



## **AXA INVESTMENT MANAGERS, INC.**

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**March 30, 2017**

### ***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](mailto:usclientservice@axa-im.com). Our website address is [www.axa-im-usa.com](http://www.axa-im-usa.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](http://www.adviserinfo.sec.gov).

## ***Item 2: Material Changes***

Capitalized terms used in this Item 2 and defined herein are defined elsewhere in this brochure. Since March 30, 2016, the date of our most recent Form ADV, 2A filing, AXA IM has identified the following material changes:

- We have revised Item 4 in light of certain AXA Group corporate restructurings.
- As listed in Item 5, AXA IM has launched two new Cayman Island's domiciled issuers of Collateralized Debt Obligations ("CDOs"). We have also adjust the fees paid by certain other funds, as more fully described in Item 5.
- In Item 10, we have more fully described the sharing of client confidential information between AXA IM and its affiliates, as well as more fully described certain conflicts of interest that arise between AXA IM and its affiliates.
- In Item 11, we have more fully described our Code of Ethics and certain policies and procedures in relation to our Code of Ethics.
- In Item 12, we have more fully described certain brokerage practices, including broker and counterparty selection and soft dollar benefits.
- In Item 16, we have described how AXA IM complies with its parent's securities selection policies, which are designed to facilitate compliance with local law.
- In Item 17, we have further described the policies and procedures our participating affiliates follow in voting proxies.

### ***Item 3: Table of Contents***

Item 1: Cover Page .....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation .....	7
Item 6: Performance-Based Fees and Side-by-Side Management .....	18
Item 7: Types of Clients.....	19
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	20
Item 9: Disciplinary Information .....	44
Item 10: Other Financial Industry Activities and Affiliations .....	44
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.	48
Item 12: Brokerage Practices .....	53
Item 13: Review of Accounts .....	58
Item 14: Client Referrals and Other Compensation .....	59
Item 15: Custody .....	59
Item 16: Investment Discretion .....	60
Item 17: Voting Client Securities.....	60
Item 18: Financial Information .....	62

#### ***Item 4: Advisory Business***

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

- AXA SA directly and indirectly owns substantially all of AXA Investment Managers SA's equity ownership interests
- AXA Investment Managers SA indirectly owns 100% of AXA IM

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.

We offer 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 (which are strategies 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), (v) long-short credit, (vi) long-short equity strategies, which is a strategy in respect of which AXA IM relies on the resources and capabilities, including certain personnel, of AXA Investment Managers UK and AXA Investment Managers Paris to supply services pursuant to a participating affiliate arrangement, and (vii) sub-advisory services to US based mutual funds. In addition to the above referenced strategies, in the future, AXA IM may provide portfolio management services utilizing additional investment strategies provided by certain AXA IM foreign affiliates pursuant to participating affiliate arrangements with such AXA IM foreign 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 select investment guidelines of AXA IM Group, as applicable.

We manage and/or sub-advise separate accounts for international and domestic institutional clients. Our separately managed account clients are permitted to 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”), Collateralized Loan Obligations (“CLO”) 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”), AXA IM US Small Cap Fund, LLC, which is also an onshore private investment fund domiciled in Delaware (the “US Small Cap Fund”), 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”). AXA IM retains certain powers and responsibilities as managing member of each Affiliated Fund, such as general administrative and support services and sales and distribution services. However, each Affiliated Fund has delegated all investment management authority and responsibility to an affiliate of AXA IM, AXA Rosenberg Investment Management LLC (“AXA Rosenberg”), and, as such, no Affiliated Fund is an advisory client of AXA IM. In addition to its responsibility for the investment activities of each Affiliated Fund, AXA Rosenberg is also responsible for certain reporting, filing and regulatory disclosure obligations (e.g., Form ADV, Form PF and client notice requirements), for which AXA IM provides general assistance from time to time. As compensation for services to the Affiliated Funds, we charge a management fee to the Affiliated Funds equal to a percentage of assets under management, which we share with AXA Rosenberg for their services to each Affiliated Fund.

As referenced above, as of the date on this brochure we also serve as a sub-adviser to four U.S. investment companies registered under the Investment Company Act of 1940, as amended (the “U.S. Investment Companies”) that are managed by AXA Equitable Funds Management Group,

LLC, a domestic affiliate of AXA IM or Wilmington Funds Management Corporation. The portion of the U.S. Investment Companies we manage pursues high yield and equity investment strategies either through direct sub-advisory relationship or through the aforementioned participating affiliate arrangements. 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, (iv) various equity strategies, and (v) 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) six CLOs and (ii) certain Affiliated Adviser Clients that manage certain offshore private investment vehicles.

AXA IM also trades and/or oversees certain swaps, futures and derivatives under the jurisdiction of the Commodity Futures Trading Commission. AXA IM relies on an annually filed exemption from commodity pool operator and commodity trading advisor registration in respect of such trading.

