



AXA INVESTMENT MANAGERS, INC.

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Item 1: Cover Page

This brochure provides information about the qualifications and business practices of AXA Investment Managers, Inc. ("AXA IM"). If you have any questions about the contents of this brochure, please contact us directly at (203) 983-4200 and/or usclientservice@axa-im.com. Our website address is www.axa-im.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

We are an investment adviser registered with the SEC. Registration with the SEC does not imply a certain level of skill or training.

Additional information about AXA IM also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

Since March 27, 2014, the date of our most recent Form ADV, 2A filing, AXA IM has identified the following material changes:

- AXA IM formed and serves as the managing member to AXA IM Global Emerging Markets Small Cap Fund, LLC and to AXA IM US Small Cap Fund, LLC, each a newly launched onshore private investment fund domiciled in Delaware. As of the date of this brochure AXA IM Global Emerging Markets Fund, LLC and AXA IM U.S. Small Cap Fund, LLC are being marketed for investment but do not have any assets under management. In addition, AXA IM anticipates serving as the managing member to the AXA IM International Small Cap Fund, LLC, another onshore private investment fund domiciled in Delaware. AXA IM Global Emerging Markets Fund, LLC, AXA IM U.S. Small Cap Fund, LLC and AXA IM International Small Cap Fund, LLC are not advisory clients of AXA IM. See Item 4.
- AXA IM has launched another Cayman Island's domiciled issuer of Collateralized Debt Obligations ("CDOs"). See Item 4.
- We have included a description of our policy with respect to restrictions on trading in certain issuers related to the manufacturing, dealing and/or distribution of controversial weapons. See Item 8.
- AXA IM has entered into a participating affiliate arrangement with its Paris-based affiliate, AXA Investment Managers Paris, and may enter into additional participating affiliate arrangements with other of its non-U.S. affiliates in the future. Such participating affiliate arrangements will be used to allow AXA IM to promote various non-U.S. account management services to its US clients and prospective US clients, including, without limitation, a global inflation strategy. See Item 10.

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Item 4: Advisory Business

AXA IM is a Delaware corporation registered with the Securities and Exchange Commission and an indirect subsidiary of AXA Group, a Société Anonyme organized under the laws of France ("AXA Group"). AXA IM's investment management business originated in 2001 when the high yield bond group of Cardinal Capital Management, based in Greenwich, CT, joined AXA IM. Organizationally, AXA IM is the wholly-owned subsidiary of AXA-IM Rose, Inc., a Delaware corporation, which in turn is the wholly-owned subsidiary of AXA-IM Holding US, Inc., a Delaware corporation. This holding company is the wholly-owned subsidiary of AXA Investment Managers, a Société Anonyme organized under the laws of France ("AXA IM SA") and a subsidiary of AXA Group.

We provide discretionary portfolio management services under the following investment strategies: (i) core and dynamic high yield, (ii) short duration high yield, (iii) U.S. corporate investment grade (iv) structured finance and structured products, (v) long-short credit and (vi) global inflation strategy, which is a strategy in respect of which AXA IM relies on the resources and capabilities, including certain personnel, of AXA Investment Managers Paris to supply services pursuant to a participating affiliate arrangement. In addition to the global inflation strategy, in the future, we may provide portfolio management services utilizing additional investment strategies under the participating affiliate arrangement with AXA Investment Managers Paris or additional participating affiliate arrangements with other of our non-U.S. affiliates. See Item 10. In addition, we manage multiple high yield and U.S. corporate investment grade strategies against a number of applicable benchmarks, which can be both industry standard benchmarks and/or customized benchmarks as agreed with clients.

In addition to any investment guidelines that are applicable on a client by client basis, AXA IM's portfolio management services across all of its clients are subject to the investment guidelines of AXA IM Group, as applicable.

We manage separate accounts for international and domestic institutional clients. We may tailor our advisory services to our separately managed account clients. These clients may impose restrictions or limitations on how we manage their accounts according to our investment strategies. These restrictions or limitations generally appear either in the client's investment management agreement or in the investment guidelines adopted for the account. We also manage negative basis portfolios for insurance company affiliates within AXA Group.

In addition, we are the investment manager for the St. Bernard Opportunity Fund I, Ltd. (the "St. Bernard Fund"), an offshore private investment fund domiciled in the Cayman Islands. The

St. Bernard Fund pursues a long-short credit strategy with a focus on “credit-sensitive” U.S. residential mortgage-backed securities (“RMBS”), asset-backed securities (“ABS”) and derivatives thereon.

In addition, we are the investment manager for the AXA IM U.S. High Yield Fund, LLC (the “U.S. High Yield Fund”), an on-shore private investment fund domiciled in Delaware. The U.S. High Yield Fund pursues a core high yield strategy. The U.S. High Yield Fund seeks to achieve its investment objective through investing primarily in a diversified portfolio of U.S. dollar-denominated high yield corporate debt securities in order to seek high income and total return and outperform the BofA Merrill Lynch U.S. High Yield Master II Index over a full market cycle.

We also serve as the managing member of the AXA IM Global Emerging Markets Small Cap Fund, LLC, an onshore private investment fund domiciled in Delaware (the “Emerging Markets Small Cap Fund”) and the AXA IM US Small Cap Fund, LLC, which is also an onshore private investment fund domiciled in Delaware (the “US Small Cap Fund”). As of the date of this brochure, the Emerging Markets Small Cap Fund and the U.S. Small Cap Fund are being marketed for investment but do not have any assets under management. In addition, we anticipate shortly after filing this brochure that we will become the managing member of the AXA IM International Small Cap Fund, LLC, an onshore private investment fund domiciled in Delaware (the “International Small Cap Fund” and together with the Emerging Markets Small Cap Fund and the US Small Cap Fund, the “Affiliated Funds”). As part of our authority as managing member of the Affiliated Funds, we provide general management services to each Affiliated Fund, together with sales and distribution services as per an underlying contractual agreement with AXA Rosenberg Investment Management LLC, the investment adviser to the Affiliated Funds (“AXA Rosenberg”). As compensation for our services to the Affiliated Funds we charge a management fee to the Affiliated Funds equal to a percentage of assets under management. However, we do not provide any investment management services to the Affiliated Funds, and they are not advisory clients of AXA IM. AXA Rosenberg, an SEC registered investment adviser and an affiliate of AXA IM, is responsible for the investment activities of each Affiliated Fund, and all reporting, filing and regulatory disclosure obligations (e.g., Form ADV, Form PF and client notice and/or delivery requirements) are completed and maintained by AXA Rosenberg.

We also serve as a sub-adviser to two U.S. investment companies registered under the Investment Company Act of 1940, as amended (the “U.S. Investment Companies”) that are managed by a domestic affiliate of AXA IM, AXA Equitable Funds Management Group, LLC. The portion of the U.S. Investment Companies we manage pursues the high yield investment

strategies. In addition, we serve as investment adviser to several of our non-U.S. affiliated investment advisers (the “Affiliated Adviser Clients”) that provide investment advice to various institutional (i) non-U.S. investment companies marketed to non-U.S. retail and institutional investors (and which are not marketed to, nor available for investment by, U.S. investors), (ii) offshore private investment vehicle accounts, and (iii) other non-U.S. accounts (collectively, the “Underlying Portfolios”). We pursue the following investment strategies for the Affiliated Adviser Clients on behalf of the Underlying Portfolios: (i) core high yield, (ii) short duration high yield, (iii) structured finance, private debt and whole loan markets, and (iv) U.S. corporate investment grade. For more information concerning the Affiliated Adviser Clients, see Item 5 and Item 10 below.

We pursue a structured finance strategy focused on foreign and domestic private debt, whole loans, and collateralized loan obligations on behalf of (i) two CLOs and (ii) certain Affiliated Adviser Clients that manage certain offshore private investment vehicles.

AXA IM may, across its strategies, trade certain swaps, futures and derivatives under the jurisdiction of the Commodity Futures Trading Commission. AXA IM relies on an exemption from commodity pool operator and commodity trading advisor registration in respect of such trading.

As of **December 31, 2014**, our regulatory assets under management calculated on a gross basis and managed on a discretionary basis were \$76,984,394,508. AXA IM does not manage assets on a non-discretionary basis.

Item 5: Fees and Compensation

Terms used but not defined in this Item 5 have the meanings given to them in the offering documents of the referenced fund or investment vehicle, copies of which are available to investors in such fund or vehicle upon request.

Fee Schedule for the St. Bernard Fund:

The St. Bernard Fund has the following compensation structure:

The annual management fee charged to investors is 2.0% (50 basis points per quarter) of the net asset value of each share series (before deduction of the Management Fee and before deduction of any accrued Incentive Fee), except that no management fee is charged in respect of assets invested in Manager Investments (as defined below) that exceed 20% of the St. Bernard Fund’s gross asset value. Manager Investments include securities issued by investment

vehicles the investment portfolios of which are managed by AXA IM or certain affiliates of AXA IM, and for which AXA IM or its affiliates receive separate compensation.

The incentive fee charged to investors is:

- 50% of the amount of any net realized and unrealized appreciation in the net asset value of each share series over a specified calculation period that is in excess of LIBOR but less than or equal to 166.67% of LIBOR.
- 20% of the amount of any net realized and unrealized appreciation in the net asset value of each share series over a specified calculation period that is in excess of 166.67% of LIBOR.
- Notwithstanding the foregoing, no incentive fee will be payable to AXA IM unless the St. Bernard Fund has recouped any net losses allocated to such series of shares (as adjusted for subscriptions, redemptions and distributions) from the immediately preceding fiscal year.

Investment management and incentive fees for the St. Bernard Fund generally are negotiable, depending on the size of the account and the nature of the contemplated investments. Therefore, management fees may vary from the applicable fees in the schedule above due to the particular circumstances of an investor or as otherwise negotiated with a particular investor, which may result in the investor paying fees that are actually higher or lower than the fees represented in the schedule above.

Management fees are payable quarterly, in arrears, within 30 days after the end of the quarter and any incentive fees shall be payable annually within 30 days following each specified calculation period as described in the St. Bernard Fund's offering memorandum. Fees are invoiced separately to the St. Bernard Fund's administrator and are not deducted directly from the fund's account.

Fee Schedule for the U.S. High Yield Fund

The U.S. High Yield Fund has the following compensation structure:

A monthly Management Fee, payable in arrears, with respect to each investor is assessed as compensation. The monthly Management Fee is allocated to, and charged against, such investor's Capital Account, and is the amount equal to one-twelfth (1/12) of:

- (i) 0.55% of first \$25 million of the Capital Account balance of each investor;

- (ii) 0.50% of the Capital Account balance of each investor in excess of \$25 million up to and including \$50 million; and
- (iii) 0.45% of the Capital Account balance of each investor in excess of \$50 million up to and including \$100 million

The Management Fee payable with respect to each investor whose total Capital Account balance is in excess of \$100 million shall be negotiated on a case-by-case basis.

There is no incentive or performance fee charged to investors. Fees are invoiced separately to the U.S. High Yield Fund's administrator and are not deducted directly from the fund's account.

Fee Schedule for Allegro CLO I, Ltd.:

AXA IM, as the Collateral Manager will be entitled on each CLO payment date to receive the Collateral Management Fee which will consist of the Senior Collateral Management Fee, the Subordinated Collateral Management Fee and the Incentive Collateral Management Fee.

