fund as well as the guidelines stated in the pooled investment fund's offering memorandum.

Participation in an AXA Rosenberg-sponsored pooled investment fund requires execution of a subscription agreement, and in some instances, a fee agreement.

## **PARENT COMPANY INVESTMENT DISCRETION**

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 regard to the holding of either individual securities or various categories or classes of securities for specific AXA accounts. The stock selection universe for all client accounts may also be modified as a result of any local regulatory limitations or material non-public information known by certain AXA IM employees.

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

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| <p>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.</p> <p>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.</p> |
|--|

## POLICIES

AXA Rosenberg will, when requested in writing, vote proxies for client accounts. We will vote proxies for ERISA accounts unless instructed otherwise. Clients always have the right to vote proxies themselves. Clients can exercise this right by instructing us in writing how to vote proxies in their account which we will do on a best efforts basis.

In the cases where we are asked to vote proxies, it is our policy and the policy of the other AXA Rosenberg Business Advisers to vote proxy proposals (proxies) on behalf of our clients in a manner which is reasonably anticipated to further the best economic interests of our clients and consistent with the goal of enhancing shareholder value. AXA Rosenberg's policies include the responsibility to arrange for proxies of those clients who have delegated proxy voting responsibility to proxy voting service providers, to disclose any potential conflicts of interest, to make information available to clients about the voting of proxies for their portfolio, and to maintain relevant and required records.

AXA Rosenberg has adopted a Global Proxy Policy as well as AXA IM's Corporate Governance and Voting Policy ("AXA IM Voting Policy"). AXA Rosenberg has delegated certain responsibilities for voting proxies of its clients to the Corporate Governance team within an AXA IM advisory affiliate, ("AXA IM CG team"). The AXA IM CG team has developed customized guidelines to assist in performing their duties on behalf of AXA Rosenberg. Currently, the AXA IM CG team retains the services of Institutional Shareholder Services Inc. ("ISS" or "Service Provider"), a third party proxy research and voting service, to assist in coordinating and voting proxies with respect to client securities in accordance with the AXA Rosenberg Global Proxy Policy and the AXA IM Voting Policy.

ISS votes are subject to review and approval by AXA IM Corporate Governance team, and AXA IM Corporate Governance retains the right to override any vote from the customized guidelines where it deems appropriate, in accordance with its proxy voting policy.

### PROXIES OF CERTAIN NON-US ISSUERS

Proxy voting in certain countries requires "share blocking." Shareholders wishing to vote their proxies must deposit their shares shortly before the date of the meeting with a designated depository. During this blocking period, shares that will be voted at the meeting cannot be sold until the meeting has taken place and the shares are returned to the clients' custodian banks. We generally believe that the benefit to a client of exercising the vote does not outweigh the cost of voting (i.e., not being able to sell the shares during this period). Accordingly, if share blocking is required, we will generally abstain from voting these shares unless there is a compelling reason to the contrary as determined by our Chief Investment and Chief Compliance Officers.

In addition, voting proxies of issuers in non-US markets may give rise to a number of administrative issues that may prevent us from voting those proxies. For example, we (or our service provider) may receive meeting notices without enough time to fully consider the proxy or receive the proxy information after the cut-off date for voting. In some markets, we (or our Service Provider) are required to provide local agents with power of attorney prior to implementing the voting instructions. Although it is our policy to seek to vote all proxies for securities held in client accounts for which we have proxy voting authority, in the case of non-US issuers, we vote proxies on a reasonable best efforts basis. Additionally, we will abstain from voting a proxy if we are required to make an affirmative representation of a client's ownership percentage of a particular issuer.

## PROCEDURES

Once it is deemed that we have the delegated responsibility to vote proxies on behalf of a client, we instruct Northern Trust to notify the Service Provider of this delegation, thereby enabling the Service Provider to automatically receive proxy information.

The Service Provider will:

- Maintain a record of each vote cast by AXA Rosenberg on behalf of a client, the policy/instructions followed when determining how to cast the vote, and any proposals that were not voted for which the client was entitled to vote
- Determine which accounts managed by AXA Rosenberg hold the security to which the proxy relates
- Compile a list of accounts that hold the security, together with the number of votes each account controls and the date by which AXA Rosenberg must vote the proxy in order to allow enough time for the completed proxy to be returned to the issuer prior to the vote taking place.

