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This brochure provides information about the qualifications and business practices of Aladdin Capital Management LLC (“ACM” or the “Firm”). There have been no material changes since the Firm’s last annual amendment. If you have any questions about this brochure please contact us at (203) 487-6700 or [www.aladdincapital.com](http://www.aladdincapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authorities.

Additional information about ACM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **I. ADVISORY BUSINESS**

### *a) Background*

Aladdin Capital Management LLC (“ACM” or the “Firm”) is an investment management firm focused on non-traditional fixed income based strategies – with a historically dominant position in the Collateralized Debt Obligation (“CDO”) and Collateralized Loan Obligation (“CLO”) sectors. The Firm manages CDO and CLO collateral, private investment funds and separately managed accounts, including accounts that invest in underlying equity tranches of managed CDOs or in private investment funds managed by the Firm.

Aminkhan Aladin, founder and a member of Aladdin Capital Holdings LLC (“ACH”), the holding company of ACM and the other entities belonging to the ACH group, ACM, serves as Chairman, Chief Executive Officer and President of both ACH and ACM. The Firm has been offering investment advisory services since August 2003. As of December 31, 2010, the Firm had \$11,012,790,887 under management.

### *b) Principal Investment Strategies*

The Firm invests clients’ assets in one or more investment specialties including: high grade bonds, high yield bonds, leveraged bank loans, asset-backed securities, asset-backed loans, credit default swaps and structured credit investments. Our investment strategy revolves around a disciplined credit process and is based on the belief that a thorough top-to-bottom understanding of a company and its industry is essential to generating positive absolute returns.

Before investing, a team of investment professionals with multiple specialties performs an in-depth fundamental analysis and due diligence on each potential investment, applying their diverse experience in assessing a company’s valuation, capital structure, financial performance and industry dynamics to identify the most attractive investment opportunities for our clients. The due diligence process often involves extensive discussions with an issuer’s management team or with the lead administrative agent in debtor-in-possession financings.

The Firm takes an active role in all portfolio investments made by the Firm on behalf of our clients. A team of portfolio managers is responsible for monitoring the performance of each investment on a regular basis. At times, the Firm, may retain outside consultants, including attorneys, accountants, appraisers, and valuation experts, to supplement the work of the in-house investment team.

*c) Management Team*

The following is the list of each member of the Firm's management team:

- ❖ Aminkhan Aladin – Chairman, Chief Executive Officer
- ❖ Neal Neilinger - Vice Chairman and Chief Investment Officer
- ❖ Scott B. MacDonald - Senior Managing Director, Research
- ❖ William Fish, Senior Managing Director, Head of Global Loans
- ❖ Stephen Mandella - Chief Operations Officer and Chief Financial Officer
- ❖ Kenneth Klein- Senior Managing Director, Portfolio Manager
- ❖ John D'Angelo - Managing Director, Portfolio Manager
- ❖ Anatoly Burman - Senior Managing Director, Portfolio Manager
- ❖ Nunzio Masone III, CFA - Senior Managing Director, Portfolio Manager
- ❖ Martin DeVito - Senior Managing Director, Portfolio Manager
- ❖ Victor Russo - Managing Director, Co-Portfolio Manager
- ❖ Luke Gosselin - Managing Director, Co-Portfolio Manager
- ❖ Jorge Rodriquez - Managing Director & Co-Portfolio Manager
- ❖ Jonathan Newman - Managing Director & Co-Portfolio Manager
- ❖ Sharad A. Samy - General Counsel
- ❖ Patrick B. Maloney - Chief Compliance Officer
- ❖ Thomas Donahoe - Chief Risk Officer

## **II. FEES AND COMPANSATION**

### *a) Private Funds Fees*

For private investment funds (i.e., hedge funds) for which the Firm or an affiliated entity acts as investment manager or general partner, ACM charges asset-based fees as well as performance fees. Asset-based fees are usually payable quarterly or monthly in arrears, but occasionally, in advance. Asset-based fees are calculated as a percentage of the partial or total assets managed (or, in the case of certain levered loan funds, the notional levered assets). Asset-based fees typically range from zero basis points (“bps”) to 200 bps per annum. (An account with zero asset-based management fees may be coupled with a higher performance-based fee.)