The Senior Collateral Management Fee is equal to 0.15% per annum (calculated on the basis of a 360-day year consisting of twelve 30-day months) of the Fee Basis Amount at the beginning of the Collection Period relating to such Payment Date. The Subordinated Collateral Management Fee is equal to 0.35% per annum (calculated on the basis of a 360-day year consisting of twelve 30-day months) of the Fee Basis Amount at the beginning of the Collection Period relating to such Payment Date. The Incentive Collateral Management Fee is equal to 20.0% of the Interest Proceeds and Principal Proceeds available for distribution under the Priority of Payments on and after the Payment Date on which the Subordinated Notes issued on the Closing Date have realized an Internal Rate of Return of at least 12.0% (calculated from the Closing Date to and including such Payment Date). The Senior Collateral Management Fee, the Subordinated Collateral Management Fee and the Incentive Collateral Management Fee are each payable quarterly in arrears. Fees are invoiced separately to the CLO's trustee and are not deducted directly from the CLO's account.

The Senior Collateral Management Fee, the Subordinated Collateral Management Fee and the Incentive Collateral Management Fee are subject to the Priority of Payments and the limitations described under the Collateral Management Agreement and Indenture for the CLO.

Fee Schedule for Allegro CLO II, Ltd.:

AXA IM, as the Collateral Manager will be entitled on each CLO payment date to receive the Collateral Management Fee which will consist of the Senior Collateral Management Fee, the Subordinated Collateral Management Fee and the Incentive Collateral Management Fee.

The Senior Collateral Management Fee is equal to 0.15% per annum (calculated on the basis of a 360- day year consisting of twelve 30-day months) of the Fee Basis Amount measured as of the first day of the Due Period relating to the applicable Payment Date or Subordinated Notes Redemption Date. The Subordinated Collateral Management Fee is equal to 0.35% per annum (calculated on the basis of a 360-day year consisting of twelve 30-day months) of the Fee Basis Amount measured as of the first day of the Due Period relating to the applicable Payment Date or Subordinated Notes Redemption Date. The Incentive Collateral Management Fee is equal to 20.0% of the Interest Proceeds and Principal Proceeds available for distribution under the Priority of Payments on and after the Payment Date on which the Subordinated Notes issued on the Closing Date have realized an Internal Rate of Return of at least 12.0% (calculated from the Closing Date to and including such Payment Date). The Senior Collateral Management Fee, the Subordinated Collateral Management Fee and the Incentive Collateral Management Fee are each payable quarterly in arrears. Fees are invoiced separately to the CLO's trustee and are not deducted directly from the CLO's account.

The Senior Collateral Management Fee, the Subordinated Collateral Management Fee and the Incentive Collateral Management Fee are subject to the Priority of Payments and the limitations described under the Collateral Management Agreement and Indenture for the CLO.

Fee Schedule for the U.S. Investment Companies

We provide portfolio management services in our capacity as sub-adviser to the U.S. Investment Companies. Pursuant to a fee sharing agreement with the AXA affiliate that serves as manager of the U.S. Investment Companies, we receive negotiated management fees based on assets under management for each of the U.S. Investment Companies that is calculated and accrued on a daily basis and paid monthly in arrears. Fees are invoiced separately to the affiliated manager and are not deducted directly from the U.S. Investment Companies' accounts.

Fee Schedule for the Affiliated Adviser Clients

We provide investment advisory services in our capacity as investment adviser to the Affiliated Adviser Clients on behalf of the Underlying Portfolios. The payment for our services from the Affiliated Adviser Clients is pursuant to annually reviewed fee-sharing schedules appended to master fee sharing agreements among AXA IM and each Affiliated Adviser Client. Fees are

invoiced separately to the Affiliated Adviser Clients and are not deducted directly from an Underlying Portfolio's account.

Fee Schedule for Remaining Client Accounts:

Clients, other than those specified elsewhere in this Item 5, will be charged annual management fees based upon the investment strategy selected by the client. The current fee schedule for each strategy is set forth below.

Core High Yield

- 48 basis points on assets up to and including \$50 million
- 45 basis points on assets greater than \$50 million up to and including \$75 million
- 43 basis points on assets greater than \$75 million up to and including \$100 million
- 41 basis points on assets greater than \$100 million up to and including \$150 million
- 39 basis points on assets greater than \$150 million up to and including \$200 million
- 37 basis points on assets greater than \$200 million

Dynamic High Yield

- 130 basis points on assets under management.
- The strategy may assess a subscription fee equal to or less than 3.0% of the invested capital
- There is no incentive or performance fee charged to investors.

Short Duration High Yield

- 75 basis points on assets up to and including \$50 million
- 45 basis points on assets greater than \$50 million

U.S. Corporate Investment Grade

- 40 basis points on assets up to and including \$25 million
- 30 basis points on assets greater than \$25 million up to and including \$50 million
- 25 basis points on assets greater than \$50 million up to and including \$100 million
- 20 basis points on assets greater than \$100 million up to and including \$200 million

- 15 basis points on assets greater than \$200 million

Global Inflation

- 60 basis points on assets under management.
- The strategy may assess a subscription fee equal to or less than 3.0% of the invested capital
- There is no incentive or performance fee charged to investors.

While the investment management fees generally are not negotiable for the above referenced strategies, AXA IM may, in its sole discretion, enter into advisory agreements with certain clients that deviate from the above fee schedule depending on the size of the account and the nature of the contemplated investments. Therefore, management fees may vary from the applicable fees in the schedule above due to the particular circumstances of an investor or as otherwise negotiated with a particular investor, which may result in the investor paying fees that are actually higher or lower than the fees represented in the schedule above.

Except as may be otherwise noted, the management fees are payable quarterly, in arrears, based on the net asset value of the account as of the last day of the preceding quarter. For clients whose investments reside in managed accounts, we will utilize our own valuation of each portfolio for fee calculation purposes as outlined in detail in each client's investment management agreement. Such values may not agree with valuations issued by a client's custodian. Valuations generally will be the sum of the cash and net market value of the securities in the account. Fees are invoiced separately to the remaining clients in the above three strategies and are not deducted directly from such client account.

Additional Fees and Expenses

In addition to the foregoing fees, client accounts or Underlying Portfolios, pay, as applicable, custodian fees, account expenses and fund expenses. Fund expenses include, without limitation, organizational, operating and other expenses, including, as applicable, transaction, administrative, custody, legal (including blue sky compliance), tax preparation, investor reporting, valuation agent and appraisal fees and expenses, insurance, accounting and audit expenses, broker-dealers, custodians, administrators, and transfer agent expenses, as well as any other fees or expenses that are documented in the applicable offering materials and/or client investment management agreement(s) or, in our determination, are reasonably incurred in connection with the business or maintenance of the relevant fund.

In addition, applicable client accounts incur the cost of the bid-ask spread charged by broker-dealers on all fixed income transactions. The “bid-ask spread” is the difference between the ask price and the bid price for a particular security. This is essentially the difference in price between the highest price that a buyer is willing to pay for a security and the lowest price at which a seller is willing to sell the security. To the extent any client accounts engage in any equity securities transactions, these client accounts also will incur brokerage and other transaction costs. Please see Item 12 below for more information regarding brokerage.

Marketing Activities

None of AXA IM’s employees receive compensation based upon sales of securities or other investment products. Nevertheless, AXA IM has properly licensed employees who market the U.S. High Yield Fund, the St. Bernard Fund and the Affiliated Funds, along with managed account services and other related investment advisory services. In addition to the foregoing marketing activities, certain of these AXA IM employees also market the investment management services and products of AXA Rosenberg. AXA Rosenberg reimburses AXA IM for any compensation paid by AXA IM to such employees that is attributable to such employees’ time and efforts spent marketing the AXA Rosenberg management services and products. However, such compensation is not tied to the amount of assets invested in any of the aforementioned investment products and / or services. With respect to the aforementioned reimbursement, AXA IM and its investment advisory affiliates, including AXA Rosenberg, are parties to servicing and solicitation agreements that allocate both fee revenue and expenses among these various entities by function (e.g., internal research, sales, marketing, client service, trading, operations, and back office support services for managed accounts), 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. Pursuant to such agreements, AXA Rosenberg may pay AXA IM for AXA IM employees’ marketing of the AXA Rosenberg investment management services, as well as providing operational, administrative and client servicing tasks on a per fund or account basis.

AXA IM has under its supervision an employee who builds relationships with U.S. institutional distribution channels for the purposes of adding offshore funds and managed accounts that are offered by foreign based advisory affiliates of AXA IM to such U.S. institutions’ preferred manager lists. In addition, such employee may market such offshore funds and managed accounts to high net worth investors in accordance with the policies and procedures of not only AXA IM, but also the applicable policies, procedures, and regulations of both the Affiliated Adviser Clients and the domicile of such Affiliated Adviser Clients. Such employee’s

compensation is not tied to the amount of assets invested in any of the aforementioned investment services. The applicable foreign based advisory affiliates reimburse AXA IM for any compensation paid by AXA IM to such employee that is attributable to such employees' time and efforts spent conducting the foregoing activities.

In addition, AXA-IM has under its supervision an employee that serves as an investor relations person for a credit strategy offered to Underlying Portfolios managed by an Affiliated Adviser Client. Such employee is not charged with nor requested to provide any specific marketing or solicitation services on behalf of AXA IM. Such employee does not receive compensation based upon any resulting investments or agreements to engage AXA IM for any of its services. AXA-IM is reimbursed by such Affiliated Adviser Client for the employee's compensation.

Item 6: Performance-Based Fees and Side-by-Side Management

AXA IM may, from time to time, enter into arrangements with clients which provide for performance-based compensation based on, for example, a share of net realized gains and income in lieu of, or in addition to, our usual compensation. Such arrangements will be negotiated and will in all cases be in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

As noted above in Item 5, AXA IM receives a performance-based fee for the portfolio management services it provides to (i) the St. Bernard Fund, (ii) the CLOs and (iii) a certain Affiliated Adviser Client with respect to a portion of a single Underlying Portfolio. AXA IM does not receive performance-based fees from the U.S. High Yield Fund, the Affiliated Funds or any other clients.

Clients should be aware that a performance-based fee may be deemed to create a conflict of interest for an adviser, as there could be an incentive for the adviser to make investments that are riskier or more speculative than would be the case in the absence of a performance fee. In addition, if some of our clients pay a performance-based fee while others do not, or if different clients pay different levels of asset or performance-based fees to us, this may give rise to potential conflicts of interest. For example, we have an incentive to favor those accounts for which we receive a performance-based fee because we will receive a higher fee if their performance exceeds the applicable benchmark. Similarly, we have an incentive to favor those accounts that pay us a greater management fee over those accounts that pay us a lesser management fee because we will receive greater compensation by doing so.

AXA Group Investments:

We do not invest in securities for our own account. We do, however, manage certain client accounts and funds which include investments by affiliated subsidiaries of the AXA Group. Clients should be aware that AXA Group investments in these accounts and funds may be deemed to create a conflict of interest for AXA IM, as there could be an incentive for AXA IM to allocate investment opportunities to these accounts and funds at the expense of other advisory clients.

We seek to treat all clients in a fair and equitable manner at all times, and we will act in a manner that we believe to be in the best interests of our clients. To that end, we have established a variety of policies, procedures and other controls regarding allocation of investment opportunities, including those seeking to manage the conflicts of interest identified above in this Item 6. Please see Item 12 below for more information about our allocation policy.

Item 7: Types of Clients

AXA IM provides investment advisory services to institutions (such as public pension plans, trusts and foreign corporations), domestic private investment funds and a U.S. investment company registered under the Investment Company Act of 1940, as amended. We also manage negative basis portfolios and / or premium run-off portfolios for insurance companies and insurance company affiliates within AXA Group. In addition, we provide investment advisory services to the Underlying Portfolios managed by Affiliated Adviser Clients. See Items 4 and 5 above, and Item 10 below, for more information regarding the advisory services that we provide to our clients.

Conditions for Managing Separate Accounts:

In most strategies, we require a minimum initial investment of \$50 million to open an individually managed account. Accounts may be accepted under \$50 million at our sole discretion and only when we deem it appropriate for the client.

