

AIFAM, Inc.

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This brochure provides information about the qualifications and business practices of AIFAM, Inc. ("AIFAM"). If you have any questions about the contents of this brochure, please contact us at 212-682-6100. We are registered with the SEC as an investment advisor under the U.S. Investment Advisers Act of 1940. Registration with the SEC as an investment advisor does not imply a certain level of skill or training. Further, the information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

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

Item 2. Material Changes

Not Applicable

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Item 4. Advisory Business

AIFAM Inc. (“AIFAM”), a New York corporation, was founded in 2001 and is a provider of investment advisory and management services for investment products such as privately pooled investment vehicles. There are investment vehicles that allocate to a diversified group of investment entities such as hedge funds (“Fund of Funds”), and investment vehicles that directly invest in securities and investment vehicles (defined on its own, or collectively with Fund of Funds as “Funds”). Fund of Funds may be commingled vehicles with multiple investors or single investor accounts. As of December 2011, AIFAM managed approximately \$546 million in discretionary assets. AIFAM is majority-owned by its founder, Takuma Aoyama. AIFAM registered with the U.S. Securities and Exchange Commission in February 2012.

Item 5. Fees and Compensation

AIFAM may charge the following fees to Fund clients:

- Management fees, calculated as a percentage per annum of each Fund’s ending monthly or quarterly net asset value, and generally payable in arrears on a monthly or quarterly basis.
- Performance fees, calculated as a percentage of net capital appreciation, subject to a high water mark, and in some cases subject to a hurdle rate or preferred return. Item 6 describes performance fees in further detail.

The fees charged by AIFAM to a particular Fund are set forth in that Fund’s offering memorandum. Investors generally do not have the right to terminate an investment advisory relationship with AIFAM as they typically do not contract directly with AIFAM, although investors may redeem their investments on the terms set forth in the relevant Fund’s offering memorandum. If an investor redeems from a Fund, any earned but unpaid fees will become due and payable as of the investor’s date of redemption.

AIFAM, in its discretion, may waive, reduce or rebate management or performance fees with respect to any investor.

Where a Fund makes an investment in another fund managed by AIFAM and/or its affiliates, management and performance fees will be waived with respect to such investment, so as to avoid duplicate fees.

For Fund of Funds, AIFAM’s fees are in addition to any advisory fees and other expenses charged by the underlying portfolio funds held by a particular Fund. Managers of underlying portfolio funds (“Underlying Managers”) are typically entitled to a management fee based on the fund’s net asset value and a performance fee based on net capital appreciation. In addition, a Fund indirectly bears a pro rata share of the operating expenses of any portfolio fund in which it invests.

As set forth in a Fund’s offering documents, a Fund typically pays such costs and expenses that are necessary for the conduct of its business, including, but not limited to: investment-related expenses,

all expenses incurred in the offering of interests or shares, and operating costs including legal, accounting, administration and custodial expenses.

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

As noted in Item 5, AIFAM may receive performance-based compensation from certain Funds and certain classes of shares within the Funds. The performance fee calculation for a particular Fund is set forth in the Fund's offering memorandum.

Typically, AIFAM would be entitled to receive a performance fee based on a percentage of the net capital appreciation (as defined below) attributable to each share of an applicable Fund. Net capital appreciation means the amount by which the pro rata net asset value of the Fund applicable to each share as of the end of such month exceeds the higher of (a) the highest pro rata net asset value of the class applicable to such share as of the beginning of any performance fee period, and (b) the issue price of such share. The higher of such amounts in (a) and (b) is what is referred to as a "high water mark." The high water mark provision requires a recovery of prior period losses before a performance fee can be earned. In certain Funds, the performance fee may be subject to a hurdle rate or preferred return that must be surpassed for a given period before performance-based compensation may be earned.

Performance-based compensation may create an incentive to favor Funds that pay higher fees over other Funds in the allocation of investment opportunities. AIFAM has implemented policies and procedures to ensure the fair allocation of investment opportunities among Funds.

AIFAM, in its discretion, may waive, reduce or rebate the performance fee with respect to any investor. Additionally, AIFAM may establish Funds in which no performance fee is charged.

With regards to Fund of Funds, in the event of limited investment capacity or redemption opportunity in an Underlying Manager, AIFAM uses its best efforts to allocate, on a pro rata basis, purchase or redemption transactions of Underlying Managers. Such decisions are made on the basis of several factors of the Fund including, but not limited to: fund size, investment strategy requirements, and available cash flow.

Item 7. Types of Clients

AIFAM provides investment advisory and management services to Funds. Investors of the Funds are generally institutional investors such as insurance companies, pension plans or corporations. AIFAM's Funds generally have a minimum investment size of \$500,000 to \$2,000,000, which may be waived or modified in the discretion of the investment manager. The required investor qualifications of a particular Fund are set forth in that Fund's offering memorandum. AIFAM's clients are its Funds, but for the purposes of convenience, we may refer to investors of such Funds as clients.