In addition to the foregoing activities, AXA IM also provides support services to AXA Rosenberg and expects to provide similar services to other affiliates in the Americas in the future. Some of the support services that AXA IM provides to AXA Rosenberg includes 1) compliance support; 2) sales and distribution support; 3) finance support including tax, accounting and CFO assistance; 4) client services; 5) legal support; and 6) select operational, audit and organizational support (“Support Services”). AXA IM is reimbursed for these services either under the Master Fee Services Agreement or the Expense Allocation Recharges Procedure described in Item 5 below.

As of December 31, 2016, our regulatory assets under management calculated on a gross basis and managed on a discretionary basis were \$68,469,820,236. 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 sometimes 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 result in certain investors 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 and on any Subordinated Notes Redemption 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 Collection 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 Collection 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 or Subordinated Notes Redemption 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 or Subordinated Notes Redemption 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 calculated and disbursed by the CLO's trustee in accordance with the Collateral Management Agreement and Indenture and are not deducted directly by the Collateral Manager 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 III, Ltd.:

AXA IM, as the Collateral Manager will be entitled on each CLO payment date and each Subordinated Notes Redemption 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 Collection Period relating to the applicable Payment Date or Subordinated Notes Redemption Date. The Subordinated Collateral Management Fee is equal to 0.285% 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 Collection Period relating to such 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 or Subordinated Notes Redemption 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 or Subordinated Notes Redemption 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 calculated and disbursed by the CLO's trustee in accordance with the Collateral Management Agreement and Indenture and are not deducted directly by the Collateral Manager 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 IV, Ltd.:

AXA IM, as the Collateral Manager will be entitled on each CLO payment date and each Subordinated Notes Redemption 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 Collection Period relating to the applicable Payment Date or Subordinated

Notes Redemption Date. The Subordinated Collateral Management Fee is equal to 0.285% 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 Collection Period relating to such 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 or Subordinated Notes Redemption 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 or Subordinated Notes Redemption 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 calculated and disbursed by the CLO's trustee in accordance with the Collateral Management Agreement and Indenture and are not deducted directly by the Collateral Manager 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 Adagio CLO IV, Ltd.:

As compensation for the performance of its investment management services under the Investment Management and Collateral Administration Agreement, AXA IM, as the Investment Manager, will receive from the Issuer, in arrears on each Payment Date, the Senior Investment Management Fee, the Subordinated Investment Management Fee and the Incentive Investment Management Fee.

The Senior Investment Management Fee is equal to 0.15% per annum (calculated on the basis of a 360 day year and the actual number of days elapsed in such Due Period) of the Aggregate Collateral Balance at the beginning of the Due Period relating to such Payment Date. The Subordinated Investment Management Fee is equal to 0.35% per annum (calculated on the basis of a 360 day year and the actual number of days elapsed in such Due Period) of the Aggregate Collateral Balance at the beginning of the Due Period relating to such Payment Date. The Incentive Investment 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 a Payment Date on which the Subordinated Notes Outstanding have received an internal rate of return of at least 12% on the Principal Amount Outstanding of the Subordinated Notes as of the first day of the Due Period preceding such Payment Date (after giving effect to all payments in

respect of the Subordinated Notes to be made on such Payment Date). The Senior Investment Management Fee, the Subordinated Investment Management Fee and the Incentive Investment Management Fee are each payable quarterly in arrears unless a Frequency Switch Event has occurred in which case, those fees would be payable semi-annually. Fees are calculated and disbursed by the CLO's trustee in accordance with the Collateral Management Agreement and Indenture and are not deducted directly by the Collateral Manager from the CLO's account.

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

Fee Schedule for Adagio CLO V, Ltd.:

As compensation for the performance of its investment management services under the Investment Management and Collateral Administration Agreement, AXA IM, as the Investment Manager, will receive from the Issuer, in arrears on each Payment Date, the Senior Investment Management Fee, the Subordinated Investment Management Fee and the Incentive Investment Management Fee.

The Senior Investment Management Fee is equal to 0.10% per annum (calculated on the basis of a 360 day year and the actual number of days elapsed in such Due Period) of the Aggregate Collateral Balance at the beginning of the Due Period relating to such Payment Date. The Subordinated Investment Management Fee is equal to 0.35% per annum (calculated on the basis of a 360 day year and the actual number of days elapsed in such Due Period) of the Aggregate Collateral Balance at the beginning of the Due Period relating to such Payment Date. The Incentive Investment 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 a Payment Date on which the Subordinated Notes Outstanding have received an internal rate of return of at least 12% on the Principal Amount Outstanding of the Subordinated Notes as of the first day of the Due Period preceding such Payment Date (after giving effect to all payments in respect of the Subordinated Notes to be made on such Payment Date). The Senior Investment Management Fee, the Subordinated Investment Management Fee and the Incentive Investment Management Fee are each payable quarterly in arrears unless a Frequency Switch Event has occurred in which case, those fees would be payable semi-annually. Fees are calculated and disbursed by the CLO's trustee in accordance with the Collateral Management

Agreement and Indenture and are not deducted directly by the Collateral Manager from the CLO's account.

