

April 15, 2010

Dear Clients,

As a fundamental, quantitative equity manager, our investment models are a core source of our competitive advantage. In conducting research on an enhancement to our risk modeling, we discovered a coding error that affected the flow of information between the risk model and our portfolio optimization process. This error was first discovered in late June 2009 and was corrected between September and mid-November. We will be sharing more with you later about the enhancement to our risk model and other research efforts, but wanted to inform you now of this error and the steps we have been taking related to it.

Simply stated, the error affected the scaling of inputs from our risk model into our portfolio optimizer. As a result, common-factor risks were significantly underrepresented, leaving portfolio optimization to rely primarily on our other risk controls, which were unaffected by the error. To help put this matter in context, the following provides more information on our risk control process and its various elements that are designed to protect against being overly dependent on any one control process.

AXA Rosenberg's investment process, which is based on fundamentally-driven, individual stock selection, creates highly diversified portfolios that naturally reduce risks. It seeks to take full advantage of our model insights, while controlling risk exposures through a process that combines several elements:

- [Stock-Specific Risk Controls](#) assess the variability of individual stock prices to predict and diversify unique company risks within the portfolio optimization framework.
- [Common-Factor Risk Controls](#) assess and predict risks associated with industry groupings, countries, style and other characteristics to further inform the portfolio optimization program as it diversifies portfolios along these common risk dimensions.
- [Portfolio Risk Controls](#) apply constraints on individual stocks, industries and sectors, market capitalization/size, countries, and other exposures. Those constraints are intended to reinforce portfolio diversification and align characteristics with appropriate benchmarks.
- The various elements are factored into our [Portfolio Optimization Process](#), which seeks to maximize the portfolio's return-to-risk ratio by trading off the expected return of the stocks identified by our stock selection models and the associated predicted risks.

The implementation of our models' investment insights is performed by experienced teams of investment professionals, who provide an additional level of oversight by:

- Reviewing daily investment recommendations, incorporating unfolding news that the models have not yet captured, and
- Trading these recommendations in a way that incorporates the feasibility of each recommendation, expected transaction costs and market impact.

Our research process is designed to meet the dual objectives of enhancing the earnings advantage of client portfolios and improving risk predictions. As part of these efforts, we have been working on a number of projects—in particular an insight into how to model rapidly emerging, transitory risk (our new “state contingent model”). In this process, we discovered the coding error in the scaling of the common-factor risks in the optimization process associated with an earlier upgrade of our risk model. As noted, this has since been corrected.

Given the successive layers of risk controls, their trade-off against models’ investment insights and their implementation in light of market conditions, determining whether or not the error had any significant impact on portfolio performance is highly complex and may not be feasible to establish with precision. We are committed to exploring all possible approaches to this question in a rigorous and thorough manner, and we have engaged external experts to conduct a comprehensive and objective assessment, with the full support of our team. Your trust is of paramount importance to us, and we will get back to you as soon as possible with appropriate information.

This issue was not reported in a complete and timely manner by senior investment officers as required by the firm’s policies. We expect matters of this kind to be escalated in an expeditious manner, regardless of whether any of those involved in identifying such an issue may view it as immaterial or mitigated by other controls or circumstances. The AXA Rosenberg Board is conducting a full review of the facts and circumstances concerning this issue. During this time, Dr. Barr Rosenberg has agreed to take a 30-day leave of absence; he remains committed to the continued success of the firm. In addition, Thomas Mead has informed us of his decision to resign as Director of the Research Center within one year, during which we will formalize a transition plan. As we move forward, the firm is supported by committed and experienced investment and management teams.

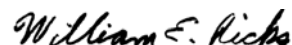
We believe that, as an investment manager, we have to stay both committed to our core principles and investment insights and also be willing to learn from our experience and evolve accordingly. Our recent research has focused on reaffirming the validity of our investment insights and delivering further enhancements that strengthen our process for the long term, so that the full advantage of our insights is reflected in your portfolios. We believe that our approach continues to be unique among investment managers, and it is beginning to be rewarded again.

Preserving our trust-based relationship with you is extremely important to us. We’ve worked hard over the years to earn our reputation of professionalism and are committed to the highest standards of integrity. We thank you for the confidence in us that your continued investment represents.

Sincerely,



Stéphane Prunet
Global Chief Executive Officer



William Ricks
Americas Chief Investment Officer