

Part 2A of Form ADV: *Firm Brochure*

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This brochure provides information about the qualifications and business practices of AIS. If you have any questions about the contents of this brochure, please contact Frank Pluchino at 212-821-6053 or email him at frank.pluchino@ubs.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about AIS also is available at https://alternatives.ubs.com/UBS/ALTERNATIVES/me.get?web.websections.show&SAMPLE_004 and on the SEC’s website at www.adviserinfo.sec.gov. You can search the SEC’s site by a unique identifying number, known as a CRD number. Our firm’s CRD number is 131034.

An investment adviser does not have to demonstrate or meet any minimum level of skill or training to register with the Securities Exchange Commission.

Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 03/30/2012, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

This document provides updated to our original and last filed document dated March 31, 2011 as follows:

1. An update of our Asset under Management figures as of January 1, 2012
2. Updated the new SEC requirements for Qualified Clients.
3. Item 8 "Methods of Analysis, Investment Strategies and Risk of Loss" which provides significantly more granularity regarding investment sourcing, investment process and investment risk management.

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Item 4 Advisory Business

AIS was organized as a separate business entity on March 16, 2004 and is a SEC-registered investment adviser. AIS is a wholly owned subsidiary of UBS AG. Among AIS' direct and indirect affiliates and related persons are various broker-dealers, investment advisors and banking organizations. AIS has, and anticipates that it will maintain, arrangements with UBS AG and its affiliates that are material to its advisory business. In addition, AIS has service level agreements with UBS AG and its affiliates pursuant to which the affiliates provide certain services including, but not limited to: technology development services, technology production services, premises/corporate services, distribution arrangements, human resources services, financial control services, market risk services, legal services, compliance services, and equity trading support services.

AIS affiliates are major market participants in the equity, fixed-income, global currency, commodity, derivative and other markets. As a result, at the same time as AIS is advising a client, AIS affiliates may be actively engaged in transactions and in rendering discretionary or non-discretionary investment advice on behalf of other clients and accounts which may or may not involve the same alternative asset managers (the "Sub-managers") and/or the funds they operate (the "Portfolio Funds") in which a client will invest.

Established in February 2003, the Alternative and Quantitative Investments platform brought together various hedge fund providers, previously housed within the core asset management business. AIS is a key provider of discretionary and advisory fund of hedge fund products and services and is the result of the March 2004 integration of the O'Connor Multi Manager program, which was established in 1998, and the Alternative Investment Strategies group in Hong Kong, which was established in 1994.

AIS offers the following advisory services to our clients:

INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT

AIS primarily provides investment management and advisory services to institutional entities, intermediary firms and high net worth accredited investors and qualified purchasers globally. AIS is primarily a fund of funds provider. AIS does not invest in other UBS hedge funds unless directed or permitted to do so by a client or investor mandate.

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client or as dictated through the various investment companies we manage (both SEC registered vehicles and those exempt from registration). Through personal discussions in which goals and objectives based on a Advisory client's particular circumstances are established, we develop a client's personal investment profile and create and manage or advise on a portfolio based on that profile. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the objectives by stated in the relevant client documentation (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Although AIS is primarily a funds of hedge funds provider, our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and may include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- United States governmental securities
- Options contracts on securities
- Options contracts on commodities
- Futures contracts on tangibles
- Futures contracts on intangibles
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Other (i.e. investment in pooled investment vehicles, such as hedge funds)

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's tolerance for risk, liquidity as stated in the relevant client documentation.

AMOUNT OF MANAGED ASSETS

As of 1/1/2012, we were actively managing approximately \$21, 554,500,000 of clients' assets on a discretionary basis plus approximately \$5,241,100 of clients' assets on a non-discretionary basis. As previously mentioned AIS is primarily a fund of funds provider

Item 5 Fees and Compensation

The fees we charge for the management of our funds is clearly stated in each funds offering documents. Our services are only offered to qualified purchasers. We do not have a fee schedule for advisory services as our fee is negotiable and dependent on the level of service the client contracts for.

Limited Negotiability of Advisory Fees: Although AIS has not established a fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

Fees are negotiated by client and by investors into a fund based upon a variety of factors.

GENERAL INFORMATION

Additional Fees and Expenses: In addition to our advisory fees, clients may also be responsible for the fees and expenses charged by custodians, administrators, auditors and should AIS get a security as payment in kind in the form of a security from an underlying fund, fees imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

ERISA Accounts: Alternative Investment Solutions is deemed to be a fiduciary to advisory clients that are subject to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Alternative Investment Solutions may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Alternative Investment Solutions' advisory fees.

Item 6 Performance-Based Fees and Side-By-Side Management

PERFORMANCE-BASED FEES

AIS may also receive a performance based fee or allocation, based on a percentage (typically 10% annualized) of profits. The term "profits" refers to an increase in the value of the net assets of a client's account which is attributable to the net realized and unrealized gains arising from the account's investment activities (deducting certain investment related expenses). Any performance based fees or allocations are structured in compliance with Rule 205-3 of the Investment Advisors Act of 1940. Such performance based compensation is calculated and paid either quarterly or annually and is usually subject to a "high water mark" such that a performance-based fee of allocation may only be paid after recoupment of all prior investment losses.

Management fees or performance based fees and allocations may be reduced, waived or calculated differently with respect to certain investors in the U.S. investment funds and offshore investment funds. Management fees and performance based fees are expected to be negotiated with respect to clients establishing a managed account with AIS. AIS utilizes a so-called “fund of funds” or “multi-manager” investment strategy, pursuant to which a substantial amount of its assets will be invested with Sub-managers, generally by investments in Portfolio Funds (including funds managed by AIS and its affiliates). Investment management fees will be charged to the funds by both AIS and the Sub-managers. As a result investors in funds will bear multiple investment management fees, which may include performance fees or incentive allocations that in the aggregate will exceed the fees that would typically be incurred by a direct investment with a single Sub-manager or Portfolio fund. The funds may also invest in Portfolio Funds that invest in other investment vehicles (including funds managed by AIS and its affiliates) thereby subjecting the clients, and an investor in the clients, to an additional level of fees. This “layering of fees” will also apply to any managed accounts of AIS.

To qualify for this type of fee schedule, a client must either demonstrate a net worth of at least \$2,000,000 or must have at least \$1,000,000 under management.

Clients should be aware that performance-based fee arrangement may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Furthermore, as we also have clients who do not pay performance-based fees, we have an incentive to favor accounts that do pay such fees because compensation we receive from these clients is more directly tied to the performance of their accounts.

Conflicts of interest can arise when managing these accounts at the same time. However, AIS seeks to resolve these potential conflicts of interest by adopting and implementing an allocation policy and procedure which states that AIS owes a fiduciary duty of undivided loyalty and a duty to exercise reasonable care with respect to all its clients and in acting for their benefit should place the clients’ interests before its own. The allocation policy and procedure is designed to ensure, that we treat all clients fairly and equitably, in light of the clients’ requirements, objectives, and circumstances. Specifically, prior to implementing performance based fee arrangements, these arrangements will be reviewed by our firm to assess whether the proposed fee arrangement would unfairly disadvantage any of our clients.

Item 7 Types of Clients

Alternative Investment Solutions provides advisory services to the following types of clients:

- High net worth individuals;
- Investment companies;
- Pension and profit sharing plans(other than plan participants);
- Other pooled investment vehicles(e.g., hedge funds);
- Corporations or other businesses not listed above; and
- State or municipal government entities.

Our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. AIS has several different initial requirements based on the investment service being provided. Typically for a separately managed account we generally require at least \$50,000,000. However, it should be noted that these requirements are negotiable.

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

METHODS OF ANALYSIS

Investment Process

Independent research is the foundation of our investment process. Our process and team structure is designed to efficiently harness the specialized skills of our investment team while maintaining a generalist approach to portfolio construction.

The investment team is organized by skill set into four global investment research groups or “investment clusters”, Equity Hedged, Relative Value, Credit, and Trading. E Team members in each investment cluster strive to provide concise forward-looking assessments of managers’ risk and return profiles for their respective strategies. Formal investment cluster meetings are held monthly, but informal interaction occurs continuously.

Our portfolios are managed by our Chief Investment Officers (“CIOs”) and the Investment Cluster Heads, all of whom are members of the Investment Committee. In order to maintain historical continuity, certain legacy portfolios are managed by particular Senior Portfolio Managers, with additional oversight of CIOs and support from Investment Cluster Heads. By geography, primary coverage is by region (US, Europe and Asia) within the investment cluster, but secondary coverage is global in nature. Hedge funds in various regions of the globe are in different phases of development. Therefore, we ensure that our team travels across the regions in order to avoid a “silo” mentality to one region.

The following summarizes the typical month’s investment process:

Week 1

Each Investment Cluster meets independently to discuss and debate current and prospective investment managers and current market environments within each respective strategy. The investment clusters are comprised of CIOs, Investment Cluster Heads, Senior Investment Officers (“SIOs”) and Investment Officers (“IOs”). The main objectives of the Investment Clusters are to monitor performance of the cluster assigned strategies across all portfolios, provide concise forward-looking assessments of managers’ risk return profile, formulate a conviction list (buy/sell/hold) for the Investment Committee (“IC”) and examine new funds in the pipeline for recommendation to the Manager Approval and Redemption Committee (“MARC”). Additional items discussed are yellow flags (i.e. areas of concern on each sub-fund), prioritization of manager meetings, and action items from prior meetings.

Further, the investment clusters build strategy and sub-strategy views based on their bottom-up understanding of the attractiveness of the opportunity set for individual managers. Top down views are in large part formulated from leveraging the insights of hedge fund managers and the sell side industry. On a quarterly basis, these views are analyzed alongside additional market and sector data and formally translated into the AIS Quarterly Strategy Outlook, which helps to frame the IC's approach to portfolio allocation.