In addition, without notice to other investors, such funds may enter, and several of such funds have in the past entered into “side letter” agreements with certain prospective or existing investors, including investors affiliated with the Firm. Under such side letter agreements, a fund or the Firm may grant certain investors, among other things, greater portfolio transparency, special liquidity rights (in the ordinary course or upon specified events), fee waivers or adjustments, future capacity for investment in such fund, different voting rights or restrictions, reduced minimum subscription amounts, additional rights to reports and other information. In addition, such funds may seek special commitments from certain investors. As a result of such agreements, certain investors may, among other things, receive information not generally available to other investors as well as have the right to redeem at a time when redemptions are otherwise not permitted to other investors. The granting of preferred or different terms to certain investors is solely at the discretion of the registrant of such fund (and, where required, the board of directors or trustees of the funds), and such funds have no obligation to offer such differing or additional rights, terms or conditions to all investors.

### *b) CDO and CLO Fees*

For clients that are CDOs/CLOs (or variations thereof such as collateralized bond obligations or collateralized synthetic obligations), ACM charges up to three kinds of fees: a senior collateral management fee, a subordinated collateral management fee and an incentive collateral management fee. Full disclosure of these fees is found in each CDO’s/CLO’s Private Placement Memorandum, Offering Circular or equivalent offering document.

### *c) Separately Managed Accounts (“SMA”) Fees*

For managed accounts (i.e., accounts of clients which are actively managed by ACM), management fees will be negotiable within the range of zero to 200 bps. Performance fees charged will comply with the requirements of Section 205 of the Investment Advisors Act of 1940, as amended (the “40 Act”), ERISA or other applicable regulations.

*d) Other Fee Information*

Notwithstanding the preceding, prospective clients should note that the fee ACM charges would be determined in large part by appropriate facts and circumstances connected with the management and administration of their accounts or portfolios. ACM reserves the right to waive certain fees or to request and negotiate for higher or lower fees than those charged existing clients. ACM intends to charge fees that are fair and reasonably consistent with the management of each client's account or portfolio. The waiving or reduction of fees for certain clients during the life of the management relationship should not be construed as entitling other clients to fee waivers or fee reductions; if applicable, performance fees, if earned, are generally charged by ACM in arrears, typically annually. ACM generally does not require prepayment of fees but reserves the right to do so in the future. Where fees are prepaid, should any client agreement be terminated during the contract period, ACM will only be entitled to receive that portion of fees actually earned pursuant to the specific client agreement. The balance of the prepaid fees will be returned to the client.

*e) Other Expenses*

Clients are responsible for and do incur other expenses separate and apart from the Firm's management and performance based fees. These expenses typically include custody fees, brokerage services and other transaction fees, and/or expenses associated with the investment vehicle in which their assets are invested (i.e., break-up and topping fees, monitoring and directors' fees, set-up fees, investment banking fees, closing and transaction fees, and other similar fees).

Under certain circumstances and if applicable, investors may be charged redemption fees in such funds, as disclosed in and pursuant to the governing documents of such funds.

*f) Other Compensation*

The Firm and/or its employees or affiliates may from time to time receive placement or underwriting fees for placing investments in structured investment products (e.g., CDOs/CLOs). The Firm does not accept additional compensation for the sale of securities or other services or other investment services or products managed by ACM.

Some client's investments are allocated to underlying ACM-managed private investment funds and CDOs/CLOs, and ACM earns fees (e.g., management and performance fees) in respect of its investment advisory services provided to such underlying funds and/or CDOs/CLOs.

*g) Performance Based Fees and Side-by-Side Management*

As stated above, the Firm charges investors in its private funds fees based on a share of capital gains on or capital appreciation of the client's assets under management. Performance fees may represent a fee that is based upon a percentage of the increase in net asset value ("NAV") on an annual basis (typically with a "high water mark" feature) or above a hurdle rate, which may be fixed or linked to an index, such as LIBOR. Performance fees range from zero percent (no fee) to twenty percent. (An account with a higher performance fee may be coupled with a low or no asset-based fee). Generally, private investment fund and other account fees are negotiable based upon a variety of factors, including the resources ACM expects to dedicate to such fund's (or account's) active portfolio management.

Performance-based compensation may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of the performance-based compensation. In addition, the performance on which performance-based compensation is calculated will include unrealized appreciation and depreciation of investments that may not ultimately be realized.