The Senior Investment Management Fee, the Subordinated Investment Management Fee and the Incentive Investment Management Fee are subject to the Priority of Payments and the limitations described under the Investment 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. In accordance with our sub-advisory assignments, AXA IM receives negotiated management fees based on assets under management for each of the U.S. Investment Companies, which is calculated and accrued on a daily basis and paid monthly in arrears. For those sub-advisory assignments that involve other AXA affiliates, pursuant to a fee sharing agreement with such AXA affiliates that serve as manager of select 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. Pursuant to participating affiliate arrangements, AXA IM shares with such entities a portion of the of the fees it receives from such U.S. clients.. See also "Fee and Expense Sharing between AXA Affiliates" at the end of this Item 5.

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.

#### U.S. 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

#### U.S. Dynamic High Yield

- 60 basis points on assets up to and including \$50 million
- 57 basis points on assets greater than \$50 million up to and including \$75 million
- 55 basis points on assets greater than \$75 million up to and including \$100 million
- 53 basis points on assets greater than \$100 million up to and including \$150 million
- 51 basis points on assets greater than \$150 million up to and including \$200 million
- 49 basis points on assets greater than \$200 million

#### U.S. 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

While the investment management fees generally are not negotiable for the above referenced strategies, AXA IM, in its sole discretion, is permitted to enter into advisory agreements with

certain clients (including both affiliated and unaffiliated) that deviate from the above fee schedule depending on the size of the account and the nature of the contemplated investments. Therefore, management fees sometimes 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 result in certain investors paying fees that are actually higher or lower than the fees represented in the schedule above.

Except as 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 sometimes do 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 managed account clients in the above four 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 fixed income account clients incur the cost of the bid-ask spread charged by broker-dealers on 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. Applicable equities account clients incur brokerage commissions and other transaction costs. Please see Item 12 below for more information regarding brokerage.

#### Allocations of Shared Expenses Between Clients:

Generally, client expenses are billed directly to the applicable client, however, if more than one client incurs a shared expense, AXA IM allocates such shared expense among the applicable clients (i) in proportion to the size of the investment made by each client to which the expense relates (as generally expenses, such as brokerage expenses, are automatically included) or (ii) in such other manner as AXA IM considers fair and reasonable.

#### Marketing and Product Specialist Services of Employees:

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 the time and efforts spent by AXA IM employees' marketing the AXA Rosenberg management services and products based on either the Master Fee Services Agreement together with its solicitation sub-agreement between AXA IM and AXA Rosenberg and/or the Expense Allocation Recharges Procedure described in this Item 5 below. However, such compensation is not tied to the amount of assets invested in any of the aforementioned investment products and / or services.

AXA IM has under its supervision properly licensed employees who build 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 employees market such offshore funds and managed accounts to non-US 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 employees' 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 employee's time and efforts spent conducting the foregoing activities based on either the Master Fee Services Agreement and/or the Expense Allocation Recharges Procedure described in this Item 5 below.

In addition, AXA IM has under its supervision an employee that serves as a product specialist for various strategies offered to Underlying Portfolios managed by an Affiliated Adviser Client.



Such employee is not charged with nor requested to provide any 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 based on either the Master Fee Services Agreement and/or the Expense Allocation Recharges Procedure described in this Item 5 below.

Clients are not charged any additional fees due to the fees paid by AXA IM to employees as described in this section.

#### Fee and Expense Sharing between AXA Affiliates

##### *Master Fee Services Agreement*

AXA IM and certain of its affiliates, including, without limitation, the UK Participating Affiliate, the Paris Participating Affiliate (as defined below) and AXA Rosenberg, are parties to a master fee service agreement that allocates fee revenue (as a percentage of the net fees generated by the applicable client account) among these various entities for various services rendered within AXA Group including: Portfolio Management, select Distribution/Marketing/Client Services and select Operations services provided by the various entities for such client account. AXA IM and AXA Rosenberg have also executed solicitation agreement that is a sub-agreement to the master fee service agreement whereby AXA Rosenberg pays AXA IM a fee in accordance with such master fee service agreement for time and efforts spent marketing the AXA Rosenberg management services and products, as well as providing operational, administrative and client servicing tasks on a per fund or account basis.

##### *Expense Allocation Recharges Procedure*

AXA IM and certain of its affiliates, including AXA Rosenberg, also allocate expenses (including the cost of certain employees) between the various entities according to metrics intended to reflect the respective proportion of services provided by each entity (or its employees or department(s)). The proportion of services provided by each entity (or its employees or department(s)) is measured by the percentage of time dedicated by a given employee, by the assets under management of the various entities or by the headcount of the various entities.

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

From time to time, AXA IM enters into arrangements with clients that 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 (iii) a certain Affiliated Adviser Client with respect to a portion of a single Underlying Portfolio and (iv) a single Underlying Portfolio in the Investment Grade Bond strategy. Except as otherwise disclosed herein, AXA IM does not receive performance-based fees from the U.S. High Yield Fund, the Affiliated Funds or any other clients. One of AXA IM’s UK affiliates with which it has a participating affiliate agreement receives a performance-based fee for a single account within the Global Talents strategy and may in the future receive performance fees for other accounts within the strategy.