Week 2

After the monthly investment cluster meetings, the CIOs and the Head of Investment Risk conduct early stage portfolio reviews at the Pre-Investment Committee ("Pre-IC") Meeting. SIOs are invited on an as needed basis to address specific concerns with an investment strategy.

The meetings include a detailed review of individual portfolios, with special attention paid to mid-month liquidity windows. At each Pre-IC, new information on sub-funds that may have developed since the prior month's meetings is evaluated as well as general aspects of portfolio construction for individual mandates (guidelines monitoring, position sizing, strategy and sub-strategy allocation, cash management, liquidity management, etc.). In addition, direct client feedback, portfolio-specific objectives and administrative issues are addressed. The aim of the Pre-IC is to provide a forum for members of the investment team to perform work and preparation in advance of the formal IC which is held at a later point in the month.

Week 3

The Manager Approval and Redemption Committee ("MARC") meeting provides a monthly forum that evaluates recommendations on a "fund-by-fund" basis to discuss and approve new funds (provisionally at the investment content level, subject to completion of operational due diligence); and debate full redemptions from funds. The MARC formally convenes once per month, but can reconvene at any time if needed. Attendees include the CIOs, Investment, Risk, Op DD, and Client Advocacy Group Heads, and Senior Portfolio Managers. For voting purposes, two-thirds of the voting members are required. Voting members are comprised of the CIOs, cluster heads, product heads (SIO's who have particular focus on legacy portfolios taken on by way of business integration) and regional SIO's.

When a new fund is presented, a formal investment opinion must be presented by the investment clusters that performed research on the fund. When the MARC decides to redeem in full (i.e. Notice Given) from a Fund, formal redemption rationales are documented by the responsible parties. The CIOs each hold veto power, but they cannot override an Op DD veto. Note: Final approval may be attained at a subsequent MARC or Review Committee ("RC") meetings.

The MARC also debates the addition (or removal) of fund from heightened monitoring ("HM") status. Certain funds are placed on HM status when, based on qualitative and quantitative factors, the investment team identifies irregularities or warning signs that would prompt the investment team to monitor a fund more closely (i.e. heightened monitoring). Proposed HM funds are debated and assessed on a case-by-case basis; a discussion also occurs each month for funds already on this list.

Week 4

The Investment Committee meeting is the culmination of the monthly investment cycle; this monthly meeting provides the primary forum to review portfolio work performed by the investment team members in a group setting. Members of the IC include the CIOs, Investment, Risk and Op DD Cluster-Heads, and Senior Portfolio Managers.

Prior manager/portfolio decisions are discussed and debated further, if necessary. Given the uncertainty of cash flows, the meeting is typically scheduled towards the end of the month. Capacity and liquidity are reviewed for trade execution planning and meeting prioritization. Each product's portfolio composition is analyzed, taking into account trade ideas from the Pre-IC. Portfolio guidelines are reviewed, while incorporating any direct client feedback, new manager-specific information and miscellaneous market or industry-related developments. Note: OCTANE, our proprietary database, is used for all of the above activities.

At a minimum each IC performs the following tasks:

- Incorporate input from all other monthly meetings to construct and rebalance each portfolio- whether via subscription into new funds, increased allocation to existing fund or redeeming from funds.
- General asset allocation determination (with proper consideration given to each portfolio's mandate and guidelines)
- Manager selection from possible investment universe (recommended list)
- Liquidity and cash management
- Authorizing transactions within respective portfolios
- Review portfolio construction for new mandates
- Trade Blotter is generated
- Minute Investment Committee decisions in OCTANE

The Review Committee Meeting was established to serve as a final control point relating to the approval of new managers, review any pending open issues or risks, and discuss any business topics relating to program management. Members of the RC include: CIOs; Business Manager; Risk, Op DD, Clients Solutions Group ("CSG"), and Client Advocacy Group ("CAG") Cluster Heads, Compliance and Investment Operations. By way of example, when a fund is presented at the MARC (or at any other time throughout the due diligence process) certain issues may be identified that need to be addressed with the sponsoring investment clusters, and possibly the fund. Such issues may include, but are not limited to: the fund's gate provision is not appropriate; key man concerns that can not be addressed in the side letter or offering document; fund is not willing to provide a level of transparency; the fund's governing documents (Articles of Association or Prospectus) are not industry standard; valuation issues; and Board of Directors concern- either their capabilities or they are not independent. When such issues arise, the RC will opine on the resolution of the issues raised, if any, and ultimately approve the fund for investment, subject to an Op DD approval.

The RC also reviews and approves the monthly trade blotter and corporate actions. Notices of corporate actions and their deadline are sent from Investment Operations to Business Management, Client Advocacy Group, L&C, Op DD and the sponsoring investment cluster. Business Management serves as the liaison for each of the groups tasked with reviewing and opining on the corporate action.

Manager Selection

The first step in the manager selection process is to determine the sources of risk and return in each strategy. This involves dissecting the strategies into their component parts and applying our market knowledge to determine how a hedge fund operating within that strategy has the potential to make profits and what risks are being taken in order to achieve the returns. These points can be very subtle, particularly on the risk side of the equation as the most significant risks are often those not found in any textbook on the subject. In these cases, first-hand trading and risk management experience is invaluable in the assessment process.

The identification of the risk and return drivers also leads to establishing differentiating factors for comparing managers within a strategy. Certain aspects of these drivers will have more influence than others on the future performance of the manager and must be emphasized. Additionally, some of these factors will be conditional to a particular attribute of the market or fund manager, such as liquidity or asset levels. Therefore, the differentiating factors must be used in the proper context when applied to the manager selection process.

Prioritizing

- The senior members of the investment team are responsible for filtering data to prioritize manager meetings within each Investment Cluster. The Investment Clusters meet on a regular basis to discuss their findings, evaluate the importance of the various managers and schedules meetings, as they deem appropriate. Prioritization is generally a function of evaluating the following:
 - Pedigree and experience of the investment manager
 - Strength of the recommendation
 - The return potential for a particular investment strategy
 - Track record of the hedge fund or prior investment vehicle run by the investment manager

Manager research

- As new hedge funds are identified, they are entered into the OCTANE system and added to the Hopper, which is a central, dynamic repository for all new hedge fund data within OCTANE, our proprietary database. The entire investment team reviews this list on a monthly basis and agrees on the appropriate action to take for each fund. Once a fund has been entered in the Hopper and discussed by the team, it will advance either to the Work in Progress (“WIP”) category or to Track.

Peer Analysis

- The next step in the process is to evaluate the prospective manager against his/her peers. This includes a relative performance review, a qualitative comparison and a covariance matrix of the peer group including current managers within our multi-manager products. This analysis encompasses the identification of differentiating factors of the prospective manager versus his peers.

Monitoring

- Strategies and managers are monitored on an ongoing basis to assess whether the investment remains appropriate and that new opportunities are identified. The funds are monitored through normal fund information distributions, our enhanced monitoring capabilities as well as onsite meetings or phone calls with either the portfolio manager or his/her agents.

Manager Recommendation

- Following detailed research and peer analysis a manager's suitability is assessed. If appropriate, a manager will be recommended to the Manager Approval and Redemption Committee. Recommended managers are also forwarded to the Operational Due Diligence Cluster for review of non-investment related risks.

Manager Investment Due Diligence

As mentioned previously, after the manager selection process a fund will either advance to the Work in Progress ("WIP") category or to Track.

If a fund merits being advanced to WIP, either a Senior Investment Officer ("SIO") or an Investment Officer ("IO") will become the lead on the investment due diligence process. Of all the funds in WIP, approximately half are assigned to SIOs and half to IOs for lead coverage. When an SIO takes the lead on a fund, reclassified in WIP as a Pipeline Fund, it can be due to the SIO having knowledge of the manager, or knowledge of a more compelling reason to invest. We do not always invest in Pipeline funds; however, by inserting an SIO into the beginning of the process, we are able to efficiently approve managers and gain quality capacity. Equally compelling managers, but perhaps less time sensitive, are assigned to IOs as Pre-Pipeline funds. Pre-Pipeline funds can easily escalate to Pipeline funds after the initial investment due diligence process is underway.

Initial and revisit meetings are quickly scheduled for Pipeline and Pre-Pipeline funds to gain an understanding as to whether or not we expect to invest. If the early meetings prove successful, the fund is advanced to the Capacity sheet pending complete investment due diligence. The Capacity sheet also includes all currently invested funds in our portfolios. Funds can be viewed in total or sorted by strategy to quickly identify how much capacity exists and provides a menu of investing opportunities. A benefit of including current funds in the Capacity sheet is that it provides a quick visual as to whether or not any of our funds are on heightened monitoring. Finally, the Operational Due Diligence team may be asked to review the Pipeline and Pre-Pipeline funds to determine from a back office perspective whether or not they will be approved for investment.

Funds that do not pass the WIP phase for any reason are assigned to TRACK instead of Capacity. TRACK also includes funds from which we have redeemed. The investment team uses peer analysis on these funds to identify any changes that may provide a catalyst for the fund to be moved back to WIP status.

Once a manager has been assigned a priority status, one or more Senior Investment Officers or Investment Officers attend an initial meeting. The purpose of the initial meeting is to obtain a broad overview of the firm and the fund. The team concentrates on the key aspects of the managers. Since the objective of the selection process is forward-looking, emphasis is placed on the qualitative and quantitative attributes of successful managers rather than simply on their historical track records.