Conditions for Subscription to the St. Bernard Fund, the U.S. High Yield Fund and the Affiliated Funds:

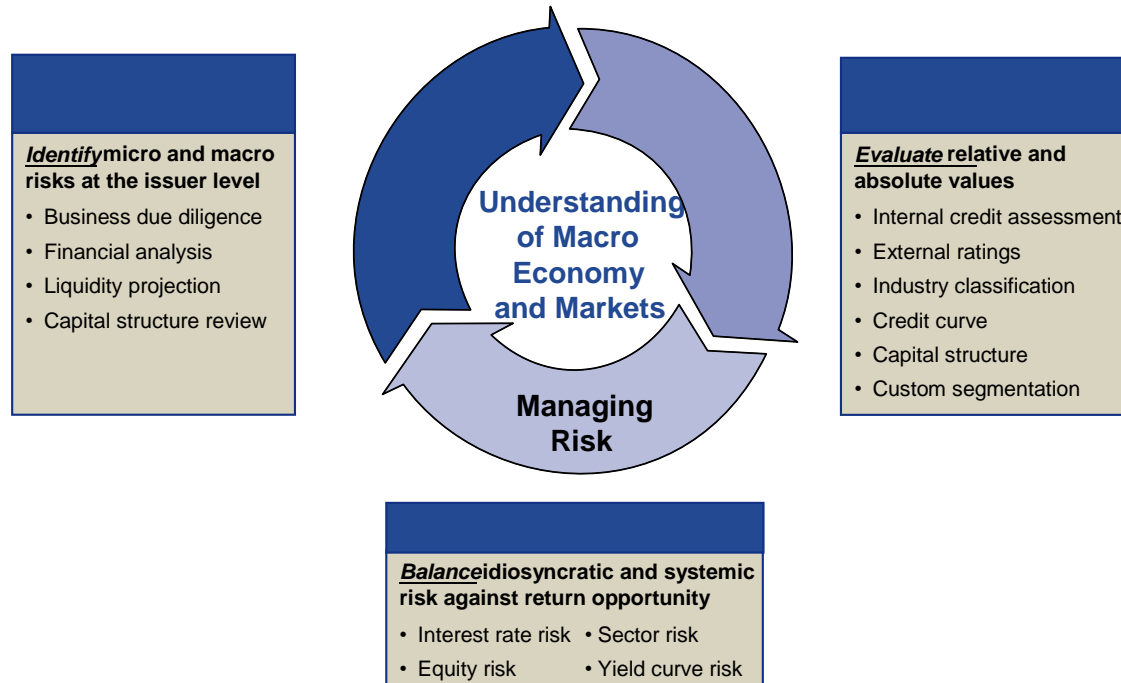
We generally require a minimum investment of \$5 million for each the St. Bernard Fund and the U.S. High Yield Fund, and \$1,000,000 for each Affiliated Fund, but we reserve the right to waive this minimum requirement. In addition, we require that each investor in each of the St. Bernard Fund, the U.S. High Yield Fund or any Affiliated Fund either be a non-United States

Person as defined in the applicable offering memorandum or be an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”) and a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Our investment philosophy is predicated upon the idea that long term returns are built through the compounding of income earned over time and the avoidance of principal losses. Our investment process consists of three major components centered on assessing, valuing and managing risk. We begin with an evaluation of the economic context and market outlook. This evaluation underlies our assessment, valuation and management of risk.



Step 1: Assessing risk through fundamental credit analysis: This first step involves identifying the micro and macroeconomic risks through in-depth financial analysis to assess the credit profile of each issuer. This credit research process is designed to uncover the key drivers of a company's business, its sensitivity to various internal and external factors, and its long-term ability to operate within its existing capital structure under realistic assumptions.

Step 2: Valuing risk through market segmentation: This second step identifies relative and absolute value opportunities by assessing the fundamental characteristics and risk/return profile of each issuer against those of the market. Market segmentation is sought using a proprietary quantitative evaluation tool that relies upon data from FactSet, a third party analytics platform, or other proprietary quantitative evaluation tools. These tools consider criteria such as internal credit assessment, external credit rating, industry classification, credit curve position and issuer capital structure to compare credit risks and market yields in order to segment the market into “buckets” or pools of securities with similar return and risk characteristics.

Step 3: Managing risk through portfolio positioning: This third step aims to balance bottom-up (idiosyncratic) and top-down (systemic and market-related) risks against return opportunities. Our integrated investment process utilizes both quantitative and qualitative processes to construct portfolios.

Investment Strategies

Core High Yield

The investment objective of this strategy is to achieve a long-term total return in excess of a high yield index selected by our clients. A typical high yield index tracks the performance of U.S. dollar-denominated below investment grade corporate debt publicly issued in the U.S. domestic market.

We seek to achieve the investment objective for this strategy through investing primarily in U.S. dollar-denominated debt securities, rated below investment grade, of U.S. corporations.

Dynamic High Yield

The investment objective of this strategy is to invest essentially in a broadly diversified portfolio of fixed income transferable debt securities issued in the US domestic market by public or private companies and rated sub-investment grade (i.e. rated lower than BBB- according to Standard & Poor’s or equivalent rating (Moody’s or other rating agency) or not rated) and credit default swaps referencing such bonds. The net market exposure of the account will be between 75% and 150% of its net assets. The account may invest not more than one third of its total assets in money market instruments, not more than one quarter of its assets in convertible securities and not more than one tenth of its assets in equity.

Short Duration High Yield

The investment objective of this strategy is to generate current income while experiencing lower volatility than the broader high yield market. This strategy does not follow a benchmark.

We seek to achieve the investment objective for this strategy by investing primarily in U.S. dollar-denominated debt securities, rated below investment grade, of U.S. corporations. The maturity dates of these debt securities are expected to be three years or less either due to an outright bond maturity or as a result of a corporate action such as a tender or a call. We actively monitor the portfolio and generally apply a strict sell discipline strategy in an effort to reduce the risk of a negative credit event. We expect this strategy to be less sensitive to interest rate movements than a strategy comprised of bonds with a longer average duration.

U.S. Corporate Investment Grade

The investment objective of this strategy is to achieve a long term return in excess of a U.S. corporate investment grade index selected by our clients. A typical U.S. corporate investment grade index tracks the performance of U.S. dollar-denominated investment grade corporate debt publicly issued in the U.S. domestic market.

We seek to achieve the investment objective for this strategy primarily through investment in U.S. dollar-denominated investment grade securities of U.S. corporations.

Structured Finance

The investment objective of this strategy is to seek to achieve consistent rates of returns through credit cycles by investing mainly in a diversified portfolio of US senior secured loans.

AXA IM's structured finance team seeks to achieve this investment objective primarily through the use of both a "top-down" and a "bottom-up" approach to asset allocation. The team's "top-down" approach involves an initial allocation of assets on a sector and risk profile basis. This allocation is based on macroeconomic research and AXA IM's long term views on the performance of a particular asset class. Once the "top-down" asset allocation approach has been determined, AXA IM uses a "bottom-up" approach to build a portfolio based on a relative value basis. Resources are then focused on the individual positions contained in each portfolio. New investment opportunities are reviewed by a research analyst who focuses on a particular sector and assesses the general quality, relative value, fit and needs of each portfolio. Assets that are viewed favorably are then processed through a formal credit committee (the "Credit Committee") that will approve the inclusion of the asset in the eligible universe on a majority basis. The Credit Committee meets as often as necessary to discuss potential new investments and existing positions.

Global Inflation

The investment objective of this strategy is to seek performance by investing mainly in inflation-linked bonds issued in OECD countries, over a medium term period. The strategy also permits investment in any other debt securities which are not inflation-linked to reduce its exposure to inflation-linked bonds in anticipation of periods of lower inflation. The strategy also permits investment of 100% of its total assets in sovereign debt securities, but it is not intended that the strategy will invest more than 10% of its net assets in securities issued by or guaranteed by any single country (including its government, a public or local authority of that country) with a credit rating below investment grade and/or unrated. Furthermore, the strategy does not permit investment of not more than one third of its assets in money market instruments.

The strategy is actively managed in order to capture opportunities in the inflation-linked bonds market. The following investment decisions are undertaken after comprehensive macroeconomic and microeconomic analysis of the market: (i) positioning on the inflation-linked yield curve (the inflation-linked yield curve illustrates the relationship between the investment term and the inflation linked bond yield); (ii) management of duration for inflation linked-bonds (duration measures, in numbers of years, the portfolio's sensitivity to interest rate variations); (iii) positioning according to inflation expectations; and (iv) geographical allocation.

The strategy typically invests: (i) at least two thirds of its total assets in inflation-linked bonds issued by OECD governments, corporations or public institutions worldwide; and (ii) up to one third of its total assets in non-inflation-linked debt securities and in money market instruments. The account may invest 100% of its total assets in sovereign debt securities.

Subject to underlying leverage limits, the investment strategy may gain exposure to, or hedge against, any fixed income instruments, indexes and currencies, through the use of listed or over-the-counter (OTC) derivative instruments within the prescribed strategy limits. In order to meet the investment objectives, the strategy may make extensive use of various financial derivative instruments to reduce risks or costs or to generate additional capital or income. Under no circumstances shall these operations cause the strategy to diverge from its investment objective. The strategies used through derivative instruments include but are not limited to: (i) hedging the currency risk of the portfolio through futures, foreign exchange forward contracts or currency swap arrangements, (ii) facilitating changes in the allocation of the account's assets between shorter or longer term bond markets or in anticipation of a significant market sector advance or to give long term exposure to short term investments by purchasing bond futures contracts or purchasing call and put options on interest rate futures or purchasing interest rate swaps, (iii) gaining or hedging exposure to inflation through inflation swaps, and (iv) gaining or hedging specific credit exposure through single name credit default swaps or credit default swap indices.

AXA IM offers this strategy by utilizing the resources of its Paris-based affiliate, AXA Investment Managers Paris. See Item 10.

St. Bernard Fund

The St. Bernard Fund seeks to achieve attractive rate of returns by taking advantage of the high loss-adjusted yield and carry in the U.S. residential market. The St. Bernard Fund effects its strategy through investments in a wide range of securities and derivatives, with a focus on “credit-sensitive” MBS and ABS (i.e., the analysis of which involves assessment of credit risk) and derivatives thereon. The St. Bernard Fund may also invest in non-credit-sensitive MBS and ABS, as well as other instruments, including without limitation, collateralised debt obligation transactions (“CDOs”) (in particular, through secondary purchases of CDOs of MBS and ABS), single name and index credit default swaps (“CDS”) referencing MBS/ABS, corporate issuers or other reference obligations, long and short equity positions, and distressed securities. The investments may range from unrated (first-loss) securities (“Equity”) to AAA senior securities, and may include unsecuritized whole loan residential mortgages. The St. Bernard Fund may also invest in publicly and non-publicly traded equity securities and debt, including bonds, notes, convertible bonds, mortgage securities, promissory notes, and payables to trade creditors.

Investments may be acquired in both the primary and secondary markets, in US Dollar and Euro denominated transactions and at varying levels of the capital structure in those transactions, including both rated and unrated tranches, and in cash, hybrid, funded, synthetic, private and public form and in static and managed transactions.

AXA IM may, in its discretion, leverage investments in the St. Bernard Fund to obtain financing, including through the use of repurchase transactions; provided that AXA IM may not engage in financing transactions resulting in a net increase in the aggregate amount borrowed while the leverage ratio exceeds 200%.