Members of the AXA IM CG team have worked with the Service Provider to develop a customized approach to applying the AXA IM CG Policy and continue to interact with the Service Provider as particular proxy voting issues arise during the year. Furthermore this team monitors the Service Provider to ensure that proxies are being voted in accordance with the AXA Rosenberg Global Proxy Policy and the AXA IM Voting Policy.

AXA Rosenberg will periodically monitor the AXA IM CG team and Service Provider to assure that the proxies are being properly voted and appropriate records are being retained.

#### **CLIENT INSTRUCTIONS**

We will vote proxies for clients in the following instances:

- Employee benefit plans and other clients that are subject to ERISA that have not explicitly reserved proxy voting responsibility
- Institutional clients, that are not subject to ERISA that have delegated proxy-voting responsibility to AXA Rosenberg
- Registered investment companies advised or sub-advised by AXA Rosenberg and that have delegated proxy-voting responsibility to AXA Rosenberg
- Limited partnerships and other pooled investment funds advised by AXA Rosenberg

Where a client has directed AXA Rosenberg to vote a proxy or proxies for its account in a specific way, AXA Rosenberg will vote these proxies on a best-effort basis. In the absence of specific voting guidelines from the client, AXA Rosenberg's policy generally is to vote proxies in accordance with the AXA Rosenberg Global Proxy Policy and AXA IM Voting Policy. AXA Rosenberg will abstain from voting a proxy if we are required to make an affirmative representation of a client's ownership percentage of a particular issuer.

Except as provided above, for those advisory clients who have not delegated or who have expressly retained proxy-voting responsibility, AXA Rosenberg has no authority and will not vote any proxies for those client portfolios.

#### **CONFLICTS OF INTEREST**

We realize that situations may occur whereby an actual or apparent conflict of interest could arise. For example, conflicts could exist in situations where AXA Rosenberg is called to vote on a proxy involving an issuer or proponent of a proxy proposal regarding the issuer where AXA Rosenberg or an affiliated person of AXA Rosenberg also manages money for an employee group whose management is soliciting proxies. By voting in accordance with the AXA IM Voting Policy, AXA Rosenberg generally avoids conflicts of interest because it votes in a predetermined manner as established by the Service Provider, an independent third party, and the AXA IM CG Team. Nevertheless, when votes are cast in accordance with the AXA Rosenberg Global Proxy Policy, the AXA IM Voting Policy, corporate governance principles in the relevant market, and in a manner that we believe to be consistent with our fiduciary obligations, actual proxy voting decisions made may have the effect of favoring or harming the interests of other clients, AXA or its affiliates.

In the event any potential or actual conflict of interest may arise, AXA Rosenberg may either disclose the circumstances of any such conflict to client(s) and forward the proxy materials to the client to vote, vote according to ISS recommendations or otherwise in a pre-determined manner take such other action as may be appropriate under the particular circumstances. The AXA IM CG team does not take voting decisions on behalf of third party clients who hold AXA shares. Decisions on AXA shareholder meetings have been contracted out to a third party service provider, Deminor. Deminor recommendations are implemented for all third party clients holding AXA shares.

#### **HOW TO OBTAIN PROXY VOTING RECORDS AND AXA ROSENBERG'S PROXY VOTING POLICY AND PROCEDURES**

We will provide a copy of the AXA Rosenberg Global Proxy Policy and the AXA IM Voting Policy to any client or prospective client upon request. Additionally, a client may request information on how the proxies were voted on their behalf if a client has delegated proxy voting responsibilities to AXA Rosenberg. To request a copy of our Proxy Voting Policies, please contact:

AXA Rosenberg Investment Management LLC  
4 Orinda Way, Building E  
Orinda, CA 94563  
Attn: Chief Compliance Officer

#### **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.

AXA Rosenberg 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.

Currently, we are unaware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

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.

AXA Rosenberg has not been the subject of a bankruptcy petition during the past ten years.

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

AXA Rosenberg files notices with applicable states (Form ADV Part 1), but is not registered with any states.

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

AXA Rosenberg's valuation principles are intended to ensure that all instruments in client accounts are valued in a fair and accurate manner, that valuation services which have been outsourced are subject to appropriate third party due diligence 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 under a delegation agreement.

AXA Rosenberg's Performance and Valuation Sub-Committee, is responsible for oversight of the implementation of the Valuation Policy, including establishing standards for pricing and oversight of fair value activity. AXA Rosenberg's Operations Team is responsible for the overall implementation of valuation procedures as well as coordination and oversight of valuation activity performed by Northern Trust.

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.

## **Appendix A – Wrap Fee Program Brochure**

AXA Rosenberg does not currently participate in wrap fee programs.