Portfolio Construction

The Investment Committee is ultimately responsible for portfolio construction. The steps in the process generally are as follows:

- Step 1: Define client objectives
- Step 2: Asset allocation - create a portfolio framework
- Step 3: Portfolio construction - select appropriate hedge funds
- Step 4: Final review

The portfolio construction process includes many important considerations, but we have identified five main steps in this process:

Pipeline

Evaluating the pipeline of available candidates for the portfolio and assessing how these managers fit together

Diversification

Portfolios, depending on investment objectives, are typically diversified across categories that include:

- Sub-strategy
- Industry and sector
- Geographic region
- Investment style and time horizons
- Liquidity
- Alpha source
- Managers

Position Sizing

Key inputs include conviction level, robustness of return objectives over time, volatility, downside tail risk, liquidity, fit in portfolio and business risk.

We determine the size of a position based on several factors. First, the return objectives of a manager and the adaptability of the strategy to a variety of market environments determine the position sizes within a multi-manager portfolio. Our philosophy involves investing with managers who employ an opportunistic, multi-faceted approach, which we believe will generally perform better over the long term and prevent stagnant return periods. We prefer to avoid timing fund investments based on specific market conditions.

VaR/Proforma Analysis

Managers with normalized volatility objectives and reasonable stress loss scenarios are more likely to be core positions in a portfolio. Strategies with larger potential downside risk must be sized to reflect the possible damage from stress loss scenarios. As a rule, we generally do not want to risk more than 1% monthly on any sub-fund investment. Also, liquidity of the underlying investment is a determinant of the position size. Managers with lock-ups or limited liquidity are typically sized smaller due to their inherent liquidity risk. In addition, managers with higher correlation to other sub-funds in the portfolio are generally sized smaller. Finally, funds that exhibit more business risk due to relatively less infrastructure or depth on the investment team will typically be sized smaller than the average core investments.

Final Review

With respect to the manager contributions, the Investment Committee will question how well the individual fund contribution reflects the real risk (including event risk) of each manager and the portfolio as a whole. They will also question the stability of correlation expectations and what impact they may have on the robustness of the portfolio.

The portfolio is stress tested, utilizing an analysis of historical market dislocations, such as LTCM in 1998, Sept 11th, 2001, corporate frauds in 2002, etc., coupled with a forward-looking assessment of the strategy environment and overall market risk orientation.

The final review includes subjectively identifying common risk exposures in the portfolio, such as equity style biases or a hidden exposure to volatility increases or decreases. Our proprietary multi-factor risk models supplement this qualitative analysis.

Finally, the Investment Committee will identify the expected skew and kurtosis of the portfolio. The considerations include whether or not it exhibits positive or negative carry, or possesses long or short optionality, while maintaining appropriate liquidity, etc.

Once a new manager is proposed for possible approval by the Investment Cluster, it is formally handed over to the Operational Due Diligence cluster ("Op DD") for assessment. The Op DD team reviews and approves all new managers prior to investing and also monitors existing managers on a periodic basis. The AIS Op DD approach is consultative in nature and fosters ongoing relationships with managers to help strengthen their grade for possible future investment. Reviews consist of on-site visits by members of the AIS Op DD team as well as possible independent background checks. The main objectives of the Op DD team are as follows: 1) to evaluate if the manager's infrastructure is sufficiently capable to support to the investment process; 2) to assess scalability of the operations relative to the strategies and headcount employed; 3) assess the control structure including but not limited to valuation methodologies, reconciliation procedures and cash controls; and 4) to assess the quality of service providers, including role of sub-fund's directors. Another important goal of the Op DD team is to learn from past hedge fund frauds, blow-ups, and other types of failures. AIS believes that much can be learned by analyzing and understanding these situations, which are tracked in our proprietary "failed fund" database, particularly the ones that included some kind of operational failure. In addition to the aforementioned objectives, the Op DD team is also integral in establishing channels of communication between AIS and the hedge fund back offices. The output of any Op DD manager review is a comprehensive report delivered to the investment team that includes an official grade ("pass" or "fail"), which can change over

time, as managers are re-evaluated. Only funds that receive a pass rating are considered eligible investments from an Op DD perspective. If a fund fails Op DD, an investment may not be made in an underlying fund which represents an automatic veto within the approval process. A fund on the platform that subsequently fails an Op DD review is subject to immediate redemption unless agreed upon changes are put in effect in an agreed upon timeframe.

The investment team utilizes its vast network of contacts to identify additional people with first-hand knowledge of the prospective manager in order to locate unsolicited, independent views on the manager's background and character. This step has proven to be extremely valuable, especially in fraud prevention. If we are unable to find someone who knows the manager within our network of contacts and can verify his/her background, we typically do not invest with the manager. In addition, we utilize third party vendors to obtain extensive background checks on each firm and manager, ranging from credit reports to civil lawsuits and criminal records.

INVESTMENT STRATEGIES

AIS believes that the hedge fund universe can be divided into four primary strategies, which includes: Equity Hedged, Credit, Relative Value, and Trading. The investment team has identified these four strategies as the pillars that define the industry because the managers within each strategy typically hold various common traits, such as the type of instruments they trade, an emphasis on fundamental versus quantitative research, and the way that a manager views the investment universe.

Equity Hedged

In general, managers classified as Equity Hedged use fundamental analysis to invest in publicly traded equities. Through fundamental analysis, managers evaluate factors that may affect a security's value, such as macroeconomic trends, industry specific metrics, and other qualitative and quantitative factors. Equity Hedged managers may take both long and short positions to capture the perceived mispricing of a given security. Portfolio construction is generally driven primarily by bottom-up fundamental research, although top-down analysis may also be applied. The sub-strategies that comprise Equity Hedged include Fundamental Conservative, Fundamental Aggressive, and Opportunistic Trading. Please note: as of January 2011, AIS no longer recognized a distinct sub-strategy for 'Event Equity'. As such, activist strategies are included within the Fundamental Aggressive category, while equity-based event driven strategies that focus on spin-offs, restructurings, stock buybacks, management changes or other well-defined events are grouped together with plain vanilla merger arbitrage in the category called 'Relative Value: Event Driven/Merger Arbitrage'.

Credit

The severe dislocations that occurred in the wake of the 2008 crisis underscored the need to recognize Credit as a stand-alone strategy, with multiple sub-strategy areas. For example, the frenzy of the credit boom years led to a massive supply of paper following the downturn in the mortgage and asset-backed sectors that left little in the way of buyers adequately versed in such a structurally complex space with now very different credit metrics. In traditional corporate credit, the distortion of corporate balance sheets during the 25-year leveraging cycle and subsequent need to rework capital structures for the current 'slow-growth'

environment has served to highlight event-driven credit investing as a fertile area of investment opportunity for the medium term. The fiscal turmoil in Europe has expanded the strategy into sovereign credits, with the realization that even developed sovereigns can have 'unworkable capital structures' in the current environment. Though distressed investing has seen a very notable diminution of new supply since 2010, there remains a significant tail from the 2008 cohort as well as a potentially large distressed supply coming out of slowing European economies. The common thread to all these Credit strategies is the application of in-depth fundamental credit, capital structure, and event analysis to individual credit opportunities. Along with that, a successful manager must remain mores cognizant than ever of the potential impact from macro shocks and a continually deteriorating technical environment when constructing their portfolios..

Please note: as of January 2012, AIS added the new sub-strategy category called 'Structured Products.' Previously, AIS had grouped credit-oriented mortgage, asset-backed and structured credit strategies with agency mortgage strategies in a category called 'Relative Value: ABS/MBS'. However, we believe the opportunity set for credit-oriented asset-backed strategies has sufficiently expanded to the point where we believe disaggregating them from agency mortgages is more appropriate. Specifically, we believe the underlying risk and return drivers for these strategies more closely aligns with the other Credit sub-strategies than with Relative Value sub-strategies. Further, since the securitization market froze in the wake of the 2008 credit crisis, many of the approaches implemented by managers have had a directionally long bias, with the key driver being credit and structure. With this change, the three sub-strategies that now comprise Credit include Distressed, Credit Opportunistic, and Structured Products.

Special risks of investing in credit strategies (including but not limited distressed investing) are market prices are subject to abrupt and erratic market movements and above-average price volatility. Investing in distressed securities involve substantial financial and business risks that can result in substantial or, at times, even total losses. Such investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the Bankruptcy Court's power to disallow, reduce, subordinate or disenfranchise particular claims

Relative Value

Relative Value strategies are generally non-fundamental and non-directional, and are often quantitatively-driven. Managers in this strategy typically use arbitrage to exploit mispricings and other opportunities in various asset classes, geographies, and time horizons. Managers frequently focus on capturing the spread between two assets, while seeking to maintain neutrality to other factors, for example to geography, changes in interest rates, equity market movement, and currencies. The sub-strategies that comprise Relative Value include Statistical Arbitrage, Event Driven/Merger Arbitrage, Capital Structure Relative Value, Fixed Income Relative Value, and Agency Mortgages. Of note, after one year of using 'Statistical Arbitrage' as a classification, we have decided to revert to the more broadly encompassing 'Quantitative Equity' label once again.

Special risks of investing in relative value strategies (including but not limited to fixed income arbitrage, merger arbitrage) are the type of securities traded, the price and market movements are difficult to predict and financing sources and related interest and exchange rates are subject to rapid change. These types of securities can be volatile and certain securities can be subordinated. Many other unforeseen events, including actions by various

other government agencies and domestic and international political events, may cause sharp market fluctuations.

Trading

Trading strategies are generally more top-down in nature and are often driven by views derived from monetary policy, fiscal dynamics, and macroeconomic research. These strategies typically utilize financial instruments, such as foreign exchange, equities, interest rates, sovereign debt, currencies, and commodities to express a manager's view. In executing different approaches, managers may use either fundamental or quantitative models or a combination of both. The sub-strategies that comprise Trading include Global Macro, Systematic CTA, and Commodities.