### **III. TYPES OF CLIENTS**

ACM provides investment advisory services to certain private investment funds organized as limited partnerships, limited liability companies, or other legal entities. These private funds are not registered under Federal securities laws and typically utilize sophisticated investment strategies and proprietary investment research. Investors in the funds are generally required to qualify as “accredited investors” under Rule 501(a) of Regulation D under the Securities Act of 1933, as amended, and/or as “qualified purchasers” as defined under Section 2(a)(51) of the Investment Company Act of 1940, as amended. The Firm and the Firm’s affiliate, Aladdin Capital Management UK LLP, also provides investment advisory services to offshore public funds, in some cases, registered on foreign exchanges and/or with foreign regulatory authorities.

ACM also provided investment advisory services to institutional investors and high-net-worth individuals in connection with the ACM-separately managed accounts. Such clients include pension funds, foundations, endowments, trusts, family offices, structured vehicles and other types of institutions.

The minimum dollar amount of assets ordinarily required for the establishment of an investment advisory account is \$ 5 million. Smaller accounts may be accepted on an accommodation basis or when it is deemed likely that a larger minimum dollar size will be achieved within a reasonable period of time.

#### **IV. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

##### *a) Methods of Analysis*

ACM utilizes proprietary fundamental research to identify suitable investment opportunities for ACM's clients. We evaluate each investment based on the issuing company's overall credit risk and asset coverage measures such as cash flow coverage ratios, corporate asset values, the issue's seniority in the issuer's capital structure, the expected volatility of corporate cash flows and asset values, and the issue's particular credit covenants.

Before investing, a team of investment professionals with multiple specialties performs an in-depth fundamental analysis and due diligence on each potential investment, applying their diverse experience in assessing a company's valuation, capital structure, financial performance and industry dynamics to identify the most attractive and suitable investment opportunities for our clients. The due diligence process often involves extensive discussions with an issuer's management team or with the lead administrative agent in debtor-in-possession financings.

The Firm takes an active role in all portfolio investments made on behalf of our clients. A team of portfolio managers is responsible for monitoring the performance of each investment on a regular basis. At times, the Firm may retain outside consultants, including attorneys, accountants, appraisers, and valuation experts, to supplement the work of the in-house investment team.

The main sources of information the Firm utilizes in making its investment decisions includes (1) financial newspapers and magazines, (2) inspections of corporate activities, (3) annual reports, prospectuses, filings with the Securities and Exchange Commission (the "SEC"), (4) research materials prepared by others, (5) company press releases and (6) corporate rating services.

##### *b) Investment Strategies*

The Firm invests clients' assets in one or more investment specialties including: high grade bonds, high yield bonds, leveraged bank loans, asset-backed securities, asset backed loans, credit default swaps and structured credit investments. Our investment strategy revolves around a disciplined credit process and is based on the belief that a thorough top-to-bottom understanding of a company and its industry is essential to generating positive absolute returns.

ACM may utilize certain derivative instruments in the management of client portfolios or accounts, in accordance with any imposed investment restrictions connected with client accounts. These include swaptions, credit default swaps, total return swaps and other types of swaps, structured or synthetic securities, and forward swap and currency contracts. The use of leverage is common for hedge funds, CDOs/CLOs and managed accounts.

c) *Investing Risks*

Investing in securities in general involves risk of loss that clients should be prepared to bear. Our principal investment strategies and the type of investments we make for our clients present, among others, the following material risks:

**Credit Risk:** Credit risk represents the possibility of losses in the event that a bond issuer might be unable to pay its interest and principal obligations in a timely manner. Credit risk is significant for high-yield bond investments. Even if there is no actual default, it is probable that a bond will decline in price if its credit quality declines and its bond rating is downgraded to a lower category. The Firm attempts to reduce portfolio credit risk by diversifying its holdings and doing careful credit research.

**Interest Rate Risk:** Rising interest rates will cause the prices of existing bonds in the market to fall. Longer maturity bonds will typically decline more than those with shorter maturities. If the Firm's clients hold longer maturity bonds and interest rates rise unexpectedly, their price could decline. Falling interest rates will cause a client's portfolio income to decline, as maturing bonds are reinvested at lower yields. Clients should expect their monthly income to fluctuate with changes in its portfolio and changes in the level of interest rates.