AXA IM uses trading expertise and trading models proprietary to the AXA Group in an effort to identify and purchase assets for the St. Bernard Fund that it believes to be undervalued, and, if it deems appropriate, to identify hedges for these assets. The St. Bernard Fund will attempt to monitor its credit exposure, and may hedge its credit exposure in certain cases. However, the St. Bernard Fund is expected to make directional bets on credit-sensitive instruments. For portfolio assets with exposure to rising interest rates, the Manager may establish a short position in LIBOR instruments, US Treasury securities or the like, to serve as an interest rate

hedge. For portfolio assets with foreign currency exposures or other exposures, the Manager may seek to hedge such exposures.

U.S. High Yield Fund

The U.S. High Yield Fund seeks to achieve its investment objective through investing primarily in a diversified portfolio of U.S. dollar-denominated high yield corporate debt securities and a long-term total return in excess of the BofA Merrill Lynch U.S. High Yield Master II Index over a full market cycle. The investments will consist of:

- (i) not less than 67% of the total assets of the U.S. High Yield Fund in a broadly diversified portfolio of U.S. dollar-denominated fixed income transferable debt securities issued by public or private companies and rated sub-investment grade;
- (ii) not more than 33% of its total assets in money market instruments;
- (iii) not more than 33% of its total assets in bank loans or leveraged loans;
- (iv) not more than 25% of its assets in convertible securities;
- (v) not more than 10% of its assets in equity securities.

The U.S. High Yield Fund will not be required to take any action in the event that an investment guideline is exceeded (or otherwise not complied with) subsequently from the time of investment, whether in the event of changes in the market value of the U.S. High Yield Fund's investments, or otherwise. Accordingly, market or other conditions at any time, or from time to time, may result in one or more investment guidelines becoming exceeded, including for extended periods of time. In addition, we may consider cash and cash equivalents in the U.S. High Yield Fund's portfolio, in applying the investment guidelines above. In addition, investors should be aware that, the above investment guidelines are indicative targets only, and are not mandatory investment restrictions. Accordingly, the U.S. High Yield Fund is not limited in its investment and trading activities.

Trading Restrictions With Respect to Controversial Weapons

Subject to applicable law, including fiduciary duties under the Advisers Act and ERISA, AXA IM intends to abide by the AXA Group's policy not to trade in certain issuers related to the manufacturing, dealing and/or distribution of controversial weapons.

Material Risks

There can be no assurances that any client will achieve its investment objective or that the strategies pursued and methods utilized by AXA IM will be successful under all or any market conditions. Past performance is no guarantee of future performance. Investing in financial instruments involves the risk of loss of principal that clients should be prepared to bear. A brief explanation of the material risks associated with AXA IM's principal investment strategies and methods of analysis follows. Additional risk factors are set forth in the offering documents of the applicable client.

The risks generally applicable to all of the client accounts managed by AXA IM are as follows:

- *General Economic and Market Conditions.* The success of the investment strategy may be affected by general economic and market conditions, such as interest rates, mortgage prepayment rates, availability of credit, inflation rates, economic uncertainty and changes in laws. These factors may affect the level and volatility of prices of financial instruments and the liquidity of the investments made for the client accounts. Volatility or illiquidity could impair the client accounts' profitability or result in losses. The liquidity environment may deteriorate and affect other markets and financial institutions before market conditions improve. In a period of broad de-leveraging by all market participants, as has happened in recent years, the values of all asset classes may be adversely affected.
- *Reliance on Management.* All decisions regarding the management and affairs of the funds and/or accounts will be made exclusively by us. Accordingly, no person should purchase interests or open an account unless such person is willing to entrust all aspects of management of the funds or accounts to AXA IM.
- *Market Risk.* Financial institutions may be adversely affected by global and local market and economic conditions that may cause fluctuations in interest rates, exchange rates, equity and commodity prices and credit spreads. Many financial institutions have large proprietary trading and investment positions, including positions in fixed income (including RMBS and CDOs), currency, commodities and equity securities, as well as in real estate (including mortgages and subprime related assets), private equity, hedge funds, derivatives and other investments. As a result, financial institutions may incur losses as a result of increased market volatility, as these fluctuations may adversely impact the valuation of their trading and investment positions. Conversely, a decline in volatility may adversely affect the results of their trading business, which depend on market volatility to create client and proprietary trading opportunities.

- *Systemic Risk.* Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by other institutions.
- *Brokerage Firms and Custodians May Fail.* The institutions with which AXA IM does business for the client accounts, or to which the assets of the client accounts have been entrusted for custodial purposes, may encounter financial difficulties that impair the operational capabilities or the capital positions of the client accounts. Recent events in the credit market have challenged the financial stability of a number of established financial institutions, including brokerage firms. In the event that one of the brokerage firms used by AXA IM becomes bankrupt and fails to segregate the assets on deposit of one or more of the client accounts as required, there is a risk of loss for any deficiency. Even if the client accounts do not lose their assets on deposit with the brokerage firms (or other financial institutions with which AXA IM may deal for the client accounts), the client accounts could incur market losses as a result of financial difficulties at such brokerage firms (including, but not limited to, situations where the client accounts may be unable to access their assets and/or execute transactions through their brokers or other financial institutions in a timely manner). In addition, non-U.S. institutions, including non-U.S. brokerage firms, may be subject to different bankruptcy or other regulatory regimes than those applicable to U.S. institutions, and in doing business with such non-U.S. institutions through AXA IM, the client accounts may not be afforded certain of the protective measures provided by the SEC and FINRA. Although AXA IM will attempt to minimize the client accounts' risk in this area, there is no action that AXA IM can take which is completely risk-free.
- *Idiosyncratic Investment Risk.* This is the risk that deterioration in an issuer's credit trends causes investors to demand a higher level of income to support investment in the credit relative to the initial investment level.
- *Systemic Investment Risk.* This is the risk of a market wide shock that causes risk premiums to increase, creating falling market values not necessarily driven by the fundamentals of the investments in the portfolio.

- *Sector Risk.* This is the risk that all of the securities in an entire sector will be affected by economic or other factors which pertain to that sector more specifically than other sectors.
- *Fixed-Income Investments and Interest Rate Risk.* This is the risk that the value of fixed-income financial instruments may change as the general levels of volatility fluctuate and as there are changes in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. When interest rates decline, the value of fixed-income financial instruments can be expected to rise. Conversely, when interest rates rise, the value of such financial instruments can be expected to decline. To the extent that interest rates move in a direction contrary to the direction anticipated by AXA IM, the overall investment performance of the client accounts may be affected. The market value of fixed-income financial instruments also varies according to the relative financial condition of the issuer. Investments in lower rated or unrated fixed-income financial instruments, while generally providing greater opportunity for gain and income than investments in higher rated financial instruments, usually entail greater risk (including the possibility of default or bankruptcy of the issuers of such financial instruments).
- *Credit Risk.* This is the risk that issuers of debt instruments may face significant ongoing uncertainties and exposure to adverse conditions that may undermine their ability to make timely payments of interest and principal. In addition, major economic downturns and financial market swings have adversely affected, and could in the future adversely affect, the ability of some of the issuers of such instruments to repay principal and pay interest thereon and may increase the incidence of default for such instruments. Lower-quality debt securities (e.g., those below investment grade) involve greater risk of default or price changes due to change in the credit quality of the issuer. This is the principal risk of investing in high yield bonds.
- *Credit Ratings.* Credit ratings of debt securities are not a guarantee of quality. A credit rating represents only the applicable rating agency's opinion regarding credit quality based on the rating agency's evaluation of the safety of the principal and interest payments. In determining a credit rating, rating agencies do not evaluate the risks of fluctuations in market value. As a result, a credit rating may not fully reflect the risks inherent in the relevant security. Rating agencies may fail to make timely changes to

credit ratings in response to subsequent events. In addition, to the extent that a rating agency rates a security at the request of an issuer, the rating agency has a conflict of interest in providing such rating.

- *Competition and Supply for Fixed-Income Securities.* The potential for capital appreciation and interest will depend, in large part, on AXA IM's ability to acquire investments for the client accounts on advantageous terms. In acquiring fixed-income securities for the client accounts, AXA IM will compete with a broad spectrum of institutional investors, many of which have greater financial resources than the client accounts. Increased competition for, or a reduction in the available supply of, qualifying investments could result in higher prices for, and thus lower yields on, such investments, which could further narrow the yield spread over borrowing costs.
- *Reliance on Fundamental Analysis.* Fundamental analysis considers factors such as inflation, trade balances, inventories and interest rates, which do not have an impact on traditional technical trading systems, in an attempt to identify investment opportunities. To the extent that such factors provide mixed or conflicting signals, fundamental analysis may not be able to detect and/or accurately predict price trends. There can be no guarantee that the fundamental analysis undertaken by AXA IM will enable it to accurately value the financial instruments in which AXA IM will invest for the client accounts or that any anticipated price trends will materialize with respect to such investments.
- *Investment Strategy Risks.* Strategy success depends on the our ability to implement the specific investment strategy. Any factor that would make it more difficult to execute more timely transactions, such as a significant reduction in liquidity in a particular market, may also be detrimental to profitability. No assurance can be given that the investment strategy to be used will be successful under all or any market conditions. Past performance is no guarantee of future results.
- *Lack of Diversification.* The client accounts may not generally be diversified among a wide range of financial instruments, industries or asset classes. As such, the client accounts may be exposed to wider fluctuations in value than otherwise would be the case if the client accounts were required to maintain a high degree of diversification among their investments. The client accounts may have no restrictions on either the

amount of assets that can be invested in a certain industry or the percentage of assets invested in a single security. Therefore, the client accounts may be subject to greater risk than similarly diversified portfolios.

- *General Risks of Investments.* A potential investor should note that the prices of the securities and other instruments in which our funds and/or accounts under management may invest may be volatile. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, regulators from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. Such intervention (as well as other factors) may cause these markets and related investments to move rapidly.
- *Credit Default Swaps.* The “buyer” in a credit default swap contract is obligated to pay the “seller” a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event means bankruptcy, failure to pay, obligation acceleration or modified structuring. A client may either be the buyer or the seller in the transaction. As a seller, the client receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the client typically must pay the contingent payment to the buyer, which typically is the “par value” (full notional value) of the reference obligation. The contingent payment may be a cash settlement or by physical delivery of the reference obligation in return for payment of the face amount of the obligation. If the client is a buyer and no credit event occurs, the client may lose its investment and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. Credit default swap agreements may involve greater risks than if the client had invested in the reference obligation directly. Credit default swap agreements are subject to general market risk, liquidity risk, counterparty risk and credit risk. As noted above, if the client is a buyer and no credit event occurs, it will lose its investment. In addition, the value of the reference obligation received by the client as a seller if a credit event occurs, coupled with the periodic payments previously received,

may be less than the full notional value it pays to the buyer, resulting in a loss of value to the client.

- *Use of Swap Agreements.* The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary investment transactions. Interest rate swaps, for example, do not typically involve the delivery of financial instruments, other underlying assets or principal. Accordingly, the market risk of loss with respect to an interest rate swap is often limited to the amount of interest payments that the client is contractually obligated to make on a net basis. If the other party to an interest rate swap defaults, the client's risk of credit loss may be the amount of interest payments that it is contractually entitled to receive on a net basis. However, where swap agreements require one party's payments to be "up-front" and timed differently than the other party's payments (such as is often the case with currency swaps), the entire principal value of the swap may be subject to the risk that the other party to the swap will default on its contractual delivery obligations. If there is a default by the counterparty, the client may have contractual remedies pursuant to the agreements related to the transaction. The investment performance of the Manager, however, may be adversely affected by the use of swaps if the client's forecasts of market values, interest rates or currency exchange rates are inaccurate.
- *Commodities and Futures Trading.* Substantially all trading in commodities and futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain financial instruments, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures trading involves trading in contracts for future delivery of standardized, rather than specific, lots of particular assets. A principal risk in trading futures contracts is the traditional volatility (rapid fluctuation) in market prices. Because of the low margin deposits typically required in futures contract trading, a relatively small movement in the market price of a futures contract may result in a disproportionately large profit or loss. Commodity futures trading may also be illiquid. Certain commodity exchanges do not permit trading in a particular futures beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits – which conditions have in the past sometimes lasted for several days in certain contracts – the Manager could be prevented from promptly liquidating unfavorable positions and thus be subject to substantial losses.