The evolution of discretionary Trading has produced a blended universe of approaches across what were previously more distinct strategies across either regions or asset classes. Financial markets outside of the G10 have matured significantly in recent years and yielded greater investment variety and liquidity across asset classes. Accordingly, in January 2011, we merged the previously named sub-strategies of Discretionary Broad and Emerging Markets into one category of Global Macro, as we believe a unified category better captures the opportunity set and how managers actually invest. We also eliminated the category of Discretionary Specialized as we believe dedicated currency Traders should be included as a subset of Global Macro, while Commodity strategies should be identified in their own right, given the growing importance of this strategy to global markets.

Special risks of investing in trading strategies (including but not limited to macro, systemic and emerging markets) include the possibility that the manager holding concentrated position in a limited number of markets, the use of significant leverage, which may expose those funds to a greater risk of loss than if they held positions in a broader range of markets. Emerging markets may be more volatile than the markets of more mature economies.

Other/Niche

Finally, as the industry evolves and matures, we expect hedge fund managers to continue to seek new and creative ways to express investment ideas and generate absolute returns outside the existing categories. As such, AIS recognizes the need for a category called Other. Within the industry, there are many names for these types of investment strategies, including 'niche', or even 'alternative alternatives'. We acknowledge that these types of strategies will always be present, although they generally garner only a small percentage of assets under management across the industry. There is much debate about whether many of these investment strategies are best suited to a hedge fund structure or if managers employing them should even be considered hedge funds. Regardless of how one feels about the answer to these question, AIS believes that acknowledging these strategies as separate and distinct from the four main categories allows for better understanding of the drivers of risk and return for individual sub-funds, better peer comparison among funds, better analysis and risk management at the overall portfolio level, and ultimately better communication and transparency with investors.

Please note that in 2012, we are separating any liquidating/side pocket funds into a sub-category within the 'Other' strategy. We want to provide more clarity to clients into which funds are truly focused on Niche strategies, as opposed to being a leftover stub of an otherwise redeemed fund. We believe it is appropriate to keep this sub-strategy within Other,

however, as much of the underlying exposure for these funds is to non-traditional hedge fund strategies and illiquid assets in private equity, real estate, or special liquidating claims.

Risk of Loss: The investment strategies mentioned above are not guaranteed and involve risks of loss that clients should be prepared to bear.

Risk of Loss

It is important to note that risk management is ingrained in every step of the AIS investment process. As a fund-of-funds manager, we aim to ensure that risks taken at the manager and portfolio levels are understood, intended and compensated, thus joining the AIS investment philosophy and risk management. Risk analytics represent an integral component in the manager monitoring and portfolio construction processes. The risk management function is supported by proprietary analytical tools. Further, AIS has dedicated risk analysts that help assess the risk-reward balance in both normal and stressed market conditions, across managers and portfolios, which is a combination of qualitative and quantitative analyses.

Qualitatively, AIS has an experienced team of senior investment officers, each with substantial trading/economic/industry backgrounds. As a result of our size, history, and experience, we are able to have meaningful dialogues with our hedge fund managers to uncover the risks in their portfolios. We stress dialogue since our managers are willing to share portfolio and strategy topics that they might not reveal to other investors; in exchange, we discuss our ideas with them as well. If a fund has certain unacceptable risks, the qualitative approach is the first line of defense in protecting our portfolios.

Liquidity management (also a function of asset/liability matching) is featured prominently in the AIS portfolio construction approach. The AIS investment committee seeks to not only balance the risk and return profiles for sub-funds, but also factor in a liquidity profile for sub-funds and strategies that AIS considers appropriate for each mandate's investment objective. If a portfolio is going to take liquidity risk, the team seeks compensation for it; in other words, the expected hurdle rate of return for that investment become much higher. Further, we manage client portfolios with a view not only of how the portfolio looks at the current point in time, but also with views across various timeframes and under specific scenarios (including potential tactical strategy shifts and forced liquidation).

When monitoring portfolio-level liquidity, AIS is firstly concerned with asset-liability mismatch; between the weighted average liquidity of the portfolios and the liquidity offered to investors of our own products. A key report is the AIS Liquidity Report, which is run and analyzed as needed during the monthly investment cycle, including the various Investment Committee meetings. This report produces a summary future cash flow scenario for every fund per product. It can determine the weighted average liquidity of the portfolio, as well as indicate which funds have notifications for potential redemptions coming due over immediate and longer term time horizons.

AIS primarily adopts a qualitative bottom up approach to manager selection and portfolio construction. However, an extensive set of proprietary quantitative tools is available to assist in all areas of the investment process. These tools provide a mechanism for translating our qualitative understanding of funds and the relationships between them into trade suggestions and risk indicators which in turn form the basis of some of the many inputs into our final qualitative manager and portfolio decisions.

The AIS investment process utilizes quantitative investment risk management tools in two primary areas:

- Manager selection and monitoring (including peer group analysis and strategy assessment).
- Asset allocation and portfolio construction.

The tools are structured into three levels:

Level 1 - The AIS Analytics platform: A web based analysis tool which is used across the team on a day to day basis for the investment process. The platform consists of a set of interactive analyses which produce custom tabular and chart based outputs on a real time basis. The platform provides the investment team personnel with the ability to rapidly analyze, sort, and filter a range of data in order to focus in on the most relevant metrics applicable to the analysis of a given investment task.

Level 2 - Portfolio structuring tools: A set of tactical tools used on an interactive basis to assist in the ongoing portfolio structuring process by computing forward assessments of risk metrics and providing trade suggestions. These tools tend to be used by expert users, including members of the risk cluster, who then distil down the relevant information in a qualitative form which may be integrated into the portfolio management process.

Level 3 - Quantitative reports: A comprehensive range of static reports which are generated from within our two core systems: OCTANE and the Analytics platform.

We consider the two investment areas individually:

Manager selection and monitoring

The overarching philosophy of our individual manager analysis and risk monitoring process is to continually review each manager using the most recent data available from both quantitative and qualitative perspectives in order to attempt to verify the manager's ability to produce risk-adjusted alpha consistently. Quantitative data includes: performance; P&L attribution; exposure-level information; position-level detail; risk data; and liquidity information. The information is received on a monthly basis, but often weekly and sometimes on a daily basis. These data are compared both longitudinally over time and also in cross-sectional analysis in comparison with peers, benchmarks, and can reference internal expectations from the investment team. The aim of our quantitative monitoring tools is to have the most up to date quantitative information to present to the team in the most relevant, user friendly and quickly assimilated form, integrating qualitative information where relevant.

Manager selection and monitoring is structured around the concept of a manager peer group and focuses on a set of customizable analyses which are readily available via the AIS analytics platform. They include: return series analysis; rolling return and volatility analysis; drawdown analysis, AUM analysis, performance statistics, regression analysis, correlation analysis, clustering analysis and distributional analysis.

We also consider descriptive statistical techniques which are integrated at all levels of the AIS analytics platform (and may be recomputed on a real time basis) and are also available within our static quantitative reports: These techniques include: return distributions, skewness,

kurtosis, correlations, downside deviation, factor modeling, regression analysis and temporal clustering. Some of these techniques are also performed in a strategy-level setting.

AIS collects transparency information (exposure-level, P&L attribution, position-level data and other risk metrics) for its underlying managers, which are then stored within its in-house database. The information is used to track manager level risk metrics through time via graphical reporting functionality. The investment team explicitly specifies hard and soft limit expectations, which are then quantitatively tracked through time. Should a breach arise, the information will be formally reviewed and acknowledged with remedial action implemented, if required. The information is also used to reconcile manager asset allocation, instrument selection and 'value added' to reported return attribution information.

Note: we may not receive the same level of transparency from all underlying funds and certain managers may not elect to provide any information.

Portfolio Construction

At the highest level, the models embedded within our analytical tools are structured around our multi-level strategy classification scheme which is designed to group together collections of managers that adopt the same investment approach. Depending on the investment mandate, AIS will specify expected bounds on overall allocations to each of the strategies at the top level under the assumption that we expect the relationship between these strategies, in aggregate, to remain fairly static over time. These bounds are derived from our forward looking expectations for the various strategies over a 12 to 18 month period.

When evaluating allocations within a portfolio to individual managers of a given strategy grouping, there are two main quantitative analyses on which we focus. Each of these analyses relies on the construction of a robust portfolio covariance matrix and by implication the correlation between managers is a critical input. These are:

i) Portfolio risk decomposition

Here we decompose the risk of our portfolio into individual contributions from underlying managers and strategies. We then compare these values with our long-term expectations and also with other portfolios with similar mandates. We use this type of analysis primarily as a diagnostic tool for ascertaining whether the correlation between a given fund and the other funds in a portfolio coupled with that fund's intrinsic volatility have resulted in an unacceptable level of contribution to forward looking risk.

ii) Potential portfolio trade suggestions

Here we examine the effect on overall portfolio risk of making changes in allocations to individual positions within a portfolio. The starting point is a forward looking view of portfolio risk and return expectations. Depending on our overall portfolio risk/return requirements, correlation effects flow into the calculation to determine whether a change in allocation will achieve the desired impact on overall portfolio risk.

These two sets of analyses are available on an interactive basis from within the AIS analytics platform, within a suite of tactical portfolio structuring tools and also as a part of our fully automated daily static reporting process.

The following are among the other static reports available from our systems in order to examine the risk of a manager:

Portfolio summary report: For each product a single page snapshot of key risk metrics for each fund is presented together with this information grouped at the strategy and portfolio level. This report is generated daily and forms the starting point for the investment team's quantitative review of any portfolio.

Portfolio Risk Report: A more in depth report, again produced on a daily basis which provides static views of a range of risks along a number of axes which include: strategy and geographical exposure; risk contribution; market risk factor sensitivity; and benchmark regression analysis.

Portfolio Value-at-Risk: AIS runs a quick check using standard parametric methods to obtain immediate risk forecasts across its various products.

Tail Risk Decomposition: This includes analysis of the contributions to skewness and coskewness by funds in each portfolio.