Clients should be aware that a performance-based fee creates a conflict of interest for an adviser, as there is 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. An additional conflict of interest arises for AXA IM regarding clients that do not pay a performance-based fee and clients that do pay a performance-based fee, as well as between clients that pay different levels of asset or performance-based fees. For example, AXA IM has 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, AXA IM has an incentive to favor those accounts that pay a greater management fee or performance fees over those accounts that pay us a lesser management fee or performance fee because we will receive greater compensation by doing so. In addition, AXA IM has an incentive to favor those accounts where a performance-based fee is likely to be paid sooner. For example, if an account’s performance makes it unlikely that the account will pay performance-based compensation in the near future, we have an incentive to allocate desirable investment opportunities to accounts that are likely to pay performance-based compensation in the near future.

To address these conflicts of interest, we seek to treat all clients in a fair and equitable manner at all times, without regard to the level of compensation we receive from such clients. To that end, we have established a variety of policies, procedures and other controls regarding

allocation of investment opportunities that are designed to treat all clients fairly regardless of the level of compensation that we receive from such clients. Please see Item 12 below for more information about our allocation policies.

To reduce the incentive to favor one account over another, aspects of our systematic processes are designed to mitigate conflicts. For example, all AXA IM employees receive a salary and are eligible to participate in AXA IM's success through discretionary bonus awards that are tied to both individual and AXA IM's overall performance against objectives. Compensation for employees are not directly derived from an individual client account's performance or revenue.

Side-by-side Management by Participating Affiliates:

In addition to the foregoing conflicts of interest, our affiliates that assist in managing our client accounts through participating affiliate arrangements also manage other client accounts. Such other accounts sometimes pay higher amounts of fees and/or performance fees than the participating affiliates receive for providing investment advice to the AXA IM client accounts. In such cases, the participating affiliates have an incentive to allocate desirable investment opportunities to accounts that pay such higher fees. AXA IM addresses this conflict of interest by reviewing the allocation policies of such participating affiliates to determine that they are designed to treat all of their clients fairly including the accounts they assist in managing under the participating affiliate arrangements. In addition, AXA IM receives periodic reports of any allocations that such participating affiliates make that are not consistent with applicable pro rata allocation policies and procedures. AXA IM follows-up with the participating affiliate to the extent it appears that there may have been anomalies in terms of such allocation procedures. Please see Items 10's discussion of "AXA Group Investments" and Item 11's discussion of "Participation or Interest in Client Transactions" for more information about certain conflicts of interest that arise from side-by-side management of accounts.

***Item 7: Types of Clients***

AXA IM provides investment advisory services to institutions (such as public pension plans, trusts and foreign corporations), CLOs, 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.

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

Conditions for Managing Separate Accounts:

In most strategies, we require a minimum initial investment of \$50 million to open an individually managed account. In our sole discretion when we deem appropriate, we are permitted to accept accounts of less than \$50 million.

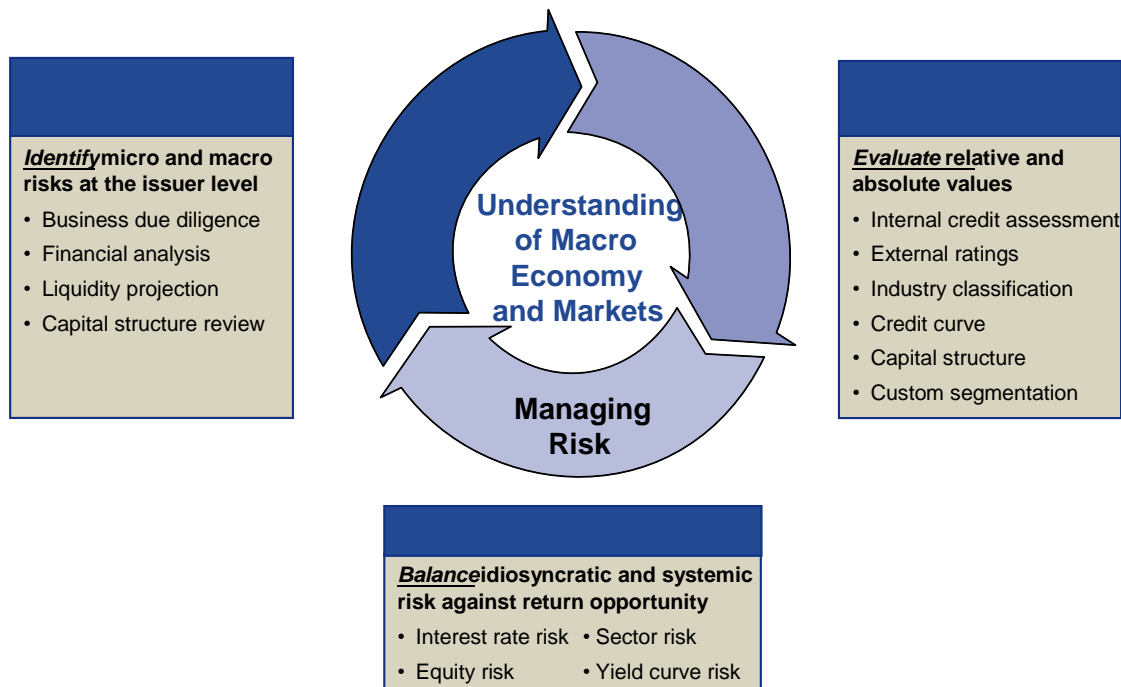
Conditions for Subscription to the St. Bernard Fund, the U.S. High Yield Fund and the Affiliated Funds:

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

#### *U.S. 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.

Available investment vehicles include separate accounts, Luxembourg-domiciled mutual fund (for those eligible non-US Persons), and AXA US High Yield Fund L.L.C.