- *Trading in Currencies.* A client may be exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, the client's position. AXA IM may trade currencies and financial instruments in interbank and forward contract markets which AXA IM believes to be well-established and of recognized standing. AXA IM may effect such trades with brokers and other market participants which it believes to be creditworthy.

The relative importance of some of the above described risk factors varies amongst our different strategies.

In addition to the risks applicable to all client accounts that are outlined above, there are several risks that are specific to certain of AXA IM's investment strategies as described below.

Risks Applicable to the Core High Yield, Dynamic High Yield, Short Duration High Yield, Global Inflation, and/or U.S. Corporate Investment Grade Strategies:

- *Risks of Relying on Target Returns/Benchmark Objectives:* As discussed above, the core high yield and the U.S. corporate investment grade strategies are measured against benchmarks. There can be no assurance that these strategies will meet their target returns. Target returns are goals based on AXA IM's research and are not guarantees or predictions of performance. If applicable, target returns will be periodically re-evaluated in light of actual returns and may be revised.
- *High Yield Securities:* The core high yield and the short duration high yield strategies seek to invest in "high yield" bonds and possibly preferred securities that are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). In addition to the fact that they are, as noted above, generally considered to be predominately speculative with respect to the issuer's capacity to pay interest and repay principal, financial instruments in the lower rating categories are generally considered to be subject to greater risk than financial instruments with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated financial instruments, the yields and prices of such financial instruments may tend to fluctuate more than those of higher-rated financial instruments. The market for lower-rated financial instruments is thinner and less active than that for higher-rated financial instruments, which can adversely affect the prices at which these financial instruments can be sold. In addition, adverse publicity and negative investor perceptions about

lower-rated financial instruments, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated financial instruments.

- *U.S. Government Securities:* U.S. government securities include direct obligations of the U.S. Treasury and obligations issued by U.S. government agencies and instrumentalities, including securities that are supported by: (1) the full faith and credit of the United States (*e.g.*, certificates of the Government National Mortgage Association); (2) the right of the issuer to borrow from the U.S. Treasury (*e.g.*, Federal Home Loan Bank securities); (3) the discretionary authority of the U.S. Treasury to lend to the issuer (*e.g.*, Fannie Mae securities); and (4) solely the creditworthiness of the issuer (*e.g.*, Freddie Mac securities). Neither the U.S. government nor any of its agencies or instrumentalities guarantees the market value of the securities they issue. Therefore, the market value of such securities can be expected to fluctuate in response to changes in interest rates.
- *Money Market Securities:* The value and liquidity of the securities held by the funds and/or accounts may be affected by changing interest rates, changes in the credit quality of the issuers, changes in credit ratings of the securities and general market conditions. For example, the values of these securities may decline when interest rates rise and increase when interest rates fall.
- *Rating Agency Risk:* The funds and/or accounts may purchase securities rated by a rating agency. The funds and/or accounts may use these ratings to determine whether to purchase, sell or hold a security. Ratings are general and are not absolute standards of quality. Securities with the same maturity, interest rate and rating may have different market prices. Credit ratings attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value. In addition, ratings are only the opinions of the agencies issuing them, may change less quickly than relevant circumstances and are not absolute guarantees of the quality of the securities. Furthermore, credit ratings and ratings agencies have recently been criticized for credit ratings which did not fully reflect the risks of certain securities or which did not reflect such risks in a timely manner. In the event that such ratings are inaccurate, otherwise misleading or untimely, the value of fund's and/or account's portfolio(s) may be adversely affected.
- *Investments with Limited Liquidity:* The funds and/or accounts may invest in, or receive, securities, loans or other assets for which no (or only a limited) liquid market exists or

that are subject to legal or other restrictions on transfer. The market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of obligors on the fund's and/or account's assets. The fund and/or accounts may not be able to sell assets when we desire to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of illiquid assets and restricted securities often requires more time and results in higher selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The funds and/or accounts may be required to hold illiquid securities before any disposition can be effected.

- *Restricted Securities:* The funds and/or accounts may, if and when it becomes eligible, invest in certain restricted securities that are subject to substantial holding periods or that are not traded in public markets. Generally, only QIBs will be eligible to participate in transactions involving such restricted securities pursuant to Rule 144A under the 1933 Act. Such restricted securities generally are less liquid than publicly traded securities. No assurance can be given that any such restricted securities will be eligible to be traded on a public market even if a public market for securities of the same class were to develop. It is highly speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.
- *Call/Extension Risk:* Call risk involves the risk that an issuer will exercise its right to pay principal on an obligation held by the funds and/or accounts earlier than expected. This may happen when there is a decline in interest rates. Under these circumstances, the funds and/or accounts may be unable to recoup all of its initial investment and will also suffer from having to reinvest in lower yielding securities. Extension risk involves the risk that an issuer will exercise its right to pay principal on an obligation held by the funds and/or accounts later than expected. This may happen when there is a rise in interest rates. Under these circumstances, the value of the obligation will decrease, and the funds and/or accounts will also suffer from the inability to invest in higher yielding securities.
- *Risks Linked To Investments In Specific Sectors Or Asset Classes:* Certain funds and/or accounts may concentrate their investments in certain asset classes (commodities, real estate) or in companies of certain sectors of the economy and are therefore subject to

the risks associated with concentrating investments in such classes and sectors. This type of strategy may lead to adverse consequences when such asset classes or sectors become less valued or less liquid.

- *Risk Linked To Investments In Emerging Markets:* Emerging markets securities may be substantially less liquid and more volatile than those of mature markets. Securities of companies located in emerging markets may be held by a limited number of persons. This may adversely affect the timing and pricing of the acquisition or disposal of securities. Practices in relation to settlement of securities transactions in emerging markets involve higher risks than those in developed markets, in part because the funds or accounts will need to use brokers and counterparties, which are less well capitalised, and custody and registration of assets in some countries may be unreliable. AXA-IM will seek, where possible, to use counterparties, whose financial status is such that this risk is reduced. However, there can be no certainty that it will be successful in eliminating this risk, particularly as counterparties operating in emerging markets frequently lack the substance or financial resources of those in developed countries. The legal infrastructure, in certain countries in which investments may be made, may not provide with the same degree of investors' protection or information to investors, as would generally apply to major securities markets. Generally accepted accounting, auditing and financial reporting practices in emerging markets may be significantly different from those in developed markets. Compared to mature markets, some emerging markets may have a low level of regulations, enforcement of regulations and monitoring of investors' activities. Those activities may include practices such as trading on material non-public information. Some governments exercise substantial influence over the private economic sector and investments may be affected by political and economic instability. In adverse social and political circumstances, governments have been involved in policies of expropriation, confiscatory taxation, nationalization, intervention in the securities market and trade settlement and imposition of foreign investment restrictions and exchange controls, and these could be repeated in the future. In addition to withholding taxes on investment income, some emerging markets may impose differential capital gain taxes on foreign investors.
- *Convertible Securities Risk:* Certain funds and/or accounts may invest in convertible securities which are securities generally offering fixed interest or dividend yields which may be converted either at a stated price or stated rate for common or preferred stock. Although to a lesser extent than with fixed income securities generally, the market value

of convertible securities tends to decline as interest rates rise. Because of the conversion feature, the market value of convertible securities also tends to vary with fluctuations in the market value of the underlying common or preferred stock.

Risks Applicable to the St. Bernard Fund:

- *Performance Risk:* The St. Bernard Fund has a limited operating history upon which prospective investors may base an evaluation of the likely performance of the St. Bernard Fund.
- *Relationship between the Manager and the Investment Advisor:* AXA IM makes all decisions relating to the St. Bernard Fund's investments and performs investment management services with respect to the St. Bernard Fund. AXA IM has retained Ellington Management Group, L.L.C., an SEC-registered investment adviser located in Old Greenwich, CT, ("Ellington") to advise with respect to the investments of the St. Bernard Fund. In such capacity, Ellington makes investment recommendations and provides investment advice to AXA IM. The appointment of Ellington may be terminated by AXA IM or the Investment Advisor at any time in accordance with the advisory agreement between them. Such termination may have a materially adverse effect on the St. Bernard Fund and its investors (including, but not limited to, significant impact on the term or the performance of the St. Bernard Fund). There is no guarantee that the relationship between AXA IM and Ellington will continue or develop as AXA IM and Ellington intend.
- *Highly Volatile Markets:* The prices of derivative instruments, including, without limitation, commodities contracts, futures and option prices, can be highly volatile. Price movements of forward, futures, and other derivative contracts in which the assets of the St. Bernard Fund may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary, and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, securities, futures, and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The St. Bernard Fund also is subject to the risk of the failure of any exchanges on which the positions of the St. Bernard Fund trade or of its clearing houses.

- *Illiquidity of Investments:* Many of the St. Bernard Fund's Investments do not have established or liquid trading markets. The principal markets in which the St. Bernard Fund expects to invest, including, without limitation, the markets for CDO securities, RMBS, commercial loans and credit derivatives, have also (since the second half of 2007) experienced a sharp decline in liquidity. While such events may sometimes be attributable to changes in interest rates or other factors, the cause is not always apparent. During periods in which the liquidity of certain types of financial instruments is particularly constrained, the St. Bernard Fund may be unable to secure adequate financing to implement its investment strategy. Such "liquidity risk" could adversely affect the value of the St. Bernard Fund's investments and may be difficult or impossible to hedge against. As a result, the St. Bernard Fund may not be able to readily dispose of portions of its portfolio without incurring significant losses. In addition, many of the St. Bernard Fund's investments will not be registered under the Securities Act or any other securities laws. Therefore, such investments cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. As a result, many of the St. Bernard Fund's investments will be subject to transfer restrictions that further contribute to illiquidity.
- *Price Volatility Risk:* The prices of assets in which the St. Bernard Fund may invest or to which the St. Bernard Fund may have exposure, including CDO securities, MBS, ABS, other subprime related assets and securities of Monolines and other financial institutions, are highly volatile.
- *Interest Rate Risk:* A change in interest rates can have a significant effect on any portfolio of fixed income assets, but specifically, callable or prepayable investments such as swaptions, cancellable swaps, callable bonds, MBS, and ABS may react very differently from other fixed income securities: their durations can vary dramatically as interest rates move, making them more difficult to hedge, and some may be "negatively convex," meaning that price increases may be limited in relation to price declines. Some securities can have unusually high durations (rising dramatically in price when rates fall, and falling dramatically in price when rates rise), while others can have highly negative durations (falling dramatically in price when rates fall, and rising dramatically in price when rates rise).
- *Risk of Investment Focus:* All, or a significant part of, the St. Bernard Fund's portfolio could consist of CDO securities. CDOs are subject to, among other risks, credit, liquidity and interest rate risks. The CDO equity purchased by the St. Bernard Fund is generally

unrated or non-investment grade. In addition, as a holder of CDO equity, the St. Bernard Fund will have limited remedies available upon the default of the CDO.

- *Repurchase Agreements:* The St. Bernard Fund may enter into repurchase agreements, which may be viewed as a type of secured lending by the St. Bernard Fund, and which typically involve the acquisition by the St. Bernard Fund of debt securities from a selling financial institution, such as a bank, savings and loan association, or broker-dealer. In a repurchase agreement, the St. Bernard Fund purchases a debt security from a seller who undertakes to repurchase the security at a specified resale price on an agreed future date (ordinarily a week or less). The resale price generally exceeds the purchase price by an amount that reflects an agreed upon market interest rate for the term of the repurchase agreement. The principal risk is that, if the seller defaults, the St. Bernard Fund might suffer a loss to the extent the proceeds from the sale of the underlying securities and other collateral held by the St. Bernard Fund in connection with the related repurchase agreement are less than the repurchase price.