Portfolio Transparency Analysis: For a number of our products, AIS is working to construct a standardized aggregate transparency analysis report which will present standardized transparency metrics including exposure, P&L contribution DV01 and other risk metrics at the portfolio aggregate level.

Portfolio Scenario Stress Analysis: AIS has a factor based stress analysis model in place and performs stress analysis on certain portfolios on an as-hoc basis from time to time, mainly to assist in asset allocation decisions.

Investing in securities involves risk of loss that all clients should be prepared to bear. These methods of analysis are not guaranteed to result in a profit.

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

In addition to Alternative Investment Solutions being a registered investment adviser, our firm is registered as a commodity pool operator ("CPO") and commodity trading advisor ("CTA") with the National Futures Association.

Associated persons of our firm are also separately licensed to provide advice regarding investing in commodities and futures contracts. Although a separate license is required to provide advice with respect to investing in commodities and futures contracts, there is no separate or additional fee for these recommendations

UBS is a global financial institution which provides financial services directly and through its divisions and subsidiaries. Its divisions include Investment Bank (equity, derivative, fixed income sales and prime brokerage services), Global Asset Management (investment advisory and administration services) and Wealth Management and Swiss Banking (customized investment advisory services for high net worth clients). AIS is a wholly-owned subsidiary of UBS AG and a member of Global Asset Management's Alternative and Quantitative Investments group ("A&Q").

Among UBS' direct and indirect affiliates and related persons are various broker-dealers, investment advisers and banking organizations. AIS has and it anticipates it will maintain arrangements with UBS and its affiliates that are material to its advisory business. For example, AIS may from time to time enter into arrangements to purchase certain investment advisory, brokerage and incidental services, and foreign exchange services from UBS and its affiliates. In addition, AIS has service level agreements with UBS and its affiliates pursuant to which the affiliates provide certain services including, but not limited to: technology development services, technology production services, premises/corporate services, human resources services, financial control services, market risk services, legal services, compliance services, and equity trading support services.

AIS engages in a variety of transactions involving its affiliates that are members of the Global Asset Management Business Group ("UBS AM Group") and Wealth Management Americas Business Group of UBS in connection with the marketing and distribution of its affiliates' investment products and services.

AIS is not a broker/dealer in securities or foreign exchange; however, its ultimate parent company (UBS AG) is, as well as its affiliates UBS Financial Services, Inc. ("UBS Financial Services") and UBS Securities, Inc. Additionally, AIS utilizes the services of a number of UBS's subsidiary companies that act as broker/dealers in securities and foreign exchange. Although AIS is not a party to the agreements, some of the investment funds managed by AIS have executed prime brokerage agreements and/or administration agreements with UBS and its affiliates.

AIS is one of several subsidiaries within the UBS AM Group of UBS. In addition to Registrant, UBS AM Group in the Americas includes UBS Global Asset Management (US) Inc., UBS Global Asset Management (Americas) Inc., UBS Global Asset Management (Canada) Co., UBS Global Asset Management (New York) Inc., UBS Asset Management International Limited, UBS Realty Investors LLC, UBS O'Connor LLC, UBS Agrivest LLC, Global Asset Management (USA) Inc., UBS Willow Management LLC, UBS Juniper Management, LLC and UBS Eucalyptus management, LLC.

AIS has entered into a sub-advisory agreement with UBS AG, Hong Kong branch to provide discretionary investment advice to certain of AIS' clients which are private offshore investment funds. AIS has retained UBS Alternative and Quantitative Investments Limited, a United Kingdom based investment adviser to provide sub-advisory services to some products managed by AIS for the purpose of (i) providing advice and services when requested by AIS regarding, without limitation, (A) alternative asset managers ("sub-managers") and the funds they operate ("portfolio funds") for investment (B) direct investments, and (C) any other authority delegated to AIS by the funds and (ii) when requested by AIS, making decisions regarding, without limitation, (A) the selection of sub-managers and portfolio funds for

investment, (B) the selection of direct investments, and (C) any other authority delegated to AIS by the funds in accordance with the investment program described in the relevant Memoranda (the "investment program"). Although AIS does not presently intend to do so, AIS may enter into one or more sub-investment advisory relationships with other affiliates of UBS to provide investment advice to AIS' clients.

Within UBS Alternative and Quantitative Investments Limited (which acts as a Participating Affiliate for Registrant in certain strategies) there is an associated person whose functions and duties relate to the determination and recommendations that Registrant makes to its U.S. and Non-U.S. clients. The associated person is Matthew Jamieson.

Registrant has entered into sub-advisory or other service agreements with several of the Participating Affiliates and other affiliates mentioned above and may enter into such contracts with other such entities in the future.

Registrant may serve as investment adviser for certain assets controlled by its affiliates.

The members of A&Q provide investment management services for alternative and quantitative products, including hedge funds and funds of hedge funds. Our funds will utilize, and in many cases will direct our funds to utilize, the services of our affiliates, primarily as fund administrator. Such services may include, without limitation, purchasing/selling financial instruments, derivatives intermediation, prime brokerage services, credit facilities and financing, administrative services and placement agent relationships with our. AIS may also recommend these same services to our non discretionary advisory clients. A number of conflicts of interests will exist as a result of these relationships.

Other Clients

AIS and its affiliates are major participants in the equity, fixed-income, global currency, commodity, derivative and other markets. As such, AIS and our affiliates may be actively engaged in transactions on behalf of other investment funds and accounts which involve the same portfolio funds in which the funds or non-discretionary advisory clients may invest and the same financial instruments in which the funds, portfolio funds or non-discretionary advisory clients may invest. AIS and its affiliates may provide investment management services to other investment funds and accounts that have investment objectives similar or dissimilar to those of our clients and/or which may or may not follow investment programs similar to our funds or non-discretionary advisory clients, and in which the funds non-discretionary advisory clients will have no interest.

The transactions and portfolio strategies of AIS and its affiliates used for other investment funds or accounts could conflict with the transactions and investment strategies employed by AIS in managing our funds and adversely affect the prices and availability of the portfolio funds in which the funds may invest and/or the financial instruments in which the funds, portfolio funds or advisory clients invest or may seek to invest. AIS and its affiliates are not under any obligation to share any investment opportunity, idea or strategy with the funds or advisory clients. As a result, other clients and AIS' affiliates may compete for appropriate investment opportunities. Certain conflicts of interest may also arise from the fact that the investment banking and corporate finance activities of AIS' affiliates may restrict the ability to purchase or sell certain financial instruments under applicable law, regulations or internal

policies imposed by UBS. AIS and its affiliates will not be obligated to divest their proprietary or other clients' positions or refrain from engaging in any transactions in order to permit clients to make any particular investment. Additionally, AIS may manage investment funds that are predominantly owned or seeded by its affiliates, which may create an incentive for AIS to allocate investment opportunities to such investment funds over other investment funds or clients it manages with similar investment objectives. Such other investment funds and other clients, together may own sufficient units to influence votes at the funds level, and the interests of such funds and other clients may differ from those of other members.

AIS and its personnel will devote as much time to the activities of the funds and other clients as we deem necessary and appropriate. By the terms of the Investment Management Agreement, AIS will not be restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even if such activities may be in competition with the funds or other clients and/or may involve substantial time and resources of AIS and its personnel. In instances when personnel of AIS seek a position as an officer or director/trustee of an entity unaffiliated with us, such personnel must seek approval by the AIS Management before accepting such position. These activities could be viewed as creating a conflict of interest in that the time and effort of the personnel will not be devoted exclusively to the business of the fund or other clients, but will be allocated between the business of the fund or other clients on the one hand and the management of other clients and businesses on the other hand.

Investment Decisions

AIS may give advice or take action with respect to any clients which may differ from the advice given or the timing or nature of any action taken with respect to investments to other clients. It is the policy of AIS to allocate, to the extent possible, investment opportunities over a period of time on a fair and equitable basis.. In cases where an investment opportunity may be limited, priority may be granted to the fund or other clients, for example and without limitation, where the funds or other clients, as the case may be, are below their respective minimum investment allocations, have been waiting to invest in a portfolio fund for more than a month or are making an initial investment in a portfolio fund. In circumstances when it is unsuitable, impractical or undesirable for investment opportunities to be allocated among the fund and other clients as described above, AIS will allocate such investment opportunities among the funds and other clients in a manner that AIS in its discretion determines is fair and equitable.

Investment decisions made by AIS on behalf of the funds and other clients will be made independently of one another. AIS has no obligation to invest in or withdraw from a portfolio fund for the funds or other clients even though AIS may invest in or withdraw from a portfolio fund for the accounts of its other clients if AIS believes in good faith that such transaction or investment would be unsuitable, impractical or undesirable. Likewise, an affiliated sub-manager will have no obligation to purchase, sell or exchange any financial instrument for an affiliated portfolio fund which the affiliated sub-manager may purchase, sell or exchange for the accounts of its other clients if the affiliated sub-manager believes in good faith that such transaction or investment would be unsuitable, impractical or undesirable for the affiliated portfolio fund.

The factors that AIS may consider in allocating investments among the funds and the other clients include, without limitation, the fund's or the other clients' investment strategies, concentrations and diversification within such entity's portfolios, tax and regulatory issues, the nature and size of existing portfolio holdings and cash positions, risk/return objectives and anticipated redemptions and subscriptions (liquidity). In certain circumstances, AIS may give special consideration if the funds or other client has a substantial amount of available cash. With respect to new issues, AIS will determine whether the funds and any other clients are suitable and eligible to receive such issues, taking into consideration the factors described above.