#### *Dynamic U.S. High Yield*

The investment objective of this strategy is to invest primarily in US dollar-denominated debt securities rated below investment grade of US corporations 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 volatility of the strategy is targeted to be equal to or less than the high yield market.

Available investment vehicles include separate accounts and Luxembourg-domiciled mutual fund (for those eligible non-US Persons).

#### *U.S. 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 expected take out of these debt securities is expected to be three years or less.

Available investment vehicles include separate accounts, UK-domiciled mutual fund, and Luxembourg-domiciled mutual funds (for those eligible non-US Persons).

### U.S. Corporate Investment Grade

The investment objective of this strategy is to achieve a return over a full market cycle 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.

Available investment vehicles include separate accounts and Luxembourg-domiciled mutual fund (for those eligible non-US Persons).

### U.S. 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 Talents Strategy

The objective of this strategy is to achieve long-term capital growth. Typical investors would seek long term capital growth from an actively managed portfolio of listed equity and equity related securities and related instruments.

The portfolio managers seek to achieve the objectives of the Global Talents strategy through an exposure to all cap international equities. The strategy will be selecting stocks using an entrepreneur investment philosophy. The portfolio managers developed this investment philosophy as they believe financial markets are not efficient and too many companies are

badly managed or depend on economic cycles. Therefore, the portfolio managers prefer to trust entrepreneurs who have a strong track record in developing business and creating value.

This strategy also focuses on situations where the entrepreneurs (and/or executives) hold a significant stake in their company. The investment rationale is that such executives are willing to create value and success in the long-term and are ready to assume heavy short-term investments to generate long term growth for the Company due to the primary fact that the value of their own personal wealth depends on long-term value creation. Such managers also typically have a strong capacity for action and fast reactivity as they are usually less dependent on analysts, minority Shareholders and financiers.

- The strategy typically will invest not more than 10% of its net assets in units of UCITS, mutual funds and/or other similar structures.
- For hedging and efficient portfolio management purposes, this strategy may expose itself to equities, equity-related securities, bonds and other fixed income instruments, indexes and currencies, and other similar investment products and/or actions.
- Under no circumstances shall these operations cause the strategy to materially diverge from its investment objective.

#### 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 has the right to also invest in non-credit-sensitive MBS and ABS, as well as other instruments, including without limitation, collateralized debt obligation transactions (“CDOs”) (in particular, through secondary purchases of CDOs of MBS and ABS), CLOs, 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 have ranged from unrated (first-loss) securities (“Equity”) to AAA senior securities, and has included unsecuritized whole loan residential mortgages. The St. Bernard Fund has the right to 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 are 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 has, in its discretion, leveraged 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 has the right to 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 seeks 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 do 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 is often 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 often 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 happened following 2008, 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 deals for the client accounts from time to time), 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, are 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.
- *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.* Certain client accounts generally are not diversified among a wide range of financial instruments, industries or asset classes and 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. Such client accounts will likely 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.
- *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 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. For certain clients, AXA IM is permitted to trade currencies and financial instruments in interbank and forward contract markets that AXA IM believes to be well-established and of recognized standing. AXA IM is permitted to effect such trades with brokers and other market participants that it believes to be creditworthy.
- *Disaster Recovery and Data Security.* AXA IM relies heavily on information technology and data management systems, which can fail or be subject to interruption or destruction caused by natural or man-made occurrences such as extreme weather, fires, earthquakes, power loss, telecommunications failures, terrorist attacks, hacking, break-ins, sabotage, intentional acts of destruction, vandalism, or similar events or misconduct. Any failure, interruption, or destruction of AXA IM's information technology systems or data could have a material adverse impact on AXA IM's operations and client accounts. In addition, a breach in the security of AXA IM's systems could result in the theft, disclosure, or loss of client, proprietary, and other sensitive information.

AXA IM has in place information security, incident response, backup, and disaster recovery procedures intended to prevent or mitigate damage if such an event occurs. However, a breach could nevertheless occur, and such procedures could fail or be insufficient to avoid, mitigate, or remedy the breach. Moreover, the ever-changing methods and technologies used to obtain unauthorized access to systems through means such as third-party acts, computer error, malicious code, employee error, or malfeasance often are not known until used against a potential target. Therefore, AXA IM may be unable to anticipate the destructive or invasive methods and technologies that could be used against its systems or to implement adequate protections.

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.