Investors or potential investors in the St. Bernard Fund should refer to the offering memorandum therefore that the investor has received or will receive that sets out a more detailed description of risks associated with the St. Bernard Fund.

Risks Applicable to the U.S. High Yield Fund:

- *No Operating History / Performance Risk:* The U.S. High Yield Fund is a newly formed entity and, accordingly, has no performance history. There can be no assurance that the U.S. High Yield Fund will achieve its investment objective. Our past investment performance cannot be construed as an indication of the future results of an investment in the U.S. High Yield Fund.
- *"QIB" Status:* Certain restricted securities are available for purchase and sale only by investors who qualify as qualified institutional buyers ("QIBs") pursuant to Rule 144A under the 1933 Act. For example, new offerings of U.S. dollar-denominated debt securities frequently are issued and sold to QIBs pursuant to an exemption from registration under the 1933 Act. The U.S. High Yield Fund intends to invest in such restricted securities if and when it qualifies as a QIB. However, the U.S. High Yield Fund may not initially qualify as a QIB and may never qualify in the future. Until the U.S. High Yield Fund qualifies as a QIB, therefore, it will not be eligible to invest in such restricted securities and will not be able to invest in the same amount of fixed income securities as a fixed income investment vehicle that qualifies as a QIB.

- *Smaller Company Risk:* The U.S. High Yield Fund may invest in debt obligations issued by companies with small market capitalizations. The general risks associated with income-producing securities are particularly pronounced for securities issued by companies with smaller market capitalizations. These companies may have limited product lines, markets or financial resources or may depend on a few key employees. As a result, they may be subject to greater levels of credit, market and issuer risk. Securities of smaller companies may trade less frequently and in lesser volume than more widely held securities, and their values may fluctuate more sharply than those of other securities. Companies with medium-sized market capitalizations may have risks similar to those of smaller companies.
- *Reinvestment Risk:* Reinvestment risk is the risk that income from the U.S. High Yield Fund's portfolio will decline if and when the U.S. High Yield Fund invests the proceeds from matured, traded or called debt obligations at market interest rates that are below the portfolio's current earnings rate.
- *Subordinated Securities:* The U.S. High Yield Fund may invest in debt securities that are unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. In the event of the bankruptcy or liquidation of an issuer of such securities, there may not be enough proceeds to repay the holders of such securities following repayment to the holders of senior indebtedness. In addition, such securities may not be protected by financial covenants or limitations upon additional indebtedness, thereby providing less control over the investment, and may have limited liquidity.

Risks Applicable to the structured finance strategy (other than the CLOs):

- *Credit Risk:* Investments may consist of loans and high yield securities, primarily rated below investment grade (or of equivalent credit quality), some of which may be unsecured, or may be subordinated to other obligations of the obligor and all of which will have greater credit and liquidity risk than investment grade sovereign or corporate bonds or loans. High yield debt securities are often issued in connection with leveraged acquisitions or recapitalisations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. The lower rating of below investment grade loans reflects a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the relevant borrower or issuer, as the case may be, to make

payments of principal or interest. Moreover, in certain circumstances, any such asset may default.

- *Counterparty Risk.* In addition to the credit risks associated with holding loans and high yield debt securities, with respect to synthetic securities, the client account will usually have a contractual relationship with the relevant synthetic counterparty only, and not with the reference obligor of the reference obligation. The client account generally will have no right directly to enforce compliance by the reference obligor with the terms of the reference obligation nor any rights of set-off against the reference obligor, nor have any voting rights with respect to the reference obligation. The client account will not directly benefit from the collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation. In addition, in the event of the insolvency of the synthetic counterparty, the client account will be treated as a general creditor of such synthetic counterparty, and will not have any claim with respect to the reference obligation. Consequently, the client account will be subject to the credit risk of the synthetic counterparty as well as that of the reference obligor. As a result, concentrations of synthetic securities in any one synthetic counterparty subject the assets to an additional degree of risk with respect to defaults by such synthetic counterparty as well as by the reference obligor.
- *Credit Risk linked to Collateral of Loans.* A client account will generally invest in loans that are secured with specific collateral. However, the value of collateral may not equal the client account's investment or exposure when the loan is acquired. Moreover, the value of collateral may decline below the principal amount of the loan subsequent to the client account's investment or exposure. Also, to the extent that collateral consists of stock of the borrower or its subsidiaries or affiliates, the client account bears the risk that the stock may decline in value, be relatively illiquid, or may lose all or substantially all of its value, causing the loan to be undercollateralized. Therefore, the liquidation of the collateral underlying a loan may not satisfy the issuer's obligation to the client account in the event of non-payment of scheduled interest or principal, and the collateral may not be readily liquidated. In addition, in some circumstances the liquidation of the collateral may not be permitted or the collateral mechanism may not be enforceable, depending on the different applicable laws.

- *Loan Prepayments and Reinvestment.* Loans are generally prepayable in whole or in part at any time at the option of the obligor thereof at par plus accrued unpaid interest thereon. Prepayments on loans may be caused by a variety of factors which are often difficult to predict. Consequently, there exists a risk that loans purchased at a price greater than par may experience a capital loss as a result of such a prepayment. Moreover, there is no assurance that a client account will be able to reinvest proceeds in assets with comparable characteristics (including interest rates) or, if it is able to make such reinvestments, as to the length of any delays before such investments are made. A client account cannot predict the actual rate of prepayments, accelerated amortization or defaults which will be experienced with respect to its assets.

Risks Applicable to the global inflation strategy:

- *Risks of Global Investments:* Investments in securities issued or listed in different countries may imply the application of different standards and regulations (accounting, auditing and financial reporting standards, clearance and settlement procedures, taxes on dividends, etc.). Investments may be affected by movements of foreign exchange rates, changes in laws or restrictions applicable to such investments, changes in exchange control regulations or price volatility.
- *Risk linked to investments in sovereign debt:* The strategy permits investment in sovereign debt. Certain countries are especially large debtors to commercial banks and foreign governments. Investment in such debt obligations, i.e. sovereign debt, issued or guaranteed by such governments or governmental entities involves a higher degree of risk. The governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. The value of investments within the strategy may be adversely affected. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject. Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest on their debt. In addition, there is no bankruptcy proceedings for such sovereign debt on which money

to pay the debt obligations may be collected in whole or in part. Debt holders may be requested to participate in the rescheduling of such sovereign debt and to extend further loans to the issuers.

- *Risk linked to investment in inflation-linked bonds:* Inflation-linked bonds are special types of indexed bonds that are tied to indices that are calculated based on the rates of inflation for prior periods. The value of inflation-linked bonds generally fluctuates in response to changes in real interest rates. Real interest rates are tied to the relationship between nominal interest rates and the rate of inflation. If nominal interest rates increase at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of inflation-linked bonds. Conversely, if inflation rises at a faster rate than nominal interest rates, real interest rates might decline and result in an increase in value of inflation-linked bonds. If the strategy purchases inflation-linked bonds in the secondary market whose principal values have been adjusted upward due to inflation since issuance, it may experience a loss if there is a subsequent period of deflation. Additionally, if the strategy purchases inflation-linked bonds in the secondary market whose price has been adjusted upward due to real interest rates increasing, it may experience a loss if real interest rates subsequently increase. If inflation is lower than expected during the period the strategy holds an inflation-linked bond, it may earn less on the security than on a conventional bond. If real interest rates rise (i.e. if interest rates rise for reasons other than inflation), the value of the inflation-linked bonds will decline. Moreover, because the principal amount of inflation-linked bonds would be adjusted downward during a period of deflation, the strategy will be subject to deflation risk with respect to its investments in these securities and the underlying asset value may be adversely affected. There can be no assurance that such indices will accurately measure the real rate of inflation. Additionally, the market for inflation-linked bonds may be less developed or liquid, and more volatile, than certain other securities markets. There are a limited number of inflation-linked bonds that are currently available for purchase, thus making the market less liquid and more volatile.
- *Risks linked to investments in specific countries or geographical zones:* The strategy may concentrate its investments in certain countries or geographical regions are therefore subject to the risks associated with concentrating investments in regions. This type of strategy may lead to adverse consequences when target markets drop or encounter liquidity issues.

Risks Applicable to the CLOs:

- *Collateralized Loan Obligations:* CLOs are trusts or other special purpose entities that are backed by a pool of loans. Such loans may include domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, some of which may be below investment grade or equivalent unrated loans. CLOs issue classes or “tranches” that vary in risk and yield, and may experience substantial losses due to actual defaults, decrease of market value due to collateral defaults and disappearance of subordinate tranches, market anticipation of defaults, and investor aversion to CLO securities as a class. The risks of CLOs depend largely on the type of the underlying loans and the tranche of CLOs in which the client invests. In addition, CLOs carry risks including interest rate risk, credit risks and default risk. Certain CLOs may not hold loans directly, but rather, use derivatives such as swaps to create “synthetic” exposure to the collateral pool of loans.
- *Collateral Obligation performance may not continue to improve:* Negative economic trends nationally as well as in specific geographic areas of the United States could result in an increase in loan defaults and delinquencies. Though levels of defaults and delinquencies have been decreasing from peak levels, there is a material possibility that economic activity will be volatile or will slow, and some obligors may be significantly and negatively impacted by negative economic trends. A continuing decreased ability of obligors to obtain refinancing (particularly as high levels of required refinancings approach) may result in an economic decline that could delay an economic recovery and cause a deterioration in loan performance generally and defaults of Collateral Obligations. There is no way to determine whether such trends in the credit markets will continue, improve or worsen in the future.
- *Commodities-Linked Investments Risk:* The performance of commodity-linked notes and related investments, including derivatives, may depend on the performance of the overall commodities markets and on other factors that affect the value of commodities, including weather, political, tax, and other regulatory and market developments. Commodity-linked notes may be leveraged. Commodity-linked investments may be hybrid instruments that can have substantial risk of loss with respect to both principal and interest. Commodity-linked investments may be more volatile and less liquid than the underlying commodity, instruments, or measures and are subject to the credit risks associated with the issuer, and their values may decline substantially if the issuer’s

creditworthiness deteriorates. As a result, returns of commodity-linked investments may deviate significantly from the return of the underlying commodity, instruments, or measures. Legal and regulatory changes also can affect the value of these investments.

There can be no assurance that we will achieve our investment objectives or avoid substantial losses for the funds and/or accounts under management. Investing in securities involves risk of loss that clients should be prepared to bear. Investors are urged to consult with their independent financial advisers in connection with an investment in accounts or funds managed or sub-advised by us.

Item 9: Disciplinary Information

This item requires us to disclose any legal or disciplinary events material to a client's or prospective client's evaluation of our business or the integrity of our management. Currently, there are no legal or disciplinary events material to a client's or prospective client's evaluation of our business or the integrity of our management to disclose for this Item.

Item 10: Other Financial Industry Activities and Affiliations

Our indirect parent, AXA Group, is one of the world's largest companies, concentrating in insurance and asset management. Affiliates of AXA IM through its ownership by AXA Group include other members of the AXA Group, including other subsidiaries of AXA IM SA, Alliance Bernstein and AXA Financial, which provide a broad range of financial services including investment management services and capital investment activities.