Investments in Affiliated Portfolio Funds

AIS may invest the fund's assets or other clients in affiliated portfolio funds managed by an affiliated sub-manager. Such investments may provide the capital necessary for such affiliated portfolio fund to start or continue its operations. Although the funds allocation to the affiliated portfolio funds is limited, the funds and other clients will pay compensation to the affiliated sub-manager. AIS' parent company will share in fees earned by the affiliated sub-manager. Further, the funds and other clients investment may make the affiliated portfolio fund more attractive to other investors and thus increase the capital invested with such affiliated sub-manager's funds (and thus the fees earned by the affiliated sub-manager). Finally, AIS' dealings with such affiliated sub-manager (e.g., capital investment decisions, redemption decisions and fee negotiations) will not be conducted at arm's length.

Principal/Cross Trades

AIS and its affiliates may trade on a principal basis with the funds and other clients. Under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act"), the Investment Manager must obtain consent prior to settlement of any such transaction. One or more independent members of the Management Board (i.e., Management Board members who are not employed by AIS) will review and grant or withhold consent to such transactions on behalf of the funds. In the case of other clients, the client will review and grant or withhold consent to such transactions.

To the extent permitted by applicable law, the portfolio funds, and to the extent direct investments are made, AIS may also purchase investments that are issued, or the subject of an underwriting or other distribution, by AIS affiliates. The portfolio funds also may invest in the financial instruments of companies with which AIS and its affiliates have a business relationship or in which AIS and its affiliates have an equity or other interest. The purchase, holding and sale of such investments by the portfolio funds may enhance the profitability of AIS and its affiliates' investments in or other relationships with such companies. AIS will make any such investment decisions where such conflicts of interest may exist in a manner consistent with its fiduciary responsibilities.

As a result of subscriptions or redemptions and the change in value of the fund's assets in any month, AIS expects to adjust, to the extent practicable, the exposure levels of the fund to the portfolio funds in its portfolio at the beginning of each month in order to maintain the exposures desired by AIS. Such adjustments may be effected by transferring an interest in a portfolio fund from the funds to another client, or *vice versa* (a "Cross-Transaction"). A Cross-Transaction may be effected if AIS determines the transaction to be in the best interests

(considering the investment program, risk management and other relevant considerations) of both the particular fund and the other client. Generally, an interest in a portfolio fund will be transferred at the net asset value of such interest as of the effective date of the transfer provided by the portfolio fund. AIS will not charge any fees to effect a Cross-Transaction. Cross-Transactions will be approved by one or more of the independent members of the Management Board or the other client that may not have a management board, and any expenses incurred in a Cross-Transaction will be allocated equitably, in the discretion of AIS, between the transferee and the transferor; *provided, however*, to the extent a Cross-Transaction is required to be carried out on an exchange and fees are to be incurred from an executing broker, including UBS, AIS will take all reasonable steps to obtain best execution on any such transactions. Similarly, if a transaction is cancelled, any costs incurred will be allocated equitably, in the discretion of the Investment Manager, between the transferee and the transferor.

Redemptions

AIS' affiliates may write options and create structured products, such as equity-linked notes, which reference the funds and hedge their obligations (each such hedge, a "UBS Hedge") under those options and structured products by purchasing or selling units in the funds. The potentially significant redemptions from the funds that may result from the leverage and volatility associated with options and structured products referenced to the funds may result in: (i) reduced liquidity to investors in the funds; and (ii) the funds, in order to pay redemptions, maintaining a greater amount of its assets in cash and liquid investments than it otherwise would maintain, which may reduce the overall performance of the funds.

AIS advises several different types of funds, including, for example, multi-strategy and strategy specific funds. The funds which follow a multi-strategy approach may seek exposure to a particular single strategy by investing in another fund managed by AIS which follows such single strategy. In such instances, when a multi-strategy fund invests in another single strategy fund also managed by AIS, the multi-strategy fund usually will have full transparency and be able to withdraw with no notice and more frequently from such single strategy fund. Although the multi-strategy fund has greater transparency and redemption rights compared to other investors in the single strategy fund, AIS will seek to ensure, but can not assure, that such other investors are not disadvantaged by any redemptions made by the multi-strategy fund.

Payments for Investor Introductions

AIS distribution arrangements with both affiliated and non-affiliated entities in which AIS compensates these entities when clients of these entities invest in the funds. Details of these distribution arrangements and payments thereunder may not always be fully disclosed (in terms of amount) by the referring entity to its client. The distribution arrangements may have varying levels of compensation and may present a conflict of interest to the referring entity in making recommendations to the investor.

Prime Brokerage

A portfolio fund (including for the avoidance of doubt, an affiliated portfolio fund) and, to the extent direct investments are made, the funds may utilize one of AIS' affiliates as a prime broker. In addition, a sub-manager (including for the avoidance of doubt, an affiliated sub-

manager) may execute trades through AIS' affiliates on both a principal and agency basis. All such activities will be made in accordance with AIS' duty to seek best execution and manage conflicts of interest effectively and otherwise in accordance with applicable law. As a result of these business relationships, AIS' affiliates will receive, among other benefits, commissions and mark-ups/mark-downs, and revenues associated with providing prime brokerage and securities borrowing and lending services. Moreover, as a result of such relationships, AIS' affiliates may take actions with respect to a portfolio fund, such as making a margin call, that adversely affect the funds.

Representatives of AIS from time to time speak at conferences and programs for potential clients interested in investing in hedge funds which are sponsored by prime brokers, including UBS. These conferences and programs may be a means by which AIS can be introduced to prospective investors.. The prime brokers generally are not compensated by AIS, the funds, or prospective investors for providing such "capital introduction" opportunities. However, the provision of these opportunities, as well as other introductions to prospective investors, as well as any other services, by a prime broker may influence AIS in deciding whether to use the services of such prime broker in connection with the activities of the funds or other clients.

Employee Investments

Principals of AIS may choose to personally invest, directly and indirectly, in certain, but not all, of the funds advised by AIS. It is expected that, if such investments are made, the size and nature of these investments will change over time. The principals are not required to keep any minimum investment in any of the funds managed by AIS.

Administrator

The Administrator will be responsible for calculating the NAV of the funds, which determines the performance of the member's investment in the fund as well as the amount of fees the fund will pay AIS.

In circumstances where a portfolio fund has suspended its net asset value or where the Administrator otherwise determines the net asset value reported by a portfolio fund is unreliable, the Administrator may seek the opinion of AIS as how to price such portfolio fund. To the extent AIS gives its opinion, an incentive exists to obtain higher valuations for such portfolio funds since the compensation it receives is based on such valuations.

Side Letters

The funds, and in certain cases AIS, will have the discretion to waive or modify the application of any provision contained within the funds Confidential Memorandum or grant special or more favorable rights with respect to any provision, including, without limitation, the provisions relating to fees, redemptions, transfers, notices and transparency with respect to any Member, including, without limitation, principals, members and employees (and their respective family members) of AIS and its affiliates, funds or accounts managed by AIS and other select third parties. Generally, such waivers or modifications may be effected by issuing a different class or series of units in the funds. However, such waivers or modifications may also be implemented through Side Letters. Although certain Members may invest in the Fund with different material terms, the funds and AIS generally will only offer such terms if they believe other Members in the funds will not be materially disadvantaged. The funds may

issue different classes or series of units, and the funds, or in certain cases the AIS, may enter into Side Letters with Members without notice to, or consent of, other Members. Such better rights could give certain Members an advantage over others in making investment and redemption decisions.

Gifts and Entertainment

AIS employees may receive gifts and forms of entertainment from service providers doing business with us, including sub-managers, executing brokers, administrators, prime brokers, auditors and others. AIS maintains policies and procedures in accordance with acceptable industry standards to limit the dollar value of gifts an employee may receive annually from such service providers (although there is no dollar value cap on entertainment value received annually, such as dinner and tickets to sporting events). To the extent that AIS employees may receive a material dollar value of entertainment per annum, there may be an incentive for such employees to sustain or expand the relationship with the service provider providing the gifts and entertainment. AIS, its affiliates and its employees may also provide gifts and entertainment to people associated with investors, such as pension consultants, trustees or fiduciaries. Additionally, AIS, its affiliates and its employees may make permitted political contributions to public officials or candidates who support policies, legislation, regulations or other matters that are favorable to or supported by AIS, including matters that may not necessarily be favorable to or supported by the funds or investors. To the extent AIS provides any gifts/entertainment or makes political contributions it will need to make sure such items are not prohibited by applicable laws or regulations. AIS monitors the level of such gifts/entertainment and political contributions and compiles periodic reports for supervisory persons of AIS to review.

Leverage

AIS has the ability to vary the leverage utilized by the funds and leverage may be obtained in various forms. Since AIS' management fee increases as the fund's NAV increase, the performance allocation, if applicable, increases as the fund is more profitable, and leverage can be used to increase the fund's profits and therefore its NAV, AIS has an incentive to increase leverage in order to increase its potential compensation from the Fund.

Other present and future activities of the Investment Manager, the Portfolio Funds, the sub-managers and/or the AIS' affiliates may give rise to additional conflicts of interest.

Prospective investors should consult with their own advisors regarding the possible implications on their investment in the funds of the conflicts of interest.. The funds and AIS will make available to any prospective investor additional information which it possesses, or which can be acquired without unreasonable effort or expense, that may assist prospective investors in their evaluation of such conflicts of interest.

Bank Holding Company Act

UBS and its direct and indirect subsidiaries, including the Investment Manager, are subject to certain U.S. banking laws, including the Bank Holding Company Act of 1956, as amended (the "BHCA"), to regulation and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve"), and to the provisions of, and regulations to be implemented under, the recently enacted Dodd-Frank Act. As described below, the BHCA,

Federal Reserve implementing regulations, and the interpretations thereof by the Federal Reserve, and the Dodd-Frank Act and the regulations to be implemented there under may restrict the transactions and relationships between UBS and its subsidiaries, including AIS, on the one hand, and the funds, on the other hand, and may restrict the investments and transactions of the funds.