#### General Risks Applicable to Fixed-Income Strategies

- *Fixed-Income Investments and Interest Rate Risk.* This is the risk that the value of fixed-income financial instruments will 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 will 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 likely does 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.

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

Risks Applicable to the Core High Yield, Dynamic High Yield, Short Duration High Yield, 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 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 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:* If and when they become eligible, the funds and/or accounts are permitted to 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 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 will likely have adverse consequences if 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 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 are able to 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 are 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 invests 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 enters into repurchase agreements from time to time, 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 has the right to 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 has invested 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 consists 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 Talents and European Small Cap Equity strategies:

- *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. This strategy is mainly invested in equity for which there is high risk of invested capital loss.

*Risk Linked to Investments in Emerging Markets:* 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 (governments' influence, social, political and economic instability, different accounting, auditing and financial report practises). Emerging markets securities may also be less liquid and more volatile than similar securities available in major markets, and there are higher risks associated to transactions settlement, involving timing and pricing issues.

*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

- *Small Cap Securities Risk:* Liquidity risks linked to investments in small and micro capitalisation securities implies specific liquidity risks. Small cap companies may have limited product lines or markets. They may be less financially secure than larger, more established companies.

#### 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.

In addition to the advisory services described above, AXA IM is responsible for sales, distribution and client service activity for North America, on behalf of AXA IM and AXA Rosenberg (see Item 14 “Client Referrals and Other Compensation” for more information regarding these solicitation activities). Further, AXA IM has entered into joint marketing arrangements with select affiliates. As a natural part of the foregoing arrangements, client confidential information is shared among AXA IM, its affiliates and Affiliated Adviser Clients employees, as appropriate in accordance with applicable regulations for us to, among other things, (i) assess the suitability of products and services for clients, (ii) provide contractually agreed products and services to our clients, and (iii) comply with applicable regulatory requirements, such as anti-money laundering laws. AXA IM and its affiliates are subject to standards of confidentiality and physical, electronic and procedural safeguards as required by applicable law to guard confidential or non-public information.

Our personnel or those of certain affiliates could come in possession of inside information concerning various companies. We do not utilize the services of expert networks to obtain information about companies. We have taken measures to establish inside information controls that serve to restrict firm and employee trading when AXA IM and /or certain affiliates have material non-public information on an issuer. The investment management functions of AXA IM and our affiliated Advisers are independent from those of AXA Group. Nevertheless, if we or certain affiliates possess such information, our ability to buy or sell securities of such issuers for our clients may be restricted.

#### Participating Affiliate Arrangements:

In reliance on a series of SEC no-action letters, AXA IM has entered into participating affiliate arrangements with certain of its Paris-based affiliates and certain of its London-based affiliates,

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 UK-based entities with which AXA IM has entered into a participating affiliate arrangements are: AXA Investment Managers GS LTD and AXA Investment Managers UK LTD (collectively, the "UK Participating Affiliate"). The Paris-based entities with which AXA IM has entered into a participating affiliate arrangement are: AXA Investment Managers IF and AXA Investment Managers Paris (collectively, the "Paris Participating Affiliate").

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 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 investment companies because it increases the investment management fees paid to our affiliate AXA Equitable Funds Management Group, LLC, and as a result, the sub-advisory fees paid to AXA IM.

#### AXA Group And Other Affiliate Relationships:

AXA IM, through its relationship with AXA Group and its subsidiaries, is affiliated with certain other members of AXA Group, including certain registered broker-dealers and investment advisors located in the U.S. and internationally. However, AXA IM and these affiliates generally conduct their business independently of one another. We believe that this structure best enables us to meet the investment objectives of our various affiliates and encourages individual responsibility for investment performance. However, it may result in situations where investment positions or actions taken by our affiliates competes with or contradicts positions taken for AXA IM clients.

In addition, AXA IM may purchase publicly traded securities issued by one of our related parties. However, these purchases are subject to client constraints, applicable laws and regulations (e.g., where AXA IM does not possess material nonpublic information about the issuer and where effective information barriers exist between AXA IM and the issuer).

#### AXA Group Investments:

AXA IM also manages certain client accounts and funds that include investments by affiliated subsidiaries of the AXA Group. In addition, with respect to our CLO products, we hold for our own account certain of the CLOs' assets as required by EU and/or U.S. risk retention rules. Such accounts and funds create a conflict of interest for AXA IM, as there is an incentive for AXA IM to allocate investment opportunities to these accounts and funds at the expense of other advisory clients. To mitigate these conflicts of interest, we have adopted allocation policies. Please see Item 12 below for information about our allocation policies. Please also see Item 6 above and the Item 11's discussion below regarding "Participation of Interest in Client Transactions" for additional discussion on side-by-side management of accounts.

#### 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 (nor does anyone at Ellington) 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. AXA IM and Ellington each 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.