**Liquidity Risk:** The high-yield bond market is much less liquid than the investment-grade bond market. This creates a risk that a client may not be able to buy or sell optimal quantities of high-yield bonds at desired prices and that large purchases or sales of certain high-yield bonds may cause substantial price swings. Clients should understand that there may be limited liquidity in the market for this type of product.

**High Yield Security Risk:** Investments in high yield securities can involve a substantial risk of loss. These securities, which are rated below investment-grade, are considered to be speculative with respect to the issuer's ability to pay interest and principal and they are susceptible to default or decline in market value due to adverse economic and business developments.

**Market Risk:** The high-yield bond market can experience sharp and sudden price swings due to a variety of factors, including changes in securities regulations, swings in market psychology, volatility in the stock market, changing economic conditions, a highly publicized default, or changes in asset allocations by major institutional investors.

**Foreign Investment Risk:** To the extent the Firm's clients hold foreign bonds, such bonds will be subject to additional risks irrespective of the denomination thereof (including if denominated in U.S. dollars). These risks may include greater volatility, less liquidity than similar U.S. bonds, and adverse developments resulting from political, international or military crises, and currency exchange risks.

**Prepayment Risk:** Most high-yield bonds may be called by the issuer prior to final maturity. Clients may experience reduced income when an issuer calls a bond held by the

the client earlier than expected. This may happen during a period of declining interest rates.

## **V. DISCIPLINARY INFORMATION**

The Firm and its supervised persons have not been involved in any legal or disciplinary events that are material to a client's or potential client's evaluation of our advisory business or the integrity of the Firm's management.

## **VI. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

ACM occasionally provides consultancy and portfolio monitoring services to third parties for a fee. In such arrangements, ACM does not render investment decisions for such portfolios but merely provides cash flow projections and other monitoring services for such portfolios. Revenue generated for such activity is de minimis.

Further, employees of ACH identify and introduce potential investors to the investment vehicles for which ACH acts as an investment advisor.

*Affiliated Broker-Dealer.* ACM is an affiliate of Aladdin Capital LLC, a FINRA-member broker-dealer that clears its securities transactions through Pershing LLC pursuant to a fully-disclosed clearing agreement. From time to time, ACM may affect agency or principal transactions using Aladdin Capital LLC, provided the utilization of the broker-dealer for such trades is consistent with the requirement of ACM to obtain “best execution” for its clients and provided the use of the broker-dealer is consistent with explicit client restrictions and not inconsistent with client risk objectives. (For clients whose accounts are determined to be “plan assets” under ERISA, Aladdin Capital LLC will not be used for such trades unless express permission to do so is provided by the relevant plan trustees.)

The use of Aladdin Capital LLC for client trades may create commission or other transaction income that will inure to the benefit of the owners of ACM and Aladdin Capital LLC, which can create a conflict of interest concerning ACM’s management of client accounts. ACM takes steps to mitigate such conflicts. Principal trades (including riskless principal trades) effected through the broker-dealer on behalf of client accounts/portfolios require the informed consent of each client prior to the settlement of such transaction.

Aladdin Credit Advisors LP (“ACA”) is an affiliated SEC registered investment advisor located within the same offices as ACM. ACA principally acts as investment advisor to pooled investment vehicles and separately managed accounts that invest in debt-in-possession financing to debtors in Chapter 11 bankruptcy, exit financings and/or event-driven purchases in the secondary institutional market of distresses senior secured debt in anticipation of an imminent and highly probable bankruptcy financing.

ACA may from time to time enter into sub-advisory agreement(s) with ACM to manage a portion of the portfolio(s) for which ACM acts as an investment advisor. In such circumstances, ACA is compensated from a portion of ACM’s management fees, which is determined based on the size and complexity of the sub-advisory delegation.

Aladdin Capital Management UK LLP (“ACM UK LLP”), is an affiliated investment advisor of ACM registered with the Financial Service Authority (“FSA”) in the United Kingdom. ACM UK LLP may, from time to time, enter into sub-advisory agreement(s) to manage a portion of the portfolio(s) for which ACM acts as an investment advisor. In such circumstances, ACM UK LLP

is compensated from a portion of ACM's management fees, which is determined based on the size and complexity of the sub-advisory delegation.