The U.S. nonbanking activities of UBS and its direct and indirect subsidiaries are limited to those nonbanking activities permissible for U.S. bank holding companies and their direct and indirect subsidiaries under sections 4(c) and 4(k) of the BHCA

With some exceptions, BHCA section 4(c) limits a bank holding company and its direct and indirect subsidiaries to nonbanking activities that are so closely related to banking as to be a proper incident thereto and to investing in companies that engage only in the foregoing activities. As a result of our affiliations the funds would need to curtail its proposed activities to satisfy this standard.

One exception to the general activities and investments limits of BHCA section 4(c) would allow UBS and its direct and indirect subsidiaries in the aggregate to own or control five percent (5%) or less of the outstanding shares of any class of voting securities of a company, in a passive investment, even though the company engages in activities that are impermissible for bank holding companies (the "Equity Limit"). For an investment to be passive, it must not constitute control of the company in which the investment is made. Under the BHCA, "control" can result from the ownership or control of voting securities, the power to elect a majority of the directors or trustees of a company or from the exertion of a "controlling influence over the management or policies" of a company. Under Federal Reserve interpretations, the ownership of 25% or more of the total equity of a company, including subordinated debt, constitutes a controlling influence and therefore control. There are other indicia of a controlling influence in the Federal Reserve's regulations and interpretations.

Even if UBS and its direct and indirect subsidiaries avail themselves of the exception by staying below the Equity Limit with respect to the funds, the activities of the funds could be affected if UBS and its direct and indirect subsidiaries "control" the funds. If UBS were to directly or indirectly control the funds, then such entity would be deemed to be a subsidiary of UBS. As noted above, subsidiaries of UBS are subject to the general restriction on nonbanking activities and investments under BHCA Section 4(c).

If UBS and its direct and indirect subsidiaries in the aggregate exceed the Equity Limit with respect to the Fund, under BHCA section 4(c), the activities of the Fund would need to comply with the nonbanking activities restrictions. In addition, if UBS and its direct and indirect subsidiaries in the aggregate control the funds, then under BHCA section 4(c), the fund's investments would be aggregated with UBS's investments for the purposes of applying the Equity Limit to, and determining control of, companies in which the funds invests.

The foregoing limits may have a material adverse effect on the activities and performance of the funds in that they may restrict the activities, types of investments and size of investments by the funds. UBS and its direct and indirect subsidiaries are not obligated to divest any investments or refrain from engaging in any transactions or activities in order to permit the funds to own or retain any particular investment or engage in any particular activity, but the

funds may be required to divest particular investments to bring UBS into compliance with BHCA section 4(c).

Under BHCA section 4(k), UBS may engage in and may acquire companies engaged in a wide range of activities that are "financial in nature" or "incidental" or "complementary" thereto, including certain banking, securities, merchant banking and insurance activities. This is so because UBS has elected to become a financial holding company ("FHC"). As an FHC, should UBS and its direct and indirect subsidiaries in the aggregate exceed the Equity Limit with respect to, or be deemed to control, the funds, UBS may elect to treat its investment in the fund as a merchant banking activity. Investments made by an FHC under the merchant banking authority are not subject to the Equity Limit, and companies controlled by an FHC under the merchant banking authority are not subject to the section 4(c) nonbanking activities restrictions. However, such investments are subject to the provisions of the BHCA and regulations of the Federal Reserve governing merchant banking activities by FHCs (the "Merchant Banking Regulations"). To comply with the Merchant Banking Regulations, certain features of the funds structure might need to be modified and the organizational documents of the funds may be amended, if necessary, to effect such changes. Under the Merchant Banking Regulations, among other things, an FHC may only hold an investment made in a particular "portfolio company" (as defined in the Merchant Banking Regulations) for a period of 10 years, or must obtain the approval of the Federal Reserve to hold the investment for a longer period.

Alternatively, UBS and its direct and indirect subsidiaries in the aggregate could structure the investment in the funds to ensure that they do not exceed the Equity Limit with respect to, or be deemed to control, the funds. To accomplish this result, UBS could, for example, make a minimum investment in the funds (which could be zero) and remove all indicia of control recognized by the BHCA and the Federal Reserve.

UBS is under no obligation to utilize its merchant banking authority in connection with the funds investments or activities. The ability of UBS to utilize its merchant banking authority is wholly dependent on UBS maintaining its FHC status. Nor are UBS or its subsidiaries, including AIS, under any obligation to take any steps that would prohibit the funds from being deemed to be controlled by UBS or that would cause the funds, if deemed to be controlled by UBS, to no longer be controlled by UBS. There can be no assurance that the funds will ever cease to be subject to the BHCA or other banking laws. There can be no assurance that the bank regulatory requirements applicable to the funds, or any change in such requirements, would not have a material adverse effect on the funds investment program or performance.

The Dodd-Frank Act includes provisions that will restrict bank holding companies, such as UBS and its subsidiaries from (i) sponsoring or investing in a private equity fund or hedge fund, with the exception, in some instances, of maintaining a *de minimis* investment, subject to certain other conditions and/or exceptions, (ii) engaging in proprietary trading, and (iii) entering into certain transactions involving conflicts of interest. The regulations and interpretations with respect to the Dodd-Frank Act have yet to be issued, and the full impact of the Dodd-Frank Act is not yet clear. Once such regulations are issued and become effective, UBS may take certain actions that it determines, in its sole discretion, to be necessary or advisable to comply with the Dodd-Frank Act, the BHCA, and any other current or future U.S. or non-U.S., laws, rules, regulations or legal requirements applicable to UBS and its subsidiaries or the Fund. Such changes may include, but are not limited to, the complete or

partial redemption or transfer of any Units held by UBS or its subsidiaries, the compulsory redemption of Members of the funds and/or a restructuring of the ownership of AIS. These actions may have a material adverse effect on the fund and its respective Members. The relevant provisions of the Dodd-Frank Act will become effective on the earlier of July 21, 2012, or 12 months after the date of issuance of final regulations implementing such provisions. UBS is reviewing the relevant provisions of the Dodd-Frank Act, and will review the implementing regulations, to assess their potential effect on the funds.

Investment Company Act of 1940 ("Company Act")

AIS invests in portfolio funds for other clients which includes funds registered under the Company Act (each a "Registered Fund"). In addition to the investment limitations imposed by the BHCA, the Company Act imposes certain investment limitations on a Registered Fund which may impact the funds and other clients when they want to invest in the same portfolio fund. The Company Act prohibits affiliated transactions which would occur if a Registered Fund along with other clients of AIS, own (or are deemed to own) in aggregate 5% or more of the voting securities of a portfolio fund. Once this threshold is reached, such Registered Fund, the fund and other clients may have to waive voting rights in the portfolio fund so the Registered Fund can comply with the Company Act. The Company Act also limits the amount of total equity a Registered Fund along with other clients of AIS may hold in a portfolio fund and therefore potentially limit the amount a Registered Fund, the funds and other clients invest in such portfolio fund. Prior to waiving any voting rights in a portfolio fund invested by the funds, other clients and a Registered Fund, AIS will assess whether to waive voting rights to increase the size of the aggregate investments in such portfolio fund. To the extent voting rights are waived, the funds will not be able to vote on matters which at times may be adverse to the funds interests.

A list of our affiliated entities is specifically disclosed on Schedule D of Form ADV, Part 1 at Item 7.B. Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

As required, any affiliated investment advisers are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.)

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Alternative Investment Solutions and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of certain acquisitions and sales of securities. Our code also provides for oversight, enforcement and recordkeeping provisions.

Alternative Investment Solutions' Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. All employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to frank.pluchino@ubs.com, or by calling Frank Pluchino at 212-821-6053.

The code of ethics has been designed to help mitigate risks due to actual or potential conflicts of interest to our clients. We have established these procedures to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest. A copy of the firm's Code of Ethics is available to clients upon request.

Item 12 Brokerage Practices

AIS is not a broker/dealer in securities or foreign exchange; however, its ultimate parent company (UBS AG) is, along with its affiliates UBS Financial Services, Inc. and UBS Securities, Inc. Additionally, AIS utilizes the services of a number of UBS' subsidiary companies that act as broker/dealers in securities and foreign exchange. Although AIS is not a party to the agreements, some of the investment funds managed by AIS have executed prime brokerage agreements and/or administration agreements with UBS and its affiliates.

AIS is primarily a funds of hedge funds provider. As a consequence, it is not typical for us to engage on a frequent basis in securities type transaction with broker/dealers. This may occur from time to time if the underlying fund that a client is invested in provides to AIS a payment in kind in the form of securities or for hedging purposes.

These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

AIS does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

As a matter of policy and practice, Alternative Investment Solutions does not generally block client trades and, therefore, we implement client transactions separately for each account.

Item 13 Review of Accounts

The key investment decision makers are the Investment Committee members comprised of the Co-Chief Investment Officers ("Co-CIOs") and Senior Investment Officers ("SIOs"). The Investment Committee is responsible for making investment decisions on behalf of AIS and have been working together continuously to advise all multi-manager products on the AIS platform since inception. They have overall responsibility for all aspects of the investment process including strategy allocation and portfolio construction. All investment decisions are committee-based, whereby the decision-making process is an integral part of the AIS investment process.

It is important to note that all of the AIS products are monitored by three separate groups: the Investment Committee, the Risk Cluster, and the Investment Operations team on a monthly basis to ensure that each specific client investment guideline and limits are being met.

Independent fundamental research is the foundation of our investment process. Our process and team structure is designed to efficiently harness the specialized skills of our investment team while maintaining a generalist approach to portfolio construction.

The investment team is organized by skill set into four global strategy research groups to cover these strategies. Each strategy research group includes the Co-Chief Investment Officers, Senior Investment Officers, Investment Officers and Analysts. Team members in each strategy group strive to provide concise forward-looking assessments of managers' risk and return profiles for their respective strategies. Formal strategy meetings are held monthly, but informal interaction occurs continuously.