The Code is designed to:

- Protect our clients by deterring misconduct
- Educate employees regarding our expectations and the laws governing their conduct
- Remind employees that they are in a position of trust and must act in accordance with this position of trust and responsibility
- Establish pre-clearance for “covered” securities through our automated Compliance tool
- Review and resolve trade alerts or exceptions within an automated compliance tool
- Require quarterly/annual certification of accounts, transactions, holdings and acknowledgment of understanding the Code as well as other ethical policies
- Block employees from purchasing restricted or watch list securities via the automated compliance tool and other processes
- Establish procedures for employees to follow so that we may determine whether persons covered by the Code are complying with our ethical principals
- Protect our reputation
- Guard against violation of the securities laws and violations of ERISA
- Summarize the values, principals, and business practices that guide our business conduct

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 are permitted to 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 or that employees might compete with clients for some investment opportunities. To mitigate these possible conflicts 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 (“Covered Securities”). Employees are required to report personal securities transactions in all Covered Securities, which excludes the following:

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

In addition, we monitor for conflicts of interest 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, or compete with, our investment activities.

AXA IM and each of its participating affiliates have taken measures to restrict the use of material non-public information. To that end, each entity has established a restricted list (“Restricted List”) that controls which transactions are available for trading for client portfolios and for personal trading. The Restricted List is a list of securities and security types subject to trading restrictions for all client and 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 client and personal trading in the specified issuer until the Chief Compliance Officer removes the issuer from the Restricted List. In addition, AXA IM and certain of its participating affiliates maintain a watch list (the “Watch List”). The placement of a security on the Watch List may restrict personal and/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 other than certain exempted accounts and securities.

#### 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 creates a conflict of interest, as there is an incentive for us to allocate investment opportunities to funds or accounts in which our employees our 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, generally 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.

Certain 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 are permitted to 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. A conflict of interest occurs when personal interests of employees interfere or could potentially interfere with their responsibilities to AXA IM and our clients. Employees should never encourage a quid pro quo (i.e., “favor for favor”) business transaction or feel beholden to a person or firm.

#### Political Contributions:

AXA IM and our employees may not make any payment of any kind, directly or indirectly, to any official of any government or government instrumentality, any political party, political official or any candidate for any political office (domestic or foreign), for the purpose of influencing any act or decision in order to help AXA IM obtain or retain business for or with, or direct business to, any person, as outlined in our Political Contributions Policy.

#### Conflicts of Interest - Outside Activities:

AXA IM generally prohibits its employees from engaging in outside activities (whether business, investment or otherwise) that interfere or could potentially interfere with their duties at AXA IM, AXA IM’s interests or the interests of AXA IM’s clients, as outlined in our Conflicts of Interest Policy.

Regardless of whether an outside activity is specifically addressed in the Code, employees must disclose to their manager and obtain written approval from both their manager and Compliance prior to engaging in any outside business activity.

#### Insider Trading Policy:

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

#### Policy on Anti-Bribery and Corruption in International Business Transactions:

AXA IM policy prohibits the paying, offering, giving, authorizing, or promising, either directly or indirectly, of money or “anything of value” to any government official in order to secure an improper benefit, obtain or retain business, or direct business to any person or entity, as outlined in our Anti-Bribery and Corruption in International Business Transactions Policy.

#### Information Security:

AXA IM’s Information Security Policy addresses employee obligations in connection with administrative, technological and physical safeguards for customer information. This includes the use of third party software, virus and spyware protections and internet use.

### ***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 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.

Although AXA IM's goal is to be fundamentally fair on an overall basis with respect to all accounts, there can be no assurance that on a trade-by-trade basis that one account will not be treated differently from another. The allocation procedures will sometimes cause an account to receive a different price or amount of assets than it would have otherwise received. For example, if AXA IM did not manage multiple client accounts, each client individually would be able to receive or sell a greater percentage of limited opportunity securities. Consequently, when multiple clients participate in limited opportunity trades, each participating account reduces the opportunity available to other participating accounts. Furthermore, since certain accounts include assets of AXA IM or affiliated subsidiaries of the AXA Group, the allocation of limited opportunity trades to such accounts will reduce the opportunity available to unrelated client accounts.

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.

#### 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 have the right direct us to use a particular broker or dealer to execute transactions, but such instructions are rare. Clients seeking to utilize directed brokerage should be aware of certain risks that directed brokerage raises. First, clients that direct brokerage may not participate in block trades. Second and relatedly, clients that direct brokerage may trade after clients that do not direct brokerage. Because of these issues, clients seeking to direct brokerage should understand that (i) they may pay higher commissions on some transactions, (ii) they may lose opportunities to purchase securities, especially securities of limited availability, and (iii) they may receive less favorable execution of some transactions.

### Transition Managers:

From time to time, a new client will 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 adversely affect the liquidity or pricing of securities which we actively trade for accounts under management.

### Broker-Dealer Selection:

AXA IM has adopted a global procedure governing how counterparties and brokers with whom AXA IM will enter into transactions are authorized. When selecting and approving these counterparties, AXA IM entities will perform a thorough due diligence to monitor that the counterparty, at a minimum, is financially sound, including sufficient capital requirements, and effective supervision, and has the necessary organizational structure and resources for performing the services which are to be provided.

In selecting a broker-dealer for trade execution, 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 results are periodically reported to the LCC.