## **VII. CODE OF ETHICS, PARTICIPATION OR INTERESTS IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

### *a) Code of Ethics*

The Firm has adopted a code of ethics (the “Code”) imposing on each supervised person a duty to place the interests of clients first. The Code requires officers, owners, and employees, among other things, to report to the Firm any actual or potential conflict of interest relating to any assets of clients managed by the Firm.

The Code requires each officer, owner and employee of the Firm with access to client’s investments or portfolio information (each an “Access Person”) to report quarterly and annually their and their immediate family members’ securities holdings and transactions to the Firm’s Chief Compliance Officer. In addition, each Access Person must pre-clear any trades in initial public offerings or private placements with the Firm’s Chief Compliance Officer.

The Code also imposes restrictions and safeguards on the use of material non-public information. All clients and prospective clients may obtain a copy of the Firm’s Code by writing to the Firm or calling (203) 487-6746.

### *b) Participation or Interests in Client Transactions*

Entities owned by the Firm or affiliated with the Firm act as general partners (or in similar capacities) to private investment funds which the Firm may recommend to clients.

For instance, each of Aladdin Management Inc., a Cayman Islands corporation, and Aladdin Management (Delaware) LLC (each, a “GP”) is or may serve as a general partner of one or more private investment funds managed by ACM or affiliates. Each of the GP is a wholly-owned subsidiary of ACH. Payments and distributions to ACM must be in accordance with the governing documents of such funds. ACH establishes and sponsors private investment funds structured as limited partnerships. Each such fund is managed in accordance with its own operating documents, as described in the related offering memorandum or prospectus. The Firm as a fiduciary is obligated by law to manage each client’s assets, including funds sponsored by the Firm or for which a Firm’s affiliate acts as general partner, in a fair and equitable manner, making sure that all clients are treated equally.

Because ACM may effect client trades through its affiliates (as discussed above), such transactions are construed as principal (not agency) trades. These trades will almost always be considered as “riskless principal” trades, which are based upon the standing orders of ACM for its clients and which pass through the riskless principal trading account of Aladdin Capital LLC. Trades are not made against or facilitated out of inventory positions of ACM, Aladdin Capital LLC or its affiliates. The ‘40 Act requires that written approval be obtained prior to the

settlement of each such riskless principal trade. Where ACM effects riskless principal trades for its clients as described, ACM will follow all requirements imposed by law.

From time to time, ACM or one of its affiliates may purchase securities or sell securities on behalf of proprietary accounts in a manner reflecting buy and sell recommendations to clients. Further, ACM may at times purchase or sell blocks of securities, parts of which will be allocated to client trades and other parts to its own account or the account of one of its affiliates. Where there are such block trades, ACM will determine in advance the portion that will be allocated to its own or an affiliate's account and that portion which will be allocated among client accounts. An appropriate memorandum prepared prior to such allocation by the Chief Compliance Officer on behalf of ACM will be prepared to memorialize the allocation. ACM or an affiliate may hold securities for longer or shorter periods of time than it may in client accounts over which it exercises discretion. Generally, this results from differing investment objectives of its own, its affiliates and each of its client's. At times ACM may purchase for its own account or the account of its affiliates securities that it is not purchasing (or selling) for or on behalf of client accounts. Lastly, ACM may employ investment strategies for client accounts that differ from the investment strategies it employs for its affiliate's accounts.

*c) Personal Trading*

Personnel of the Firm with access to portfolio or investment information must report securities transactions to the Firm's Chief Compliance Officer on a quarterly basis. Each such person must also report securities holdings annually. The Chief Compliance Officer monitors the personal securities transactions and holdings of each Access Person to ensure compliance with securities laws and fiduciary duties. The Firm has systems in place to monitor Access Persons to ensure that they do not take advantage of their position with the Firm for personal gain.

## **VIII. BROKERAGE PRACTICES**

### *a) Selection of Broker-Dealers*

In selecting broker-dealers with whom to place orders for purchases and sales of securities on behalf of our clients, the Firm's primary objective is to obtain best price and execution for our clients – that is, prompt, errorless execution of orders at the most favorable prices reasonably obtainable. In doing so, the Firm considers a number of factors, including, without limitation:

- the overall direct net economic result to the client (including commissions, which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range),
- the financial strength of the broker-dealer,
- the reputation and stability of the broker-dealer,
- the efficiency with which transactions are generally executed,
- the ability to effect the particular transaction,
- the availability of the broker-dealer to stand ready to execute difficult transactions in the future, and
- other matters involved in the receipt of brokerage and research services that may impact our clients.