As detailed in Item 8, our process begins with fundamental manager research conducted and debated within each of the four strategy research groups or "clusters". The four clusters include: Equity Hedged, Credit, Equity Arbitrage, and Fixed Income/Trading. Each cluster is responsible for sourcing managers; however, as a result of our large industry network and reputation, many new managers often contact us directly. In addition to sourcing, the strategy groups research and debate hedge funds to be approved for investment, monitor existing investments, and make subscription and redemption recommendations to the Investment Committee. Further, the clusters build strategy and sub-strategy views based on their bottom-up understanding of the attractiveness of the opportunity set for individual managers. On a quarterly basis, these views are analyzed alongside additional market and sector data and formally translated into the AIS Quarterly Strategy Outlook, which helps to frame the Investment Committee's approach to portfolio allocation.

Once a new manager is proposed for possible approval by the strategy cluster, it is formally handed over to the Operational Due Diligence cluster ("Op DD") for assessment. The Op DD team must review and approve all new managers prior to investing and also monitor existing managers on a periodic basis. The AIS Op DD approach is consultative in nature and fosters ongoing relationships with managers to help strengthen their grade for possible future investment. Reviews consist of on-site visits by members of the AIS Op DD team as well as independent background checks. The main objectives of the Op DD team are as follows: 1) to evaluate if the manager's infrastructure is sufficiently capable to support to the investment process; 2) to assess scalability of the operations relative to the strategies and headcount employed; and 3) to assess the quality of service providers, including role of sub-fund's directors. Another important goal of the Op DD team is to learn from past hedge fund frauds, blow-ups, and other types of failures. AIS believes that much can be learned by analyzing and understanding these situations, which are tracked in our proprietary "failed fund" database, particularly the ones that included some kind of operational failure. In addition to the aforementioned objectives, the Op DD team is also integral in establishing channels of communication between AIS and the hedge fund back offices. The output of any Op DD manager review is a comprehensive report delivered to the investment team that includes an official grade ("pass" or "fail"), which can change over time, as managers are re-evaluated. Only funds that receive a pass rating are considered eligible investments from an Op DD perspective.

After the monthly cluster meeting, portfolio review and asset allocation discussion meetings (“prep teams”) take place to further assess the team’s manager and strategy research within the context of individual portfolios. AIS products are divided between two portfolio prep teams assigned to conduct the reviews on specific products (each team is typically responsible for 12-14 products). Each prep team includes the Co- Chief Investment Officers, Senior Investment Officers, and members from Risk and the Client Interface Group. The meetings include a detailed review of individual portfolios, with special attention being paid to midmonth liquidity windows. Each prep team evaluates new information on sub-funds that may have developed since the prior month’s Investment Committee meeting as well as general aspects of portfolio construction for individual mandates (guidelines monitoring, position sizing, strategy and sub-strategy allocation, cash management, liquidity management, etc.). The prep teams also incorporate portfolio quantitative risk analytics into the process each month. In addition, direct client feedback, portfolio specific objectives and any administrative issues are addressed.

The Manager Approval and Redemption Committee (“MARC”) meeting provides a monthly forum that evaluates recommendations on a “fund-by-fund” basis to discuss and approve all subscription and redemption decisions. Attendees include at least one of the Co-Chief Investment Officers, the Business Manager, and all Senior Investment Officers. Some Investment Officers and Analysts may also be involved, as necessary. For voting purposes, two-thirds of the Investment Committee is required. New managers must receive a “pass” rating from Op DD before an investment could be made. When a new fund is presented, a formal investment opinion must be presented by the Senior Investment Officer and Investment Officer who cover the fund. Investment opinions generally include the following topics: personnel background, firm structure and history, commercial terms, Op DD review, portfolio construction, risk management, SWOT (“Strengths, Weaknesses, Opportunities, and Threats”) analysis, return and volatility expectations, exit strategy, overall score, peer analysis, etc. For redemption recommendations of currently invested managers, formal redemption rationales must be presented and documented by the responsible parties. All mentioned items are debated by the entire MARC, and any decisions are finalized with a group majority ruling (i.e. “buy” / “sell” / “reduce”), or request for additional due diligence. The Co-CIOs hold veto power, but they cannot override an Op DD veto. The MARC also votes on the addition or removal of heightened monitoring (“HM”) status for individual funds. Proposed HM funds are debated and assessed on a case-by-case basis; a discussion also occurs each month for funds already on this list.

The Investment Committee meeting is the culmination of the monthly investment cycle. Members of the Investment Committee include the Co-Chief Investment Officers and the Senior Investment Officers. Prior manager/portfolio decisions are discussed and debated further, if necessary. This monthly meeting provides the primary forum to review all of the work performed by the investment team members in a group setting. Given the uncertainty of cash flows, the meeting is typically scheduled towards the end of the month. Capacity and liquidity are reviewed for trade execution planning and meeting prioritization. Each product’s portfolio composition is analyzed, taking into account trade ideas from the prep teams to help direct changes to the portfolio. Portfolio guidelines are reviewed, while incorporating any direct client feedback, new manager-specific information and miscellaneous market or industry-related developments.

If subscriptions or redemptions are required, then trade execution is the final step in the investment process. Trade tickets are generated by the operations team. Trades require at least two signatories, one of which must be from an independent control function. Trade tickets are then sent to the respective product's administrator, who is responsible for completing the subscription and redemption documents. Rationales for transactions are recorded as part of the Investment Committee, and meeting minutes are reviewed by business management and compliance. The investment team communicates with managers regarding intended transactions in order to verify any additional issues and further future relationships. Any follow-up items or future transaction considerations are also included in the Investment Committee meeting minutes.

It is important to note that risk management is ingrained in every step of the AIS investment process. As a fund-of-funds manager, we aim to ensure that risks taken at the manager and portfolio levels are understood, intended and compensated, thus joining the AIS investment philosophy and risk management. Risk analytics represent an integral component in the manager monitoring and portfolio construction processes. The risk management function is supported by proprietary analytical tools. Further, AIS has dedicated risk analysts that help assess the risk-reward balance in both normal and stressed market conditions, across managers and portfolios, which is a combination of qualitative and quantitative analyses.

Our most frequent method of communication with clients is through our standard reports, email communications and our website.

Below are standard reports available to clients/investors in our funds:

Quarterly Strategy Review and Outlook

The Investment Committee produces this report on a quarterly basis as a review of each hedge fund strategy's performance for the previous quarter as well as its outlook for the upcoming quarter.

Monthly Report

The monthly report begins with a monthly investor letter that provides a market commentary, strategy commentary, followed by a complete transparency on manager names and performance attribution commentary on each manager within the portfolio. In addition, the report will include performance and statistics for month, quarter, YTD, one, three and five year time periods.

Other standardized reports are available after discussion with the client. Customized reports are considered on a case-by-case basis. Typically, a minimum investment of USD 100 million is required to receive customized monthly reports.

Annual audits of the products' financial statements are completed each year by Ernst & Young and are provided to investors.

Item 14 Client Referrals and Other Compensation

Funds managed by AIS may occasionally receive rebates from Portfolio funds in which they invest. AIS may therefore receive a benefit in the form of management fees charged to the funds on the resulting higher asset base.

AIS has a policy in regard to the compensation of solicitors for new business as well as pay distributors a portion of the management fee designed to comport with the Advisers Act of 1940. AIS may in limited circumstances compensate persons who introduce investors to investment funds managed by AIS with a portion of the management fee or a portion of the performance based fee for a period of time which varies on a case-by-case basis.

Item 15 Custody

AIS does not maintain physical custody of any client assets as all of our clients' assets are maintained by qualified custodians. The term custody, however, is broadly defined by the SEC, and AIS' affiliates perform certain activities that result in our deemed to have custody under SEC Rule 206(4)-2.

An independent public accounting firm subject to inspection by the Public Company Accounting Oversight Board ("PCOAB"), audits the financial statements of our pooled investment vehicles and audited annual financial statements of these vehicles are distributed to their investors within 180 days of the accounts' fiscal year end.

Item 16 Investment Discretion

AIS will generally provide discretionary investment management services to its clients. AIS will make investment related decisions without consulting the client, which decisions involve determinations regarding which securities are bought and sold for the account and the total amount of securities to be bought and sold. AIS' discretionary authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between AIS and the client.

Item 17 Voting Client Securities

The general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any, (collectively, "proxies"), in a manner that serves the best interests of the clients managed by AIS, as determined by AIS in its discretion, taking into account relevant factors, including, but not limited to:

- the impact on the value of securities;
- the anticipated costs and benefits associated with the proposal;
- the effect on liquidity;
- impact on redemption or withdrawal rights;
- the continued or increased availability of portfolio information; and
- customary industry and business practices.

At times conflicts may arise between the interests of the client, on the one hand, and the interests of AIS or its affiliates, on the other hand. If AIS determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, AIS will address matters involving such conflicts of interest as follows:

- if a proposal is addressed by the specific policies herein, AIS will vote in accordance with such policies;
- if AIS believes it is in the best interest of the client to depart from the specific policies provided for herein, AIS will be subject to the requirements below, as applicable;
- if the proxy proposal is (1) not addressed by the specific policies or (2) requires a case-by-case determination by AIS, AIS may vote such proxy as it determines to be in the best interest of the client, without taking any action as described below, provided that such vote would be against AIS' own interest in the matter (i.e. against the perceived or actual conflict. AIS will memorialize the rationale for sure voting in writing; and

We vote proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account.

We will vote proxies in the best interests of its clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Frank Pluchino by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

Item 18 Financial Information

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisor we are required to disclose that AIS has no financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Alternative Investment Solutions has not been the subject of a bankruptcy petition at any time during the past ten years.