#### Soft Dollar Benefits:

AXA IM does not directly receive soft dollar benefits. However, the Participating Affiliates uses commissions generated on client securities transactions (“soft dollars”) including securities that will be traded for clients of AXA IM that will engage in the Global Talents and European Small Cap strategies to purchase research (including pertinent third party research) and/or other products or services other than execution (“soft dollar benefits”). Although Section 28(e) of the Securities Exchange Act of 1934, as amended (“Section 28(e)”) may not apply to such soft dollar benefits for jurisdictional reasons, AXA IM and the Participating Affiliates have determined that such soft dollar benefits meets Section 28(e) requirements as if Section 28(e) applies.

The soft dollar benefits that the Participating Affiliates utilize are research and brokerage products and services. Such research and brokerage services may be provided directly by the broker or by third parties that are paid by the broker. Research furnished or paid for by brokers includes, but is not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; and financial publications and statistics. Brokerage products and services may include services provided by the broker that are linked to the arranging and/or effecting of a specific transaction and that arise between the point at which the Participating Affiliates make an investment decision and the effecting of such transaction. Soft dollars are not used to pay or reimburse the Firm’s internal expenses, such as paying Firm employees, rent, utilities, or overhead expenses.

Clients should be aware that lower commissions may be available from different brokers who offer no research services and minimal securities transaction assistance. When the



Participating Affiliates use client brokerage commissions to obtain soft dollar benefits from a broker-dealer or third party, we and the Participating Affiliates receive a benefit because we and the Participating Affiliates do not have to produce or pay for the soft dollar benefits ourselves. As a result, we and the Participating Affiliates may have an incentive to select or recommend a broker-dealer based on our interest in receiving soft dollar benefits, rather than on clients' interest in receiving most favorable execution of trades.

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

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

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

### ***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 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 are often in the form of letter 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 do not receive compensation from sources other than our clients for providing investment advice or other advisory services to our clients other than the soft dollar benefits described in Item 12 above. Nonetheless, we are reimbursed for providing Support Services to our affiliates as described in Item 4 above and for providing marketing and product specialist services for our affiliates as described in Item 5 above pursuant to the Master Fee Services Agreement (together with its solicitation sub-agreement between AXA IM and AXA Rosenberg if applicable) and/or the Expense Allocation Recharges Procedure described in Item 5 above.

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. The fact that we may share a portion or percentage of the compensation we receive for investment advisory services will not result in charging any client fees at a rate in excess of, or less than, the rate or level of advisory fees we customarily charge to our investment advisory clients for similar services to comparable accounts.

***Item 15: Custody***

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

Although we do not have physical 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.

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 limited power of attorney. Pursuant to the terms of the investment management agreements entered into with our clients, we generally have complete discretion in managing the portfolio with respect to buying and selling securities and choosing the brokers with which to transact, as well as the transaction price and commission rates, subject to the investment guidelines and applicable law. 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.

**Parent Company Investment Discretion:**

In making investment decisions, AXA IM will abide by the security selection policies or restrictions agreed to between AXA IM and/or its direct or indirect parent companies with regard to the holding of either individual securities or various categories or classes of securities for specific AXA accounts. The security selection universe for all client accounts may also be modified as a result of any local regulatory limitations or material non-public information known by certain AXA IM employees.

The non-U.S. based subsidiaries of AXA Group operate in compliance with applicable laws and regulations of the various jurisdictions where they operate, including applicable international (United Nations and European Union) laws and regulations. While AXA Group companies based and operating outside the United States generally are not subject to U.S. law, as an international group, AXA Group has in place policies and standards (including the AXA Group International Sanctions Policy) that apply to all AXA Group companies worldwide and often impose requirements that go beyond local law.

***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.

With respect to the Global Talents and European Small Cap Equity strategy, the UK and Paris Participating Affiliates votes proxies for our clients managed according to that strategy. We have established a Proxy Policy and Procedures as well as adopted AXA IM’s Global Corporate Governance and Voting Policy (“AXA IM Voting Policy”). Under the terms of the participating affiliate arrangements, AXA IM has delegated certain administrative responsibilities for voting proxies of its clients to the select Participating Affiliates, as applicable.. AXA IM and the Participating Affiliates have developed customized guidelines to assist in performing their duties on behalf of AXA IM. The policy of the Participating Affiliates is to vote proxies in the best interests of clients taking into account factors described in the Participating Affiliates’ proxy policy. When conflicts of interest between the Participating Affiliates and any of our clients arise, the Participating Affiliates will document and report such conflicts to AXA IM either directly and/or through periodic reporting, where AXA IM will advise such Participating Affiliate on (i) what actions to be taken to vote in the best interests of the AXA IM client and/or (ii) the required remedial actions to be taken in accordance with applicable law and/or regulation. The foregoing summary of the Participating Affiliates proxy policy is qualified in its entirety by the complete text of such policy.

Clients who wish to obtain either a copy of the Participating Affiliates’ proxy voting policies and procedures or information as to how we or the Participating Affiliates voted securities in their account should contact our Chief Compliance Officer, AXA Investment Managers, Inc., 100 West Putnam Avenue, 4<sup>th</sup> 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.