Services provided by a broker-dealer such as research and other information useful for the management of client accounts is also taken into consideration when directing trades to particular broker-dealers. In respect of any broker-dealer (including, without limitation, Aladdin Capital LLC) ACM will take multiple factors into account when evaluating the performance of broker-dealers executing ACM client transactions. ACM will continually review the related commissions and other charges to ensure they are fair and reasonable within the current marketplace.

ACM will also consider the quality of firms with which it seeks to execute client orders, the adequacy of lines of communication, the timeliness of reports of order execution, the capacity to accommodate unusual trading volumes and the preservation of client anonymity, among other factors.

### *b) Soft-Dollars Arrangement*

While ACM receives third party research from time to time from broker-dealers, the Firm does not pay higher commission fees or direct certain amounts of business to such broker-dealer in

exchange for such research. Such arrangements are known in the industry as “soft dollar arrangements”. We do not have any soft-dollar arrangements with any broker-dealer.

The Firm, however, reserves the right to enter into soft dollar arrangements as legally permitted under the law. Further, ACM will not enter into any soft dollar arrangements for any client accounts defined as “plan assets” under ERISA unless express approval is granted by the plan trustees, and such arrangements do not otherwise violate any applicable law. Subject to the above, if ACM determines to enter into any soft dollar arrangements with any executing broker-dealers, the total amount of commission dollars paid by a client for a transaction placed by ACM for the client’s account may be higher than that paid if executed by another broker-dealer.

In such cases, ACM will use its best efforts to ensure that the higher commissions are reasonable in relation to the value of the brokerage and research services provided by the broker-dealer with whom a soft dollar arrangement has been established.

*c) Brokerage for Client Referrals*

The Firm does not consider, in selecting or recommending a broker-dealer, whether the Firm or a related person receives client referrals from such broker-dealer.

*d) Directed Brokerage*

The Firm does not accept clients who require us to execute transactions through a specified broker-dealer. Clients may recommend that ACM use their preferred broker-dealer(s). However, notwithstanding such recommendation, the Firm will use such broker-dealer(s) subject to ACM’s determination that said broker-dealer provides the best execution for such client’s transactions.

*e) Aggregation (Bunching) of Trades*

Securities transactions in investment advisory accounts are normally implemented on a consistent basis across accounts. In order to accomplish this, orders are aggregated (bunched) and allocated pro-rata to the nearest round lot. In addition to considerations of equity, bunching avoids placing competing positive orders, improves order management, and may, because of larger order size, permit some degree of price improvement relative to a series of individually placed orders.

## **IX. REVIEW OF CLIENT ACCOUNTS**

### *a) Client Account Reviews*

The portfolio managers primarily responsible for the related account or fund review the related client portfolios on a daily basis. The Chief Investment Officer is primarily responsible for providing direction and oversight of such reviews. In addition, the registrant has a Valuation Committee, comprised of the Chief Investment Officer, the Chief Compliance Officer, the Chief Risk Officer and the Chief Financial Officer/Chief Operations Officer and other senior operations personnel, which meets periodically to examine instances where security prices were obtained from sources other than a third party pricing service(e.g., broker-dealer quotations). In addition, the independent trustees of some of the ACM-managed pooled investment vehicles perform periodic tests in respect of the related vehicles to ensure compliance with its investment guidelines and restrictions, consistent with the related disclosure set forth in the related offering documents.

### *b) Client Reports*

ACM's clients are sent reports and statements in respect of their investments on a monthly or quarterly basis from a number of sources, including, without limitation, ACM, custodians retained in respect of client accounts, fund administrators and/or trustees, depending on the nature of such investments. For example, investors in ACM-managed CDOs/CLOs [(including investors holding positions through the MAST Program)] receive monthly trustee reports. Investors in ACM-managed private investment funds or separately managed accounts receive monthly written commentary from the related portfolio manager as well as monthly statements from fund administrators.