We currently provide investment advisory services to certain of our affiliated non-U.S. investment advisers, referred to herein as the Affiliated Adviser Clients and which are registered and regulated under the laws of various foreign countries, including, but not limited to, Luxembourg, France, or the United Kingdom. We provide such investment advisory services to the Affiliated Adviser Clients on behalf of their Underlying Portfolios managed by the Affiliated Adviser Clients, which include (i) non-U.S. investment companies marketed to non-U.S. retail and institutional investors (and which are not marketed to, nor available for investment by, U.S. investors), (ii) offshore private investment vehicle accounts and (iii) other non-U.S. accounts. We also have several appointments as investment adviser to insurance companies that are part of the AXA Group.

The advisory services that we provide to affiliated clients or on behalf of affiliated Underlying Portfolios create conflicts of interests with our other unaffiliated clients. Please see Item 6 above for a description of these conflicts and how we address them.

Participating Affiliate Arrangements:

In reliance on a series of SEC no-action letters, AXA IM has entered into a participating affiliate arrangement with its Paris-based affiliate, AXA Investment Managers Paris, and may in the future enter into additional participating affiliate arrangements with other of its non-U.S. affiliates ("Participating Affiliates"), in order to utilize the resources and capabilities, including certain personnel, of such Participating Affiliates to provide various non-U.S. account management services to its U.S. clients and prospective U.S. clients. The Participating Affiliates are not registered, and not required to be registered, with the SEC as investment advisers. However, the participating affiliate arrangements have the practical effect of requiring the AXA IM non-U.S. Participating Affiliates to comply with the Advisers Act when they provide advice on securities to AXA IM's U.S. clients. It also subjects the personnel of any Participating Affiliates involved in providing the advice to U.S. compliance obligations similar to those that apply to AXA IM personnel, including the obligations found in AXA IM's code of ethics adopted pursuant to Rule 204A-1 under the Advisers Act. See Item 11.

Affiliated Broker-Dealers:

We do not use broker-dealers that are affiliated with us in executing securities transactions for our clients. However, affiliated broker-dealers distribute shares of the U.S. Investment Companies. Such affiliated broker-dealers have an incentive to distribute shares of the affiliated U.S. Investment Companies because it increases the investment management fees paid to AXA IM and our affiliate AXA Equitable Funds Management Group, LLC.

AXA Group And Other Affiliate Relationships:

AXA IM is an indirect subsidiary of AXA Group, the diversified, global financial services company. AXA Group is a global company that provides insurance, asset management and brokerage services worldwide. It is a French public limited company whose common shares are traded on the Euronext. AXA IM, through its relationship with AXA Group 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 affiliates provide a broad range of financial services including investment management and investment advisory services and brokerage services. With respect to such services, such affiliates may take

positions in securities that are in competition with or opposite of positions held by AXA IM's clients. In that these affiliates and AXA IM generally conduct their business independently of one another, AXA IM is not in a position to prevent its affiliates from taking such positions. However, the affiliates and AXA IM do not knowingly compete with each other or take positions opposite each other.

Selection of other Investment Advisers:

AXA IM has hired Ellington an SEC-registered investment adviser to act as a non-discretionary sub-adviser to AXA IM with respect to the assets of the St. Bernard Fund. Ellington is responsible for making investment recommendations and providing investment advice to AXA IM regarding the St. Bernard Fund. Ellington's recommendations and advice do not bind AXA IM, and AXA IM makes all the decisions relating to the St. Bernard Fund. An employee of AXA IM (the "Employee") works primarily within Ellington's offices and has access to its trading systems. The only account that the Employee assists in managing is the St. Bernard Fund. Aside from the Employee, no other employee of AXA IM has access to Ellington's offices or trading systems and the Employee does not have access to AXA IM's trading systems or proprietary positions and recommendations for clients of its high yield, short duration high yield, investment grade or structured finance investment management services. In addition, there is a physical separation between the Employee and AXA IM's other employees as he is not resident in AXA IM's principal place of business. AXA IM and Ellington monitor the Employee's trades for the St. Bernard Fund and also monitor the Employee's personal trading. We do not have any ability to monitor whether Ellington is taking advantage of the Employee's trading ideas for its own benefit or the benefit of its clients. Nevertheless, due to the nature of the markets in asset-backed securities and mortgage-backed securities, we believe that the possibility of Ellington taking advantage of the Employee's trading ideas is either extremely remote or impossible. In addition, Ellington is subject to allocation and valuation procedures that AXA IM has reviewed and determined to be fair to the St. Bernard Fund. Furthermore, Ellington certifies quarterly to AXA IM that there have been no changes to such procedures.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics:

AXA IM has adopted a Code of Ethics (the "Code") that applies to all of our employees. This Code describes the standard of conduct which we require of all of our employees and describes certain restrictions on activities such as personal trading, receipt of material, non-public information, and engaging in outside business activities. Compliance with the Code is a

condition of employment for all of our employees, and a serious violation of the Code or its related policies may result in serious reprimand, up to and including dismissal. Certain key provisions of the Code are summarized below. We will provide a copy of the Code to any client or prospective client upon request.

Personal Trading:

Employees considered “access persons” within the meaning of Rule 204A-1 under the Advisers Act may purchase and sell for their own accounts the same securities purchased or sold on behalf of our clients. Because the Code permits employees to invest in the same securities as our clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. We feel that this possibility is remote, however, because the denominations of the bonds in which we invest are generally too high for the personal accounts of most of our employees. In addition, investment opportunities in the bonds in which we invest are usually available only to investors with institutional relationships with broker-dealers holding inventory in these bonds. To mitigate this possible conflict of interest and others that may arise, we have established policies requiring “access persons” to obtain pre-clearance before investing in certain reportable securities such as stocks, bonds and private placements. In addition, we monitor for conflicts of interest on a periodic basis and will not allow any of our “access persons” to buy or sell securities for their own accounts at or about the same time that we buy or sell securities for client accounts if we feel that there is a possibility that the personal trade would benefit from our investment activities.

We also maintain a restricted trading list (the “Restricted List”). The Restricted List is a list of securities and security types subject to trading restrictions for employee accounts and the accounts of their immediate family members. Securities that will be placed on the Restricted List include securities of an issuer about which AXA IM receives non-public information. The placement of a security type on the Restricted List restricts personal trading in the specified issuer until the Chief Compliance Officer removes the issuer from the Restricted List. In addition, we maintain a watch list (the “Watch List”). The placement of a security on the Watch List restricts personal or client trading in the specified issuer unless the trade is determined permissible by the Chief Compliance Officer or until the Chief Compliance Officer removes the issues from the Watch List.

All of our employees are required to annually certify that they have complied with the Code, and our access persons are required to make annual reports regarding their personal securities account holdings and quarterly reports regarding their personal securities trading activity.

Participating Affiliate Arrangements:

With respect to each participating affiliate arrangement, the relevant Participating Affiliate will adopt policies and procedures to meet its compliance obligations under the participating affiliate arrangement with respect to the services it provides to AXA IM's U.S. clients. Each applicable Participating Affiliate will adopt an amendment to its own code of ethics applicable to its personnel that makes explicit reference to participating affiliate arrangements. The amended codes will subject certain personnel of Participating Affiliates to personal transactions reporting requirements equivalent to those of AXA IM's access persons. The applicable Participating Affiliates will forward information to AXA IM about compliance with these reporting requirements no less frequently than on a quarterly basis.

Participation or Interest in Client Transactions:

Our employees are allowed to invest in the St. Bernard Fund, the U.S. High Yield Fund and the Affiliated Funds only upon the prior written permission of the CCO. Institutional affiliates within AXA Group are allowed to invest in the St. Bernard Fund, the U.S. High Yield Fund, the Affiliated Funds, and other products managed by AXA IM. Clients should be aware that such investments may be deemed to create a conflict of interest, as there could be an incentive for us to allocate investment opportunities to funds or accounts in which our employees or institutional affiliates are invested at the expense of other advisory clients. At all times, 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 our clients' best interests. While it is not expected that in the normal course investments for the St. Bernard Fund or the U.S. High Yield Fund will overlap with investments for AXA IM's other strategies, to the extent there is such overlap, we have established a variety of policies and procedures whose goals are to facilitate the fair allocation of investment opportunities. Please see Item 6 for more information about our side-by-side management of accounts and Item 12 for more information about our allocation policy.

Brokered Cross-Trades:

From time to time, AXA IM may deem that it is in the best interests of clients to transfer a security from one account under management to another such account. All such trades must be executed through a broker-dealer or other properly qualified third party, unaffiliated with Adviser. The price of the transferred security should be a mid-market price, calculated by taking the average of bid and ask prices from our pricing service feed(s), or if the pricing service provides only bid prices, adding to the bid price half of the bid/ask spread obtained from the most reliable third party pricing sources available. In addition, charges from the broker-dealer

shall be evenly shared between the buyer and seller by adding half of the charge to the buyer's price and subtracting half of the charge from the seller's price.

Cross-Trades Involving ERISA Accounts:

The prohibited transaction rules under ERISA bar investment managers from engaging in cross-trades or brokered cross-trades absent an exemption. AXA IM shall not execute any cross-trades or brokered cross-trades between two of its accounts if at least one of such accounts is subject to ERISA.

AXA IM funds may, from time to time, accept contributions from clients subject to ERISA. Under ERISA's plan asset regulations, generally, if 25% of any class of equity of either fund is held by plans subject to ERISA, 100% of such fund's assets will be considered "plan assets" for purposes of ERISA. Accordingly, if the entirety of the assets of either fund are deemed to be "plan assets", Adviser will not execute any cross-trades or brokered cross-trades involving such fund.

AXA IM shall maintain a log of accounts subject to ERISA, which shall be available to the traders and portfolio managers at all times.

Principal Trades

Rule §206(3) of the Advisers Act prohibits an investment adviser from, directly or indirectly, acting as a principal in transactions with its advisory clients without (i) disclosing to such client in writing before the completion of any settlement of such transaction the capacity in which AXA IM is acting, and (ii) obtaining the written consent of such client prior to the settlement if to such transaction. AXA IM does not invest in securities for its own account. Nevertheless, accounts managed by AXA IM may contain sufficient assets attributable to its parents or affiliates to render such accounts "principal accounts" for purposes of this section of the Advisers Act. Generally, AXA IM deems any account that is 25% or greater beneficially owned by any of its affiliates a principal account.

AXA IM does not cause accounts it manages to enter into principal trades without the prior written approval of the applicable clients. We monitor and report on a monthly basis to the local control committee, which consists of our co-heads of trading as well as our chief risk officer, chief operations officer and chief compliance officer (the "LCC") (i) all of our accounts under management to determine if they are deemed principal accounts, and (ii) on a post-execution basis, any and all cross trades and/or principal trades.

Gifts and Entertainment:

We have policies in place governing the types and value of gifts and forms of entertainment that our employees may accept from broker-dealers, vendors, current or prospective clients. All receipt of gifts and entertainment must be reported to our Chief Compliance Officer. Employees are prohibited from receiving extravagant gifts or entertainment through our business relationships.

Item 12: Brokerage Practices

Allocation Policy:

AXA IM has adopted an allocation policy that applies to investment opportunities which have limited capacity and/or time availability. This policy directs us to allocate investment opportunities amongst our clients fairly and provides consistent treatment of clients with similar investment objectives and guidelines to the extent practicable.

Although we attempt to obtain capacity in the market for all of our clients that may participate, capacity is not always available. Under such circumstances, we may have an incentive to allocate, aggregate or sequence trades in favor of, or to otherwise favor, (i) those accounts for which we receive a performance-based fee because we will receive a higher fee if their performance exceeds the applicable benchmark or (ii) related accounts of our affiliates. To address this and other potential conflicts of interest, generally, we will allocate investment opportunities between participating accounts on a pro rata basis based on account size. Allocations may be subject to rounding to ensure that resulting lot sizes are economic and tradable. Situations may arise, however, where we believe in good faith that an allocation to a particular account may not be appropriate because, amongst other reason, (i) client guidelines and restrictions, (ii) insufficient cash in an account for such investment, or (iii) where the resulting allocation will result in a de minimis allocation which is neither tradable nor scalable. All trade allocations are documented at the time of placing an order in the market without client favoritism. Under no circumstances will we allocate trades based upon subsequent market movements.

We monitor and report on a monthly basis to the LCC any and all allocation exceptions, along with any specific information that may be necessary to ensure a complete reporting.

Transition Managers:

From time to time, a new client may utilize a transition manager for purposes of transitioning authority to us over an account previously managed by a different investment manager or

according to a different benchmark or strategy. We may provide the transition manager with a target portfolio which is to be implemented by the transition manager in advance of our acceptance of discretionary authority over the account. During this transition period, the transition manager assumes trading authority for the new account including investment in the target portfolio provided by us. As a result of possible limitations on liquidity in the fixed income markets, the implementation by the transition manager of the target portfolio may be deemed to adversely affect the liquidity or pricing of securities which we actively trade for accounts under management.

Broker-Dealer Selection:

In selecting broker-dealers, we seek those broker-dealers who can provide best execution of transactions under the circumstances. By “best execution” we mean that we seek the transaction that will provide the most favorable total cost or proceeds reasonably attainable in the circumstances. The principal factors determining this selection include, but are not limited to: (1) a broker’s capital depth; (2) a broker’s market access; (3) a broker’s transaction confirmation and account statement practices; (4) our knowledge of bid-ask spreads currently available; (5) our valuation of the security to be bought or sold; (6) the nature and character of the markets for the security to be purchased or sold; (7) the desired timing of the transaction; (8) the execution; (9) clearance and settlement capabilities of the broker selected and others considered; (10) our knowledge of any actual or apparent operational problems of a broker; and (11) the reasonableness of the mark-up or its equivalent for the specific transaction. In light of the factors described above, “best execution” is not synonymous with lowest brokerage mark-up or lowest bid-ask spread. Consequently, in a particular transaction a client may pay a brokerage mark-up or a bid-ask spread in excess of that which another broker might have charged for executing the same transaction. The performance of broker-dealers is periodically evaluated by AXA IM and the result are periodically reported to the LCC.

Soft Dollar Benefits:

We may receive research (including pertinent third party research) or other products or services other than execution with respect to brokered cross trades between accounts and/or funds managed or advised by us through an unaffiliated non-positioning broker-dealer (“soft dollar benefits”). Generally, we only acquire soft dollar benefits from agency mark-ups paid to the unaffiliated broker-dealer that we use to transfer a security from one account under management to another such account (also known as a brokered cross-trade; see Item 11 above for more information). Accordingly, the soft dollars we acquire do not comport with

Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)"), because they are not acquired from commission dollars.

Clients should be aware that a more favorable bid-ask spread may be available from a different broker who offers no research services and minimal securities transaction assistance. When we use client brokerage commissions or client funds to pay a greater bid-ask spread to obtain soft dollar benefits from a broker-dealer or third party, we receive a benefit because we do not have to produce or pay for the soft dollar benefits ourselves. As a result, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving soft dollar benefits, rather than on our clients' interest in receiving most favorable execution of trades.

Soft dollar benefits may be useful in serving all clients, including client accounts that did not generate any soft dollar credits. Not all soft dollar benefits that we receive may be useful for the client account(s) that generated the soft dollar credits used to obtain the soft dollar benefits. We do not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Within our last fiscal year, the soft dollar benefits that we acquired were limited to proprietary research (created or developed by the broker-dealer) and third party research (research developed or created by a third party) that aid in our investment decision making process. Specifically, the types of research services that we received included the following:

- information on the economy, industries, groups of securities and individual companies
- statistical information and market data
- information regarding political developments
- credit analysis, performance analysis and other information regarding matters that may affect the economy and/or securities prices

Although our use of soft dollars does not technically comply with Section 28(e) because we acquire such soft dollars through mark-ups rather than commissions, it is AXA IM's policy, nonetheless, to only use such soft dollars to obtain items that would constitute eligible research and/or brokerage under Section 28(e). Sometimes, a portion of the brokerage and research products and services we use would otherwise be eligible under Section 28(e) and another portion is not eligible. These are referred to as "mixed use" products and services. Where research services from a broker are not used exclusively by us for purposes of making

investment decisions, we will, based upon our allocation of expected use, bear that portion of the cost of such services not related to making investment decisions. Our receipt of these mixed-use products and services and our determination of the appropriate allocation between our cash payments and the use of client brokerage commissions and funds create a conflict of interest because we benefit to the extent that client brokerage commissions and funds pay for the products and services. We make a good faith allocation between the research and non-research use of services and use our own funds to pay for the percentage of the service that is used for non-research purposes.

ERISA or plan asset (as defined under Section 4975 of the Internal Revenue Code of 1986, as amended) accounts under AXA IM's management will not generate any soft dollars. Prior to acquiring any soft dollar benefits we make a good faith determination that the mark ups paid are reasonable in relation to the value of the brokerage and research services received. We monitor and review on an annual basis our receipt of soft dollar benefits from mark ups on cross trades. The Chief Compliance Officer approves soft dollar benefit providers and eligible soft dollar benefits, including research services and periodically reports these allocations to the LCC. In addition, once a month all soft dollar transactions are sent to the LCC for general review.

Block Trades:

We will block or aggregate trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading allows us to execute trades in a more timely and equitable manner and to reduce overall transaction costs clients. As described below under "Directed Brokerage," we may not block trades where a client directs brokerage. Clients may pay more when we do not aggregate trades, as seeking to place separate, non-simultaneous transactions in the same security for multiple clients may have a negative effect on market price, transaction commissions and/or trade execution.

Directed Brokerage:

Clients may direct us to use a particular broker or dealer to execute transactions. In doing so, clients should understand that they may pay higher commissions on some transactions and/or may receive less favorable execution of some transactions, than if we had brokerage discretion. Also, clients that direct brokerage may not participate in block trades. A client's non-participation in block trades may result in lost opportunities to purchase securities for the

client's account that other clients participating in block trades were able to take advantage of. In addition, when a client does not participate in block trades as a result of directing brokerage, the client may pay higher commissions on some transactions and/or may receive less favorable execution of some transactions.

Item 13: Review of Accounts

Client accounts are generally reviewed on a daily basis by AXA IM operations staff or Affiliated Adviser Clients, as applicable, to monitor that such accounts are adhering to their applicable investment objectives, guidelines and limitations. In addition, the net asset value of each client account managed pursuant to the core high yield, short duration high yield and U.S. corporate investment grade strategies is monitored on a daily basis by our portfolio managers. The net asset value of the St. Bernard Fund is calculated by US Bank as the independent, third party administrator of the St. Bernard Fund and reviewed by both Ellington and AXA IM on a daily basis. The net asset value of the U.S. High Yield Fund is calculated by State Street Bank as the independent, third party administrator of the U.S. High Yield Fund and reviewed by AXA IM on a daily basis.

Senior portfolio managers will, in addition, review monthly performance reports for all accounts. AXA IM makes available commentary regarding our high yield, short duration high yield and structured finance strategies to investors in those strategies.

With respect to individually managed accounts, we may send reports directly to individually managed clients or, in the case of Underlying Portfolios that are separate accounts, to the applicable Affiliated Adviser Client, on at least a quarterly basis, or more frequently, upon request. These reports could be in letter form and may include a portfolio summary including performance.

We also provide each investor that has invested in the St. Bernard Fund and/or the U.S. High Yield Fund with a quarterly letter generally discussing the results of the prior quarter, and we provide investors in the U.S. High Yield Fund a monthly account statement. In addition, an unaffiliated trustee of the CLO provides investors in the CLO with reports in accordance with the CLO offering memorandum.

With respect to our insurance company affiliates for which we manage certain portfolios, we share with such insurance companies internally produced investment grade research reports as a result of such insurance companies' local insurance regulations. Such research reports are

shared only after we make investment recommendations based on such research for clients, and do not include the recommendations.

Item 14: Client Referrals and Other Compensation

We have established relationships with consultants to institutional investors and pension plans. In addition, we have executed third party marketing agreements with select entities to assist us with raising assets for the St. Bernard Fund. As stated in Item 5 above, we do not receive compensation from sources other than our clients, other than the soft dollar and/or the transition management benefits described in Item 12 above.

AXA IM markets interests in the St. Bernard Fund to qualified non-United States investors and, in respect of the U.S. High Yield Fund, AXA IM markets interests to qualified United States investors. As per the marketing and solicitation services agreement with AXA Rosenberg, AXA IM also markets interests in the Affiliated Funds to qualified United States investors. Finally, AXA IM also markets interests in the Global Inflation Strategy to qualified United States investors. As discussed in Item 5 above, none of AXA IM's employees receive compensation based upon sales of securities, fund interests or other investment products.

Item 15: Custody

As manager of the U.S. High Yield Fund and the St. Bernard Fund, we are authorized to act with respect to the assets of such funds in a manner that causes us to be deemed to have custody of each such fund's assets under the SEC's custody rule applicable to registered investment advisers. Accordingly, to meet the requirements of the custody rule, such funds are subject to an annual audit in accordance with generally accepted accounting principles conducted by an independent public accountant registered with the Public Company Accounting Oversight Board and the audited financial statements are distributed to investors in each such fund within 120 days of the end of such fund's fiscal year, as applicable.

With respect to AXA IM's separate accounts clients, we do not have custody of client assets. Separate account clients receive periodic statements from their qualified custodians.

Clients should carefully review account statements. In addition, we urge each of our clients to compare the account statements that they receive from their qualified custodians with those that we provide to clients either on a monthly or quarterly basis, if applicable. Our statements may vary from custodial statements based upon pricing methodologies, accrued interest in

bonds, or timing of the settlement dates of trades. We discuss these variations in our reports and are happy to discuss them further with our clients upon request.

Item 16: Investment Discretion

All of our client assets are managed on a discretionary basis. Generally, clients will grant discretionary authority to us to manage their securities accounts by executing an investment management agreement with us that includes a power of attorney. The client's investment management agreement and guidelines specify the types of investments permitted for the account and may place limits on the amount of securities of issuers or industries that we can purchase for the account. Clients generally establish their own custodial arrangements and provide the custodian with a letter granting us the authority to manage their accounts.

Item 17: Voting Client Securities

AXA IM invests primarily in debt securities and private debt / whole loans of U.S. corporations on behalf of its advisory clients. AXA IM infrequently invests in common equity securities. Accordingly, AXA IM rarely receives voting proxy proposals, amendments, consents or resolutions (collectively, "proxies"). On rare occasions, AXA IM may receive proxies for corporate restructurings of debt issuers or other exceptional circumstances. Unless a client specifically reserves the right, in writing, to vote its own proxies, AXA IM will vote all proxies in a timely manner as part of its discretionary authority over client assets in accordance with its proxy voting policy.

To the extent that AXA IM exercises or is deemed to be exercising voting authority over client securities, our general policy is to vote proxies in a manner that serves the best interest of the client, as determined by us in our discretion, taking into account factors described in our proxy policy. When conflicts of interest between us in our capacity as investment adviser and any client arise, we will disclose the conflict to the client and obtain the consent of the client before voting the securities on the client's behalf or, if that is not possible for any reason, we may instead delegate the voting authority to an independent third party. The foregoing summary of our proxy policy is qualified in its entirety by the complete text of such policy. Clients who wish to obtain either a copy of our voting policies and procedures or information as to how we voted securities in their account should contact our Chief Compliance Officer, AXA Investment Managers, Inc., 100 West Putnam Avenue, 4th Floor, Greenwich, CT 06830.

Item 18: Financial Information

This item requires disclosure of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Currently, there is no financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.