## **X. CLIENT REFERRALS AND OTHER COMPENSATION**

ACM may compensate third parties (each a “Solicitor”) for client referrals. Before making payments for any referral, the Firm requires each Solicitor to enter into a written referral agreement. ACM may pay the Solicitor a portion of ACM’s fee received from clients introduced by the Solicitor to ACM for the length of the term of the client’s account with ACM. Typically, this fee is representative of a percentage of assets under management and a percentage of any other fees earned by ACM, calculated by an agreed-upon formula. ACM may also pay certain expenses incurred by the Solicitor for services performed on behalf of ACM.

The Solicitor is required to present to any prospective client (other than potential private investment fund investors) a document including: the name of the Solicitor; the name of the investment advisor he represents (e.g., ACM); the nature of the relationship, including disclosure of any affiliation between the Solicitor and ACM; a statement that the Solicitor will be compensated by ACM, including the terms of that compensation arrangement; and the amount, if any, of the cost of obtaining the account that the client will be charged in addition to the ACM advisory fee, including the differential, if any, existing among clients with respect to the amount of advisory fees (if such differential is attributable to the existence of any arrangement pursuant to which ACM has agreed to compensate the Solicitor).

## **XI. CUSTODY OF CLIENTS CASH & SECURITIES**

Because an affiliate of ACM acts as the general partner of certain limited partnership funds, ACM is deemed by the SEC to have “custody” of the assets of such funds. As required under SEC rules and regulations, a “qualified custodian” holds such assets and delivers monthly and/or quarterly account statements, as applicable, to related investors. In such cases, ACM notifies each related client in writing of the qualified custodian’s name and address and the manner in which such assets are maintained at the time of investment. ACM also promptly notifies each related client of any changes to such information. ACM does not provide custodial arrangements for “segregated” or “non-discretionary” accounts as such accounts are held directly by the related client or by a custodian of the client’s choosing.

All funds are audited on an annual basis by an independent auditor who is a member of the Public Company Accounting Oversight Board. In accordance with SEC rules and regulations, audits are delivered to investors within 120 days of the end of the applicable fund’s fiscal year.

## **XII. INVESTMENT DISCRETION**

The Firm generally manages client assets on a discretionary basis with the authority to determine for each client what investments are made, as well as when and how they are made. For certain clients, however, assets may be invested in one or more model portfolios. Clients may impose other reasonable restrictions, limitations and/or other requirements with respect to their individual accounts.

### *a) Privacy Policy*

The Firm is committed to maintaining the confidentiality, integrity and security of the personal information of its clients. It is the Firm's policy to collect only information necessary or relevant to its management business and to use only legitimate means to collect such information. The Firm does not disclose any non-public personal information about our clients to anyone except for servicing and processing transactions and as required by law. The Firm restricts access to non-public personal information about its clients to those employees with a legitimate business need for the information. The Firm maintains security practices, and physical, electronic, and procedural safeguards to guard each of its client's non-public personal information.

### **XIII. VOTING CLIENT SECURITIES**

ACM does not manage equity portfolios, so the likelihood of a proxy vote with regard to any security that ACM may hold in one of its discretionary portfolios is remote. ACM specializes in the management of fixed-income alternative instruments, including hedge funds, CDOs/CLOs, and other structured vehicles. From time to time companies in which ACM invests may submit certain matters to a vote of its security holders, however, the right to vote in these circumstances is usually available only to equity holders of such companies and not to holders of company debt.

In the event a voting right exists or is exercisable, ACM maintains a policy in which the Chief Investment Officer determines how any proxy received on behalf of any security held in an ACM account is to be voted on behalf of the client. In addition, the Firm has adopted Proxy Voting Policies and Procedures pursuant to Rule 206(4)-6 of the '40 Act designed to ensure that proxies are voted prudently and solely in the best interests of our clients. According to such policy, the Firm will generally vote in accordance with management's recommendations on the matter in order to support the ability of management to run its business in a responsible and cost effective manner while staying focused on maximizing shareholder value. In the event that a conflict of interest exists between management's recommendation and the Firm's clients, the Firm will vote in the manner which, in its judgment and sole discretion, is in the best interest of its clients.

Clients may obtain a free copy of our Proxy Voting Policies or a record of ACM's proxy votes by calling (203) 487-6746 or by writing to ACM at the address listed above.

#### **XIV. FINANCIAL INFORMATION OF THE ADVISER**

No financial events have occurred in respect of the Firm that would negatively affect the financial viability of the Firm. There is no financial condition of the Firm that is reasonably likely to impair the Firm's ability to meet contractual commitments to clients.