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

Fund of Funds

AIFAM performs due diligence on all of the Underlying Managers in which it invests. The due diligence process is conducted through onsite meetings, conference calls and correspondence, which facilitate quantitative and qualitative analyses of each of the Underlying Managers. Sources of information for the analyses include information provided by the Underlying Managers, industry databases, news reports, research reports and information provided by industry contacts. Information for the analyses is maintained in AIFAM's proprietary database of Underlying Managers.

The quantitative analyses that AIFAM employs include, but are not limited to:

- Risk/return analysis
- Benchmark analysis
- Drawdown analysis
- Return distributions analysis
- Correlation analysis
- Factor analysis
- Portfolio analysis
- Peer analysis

The criteria for the qualitative analyses include, but are not limited to:

- The strength of the organization
- Quality of the investment management team
- Capabilities of the operations team
- Effectiveness of the style, strategy and process
- Risk management
- Transparency
- Compliance procedures
- Investor base
- Valuation policies
- Fund structure and investment terms

In addition to conducting due diligence on its investments, AIFAM's team monitors Underlying Managers on an ongoing basis to ensure the continued suitability of the Underlying Manager for allocation from AIFAM's Fund(s).

AIFAM invests in a variety of investment strategies designed to produce attractive risk-adjusted returns. The Underlying Managers have broad discretion in the types of investments and strategies they may employ, and the amount of leverage they may use. The specific type and number of strategies employed by Underlying Managers changes over time, and AIFAM anticipates that

depending on market conditions, some investment strategies may be more appropriate for than others. Nevertheless, the Underlying Manager anticipates that a number of hedge fund strategies will be eligible for consideration for investment, including but not limited to the strategies described below.

Equity Long/Short

The strategy generally involves long and short investment in equity securities that are deemed to be under or overvalued. Underlying Managers do not attempt to neutralize the amount of long and short positions (i.e., will be net long or net short). Underlying Managers may specialize in a particular industry, country or region or may diversify holdings across industries, countries or regions.

Equity Market Neutral

The strategy generally involves the simultaneous purchase and sale of similar equity securities to exploit pricing differentials. Underlying Managers attempt to neutralize long and short positions to minimize the impact of general market movements.

Credit Long/Short

The strategy generally involves long and short investment in credit instruments that are deemed to be under or overvalued. Underlying Managers do not attempt to neutralize the amount of long and short positions (i.e., will be net long or net short).

Event Driven

This strategy generally involves investments in securities of firms involved in mergers, acquisitions or other special situations that alter a company's financial structure or operating strategy such as restructurings, liquidations, spin-offs, etc. Risk management and hedging techniques may be employed to protect the portfolio from deals that fail to materialize. The use of leverage varies considerably.

Global Macro

This strategy involves a wide variety of investment approaches, asset classes and instruments. Most Underlying Managers rely on macroeconomic analyses or tactical analysis to invest across countries, markets, sectors and companies, and have the flexibility to invest in numerous financial instruments. Futures and options are often used for hedging and speculation in order to quickly position a portfolio to profit from changing markets. The use of leverage varies considerably.

Fixed Income Relative Value

The strategy generally involves the simultaneous purchase and sale of similar fixed income securities to exploit interest and pricing differentials. Underlying Managers attempt to neutralize long and short positions to minimize the impact of general market movements. Since the strategy attempts to capture relatively small mispricings between two related securities, moderate to substantial leverage is often employed to produce attractive rates of return.

Managed Futures

The strategy generally involves taking long and short positions in futures and other highly liquid instruments in multiple asset classes. The strategy tends to be directional in nature but also can be

designed to capture relative mispricing within and/or across asset classes. The use of leverage varies considerably.

Convertible/Volatility Arbitrage

The strategy generally involves the purchase and/or sale of convertible securities and/or derivatives with the purpose of capturing the mispricing of volatility and/or securities on an absolute or relative basis. Underlying Managers may employ either a directional or market neutral approach. The use of leverage varies considerably.

Multi-Strategy

This strategy is a combination of various hedge fund strategies.

Portfolio Hedges

The strategy generally involves the purchase and sale of financial instruments for the purpose of generating returns in adverse events for a portfolio. Under “normal” market conditions, these strategies may generate losses.

There can be no assurance that investment objectives of any AIFAM Fund will be achieved. The value of a Fund managed and/or advised by AIFAM may go down as well as up and there can be no assurance that on a redemption, or otherwise, investors will receive back the amount originally invested. Past performance is not necessarily indicative of future results. Values of Underlying Managers may also fluctuate widely.

Funds managed and/or advised by AIFAM are only suitable for investment by investors who understand the risk involved and who are able and willing to withstand the total loss of their investment. Set forth below are certain factors that should be taken into consideration before making a decision to invest in a Fund managed or advised by AIFAM. While AIFAM believes the following to be comprehensive, it is not intended to include all of the factors relating to the risks that may be encountered:

Multiple Investment Managers

Because AIFAM invests with Underlying Managers who make their trading decisions independently, it is theoretically possible that one or more of such Underlying Managers may, at any time, take investment positions that are opposite of positions taken by other Underlying Managers. It is also possible that the Underlying Managers retained by AIFAM may on occasion be competing with each other for similar positions at the same time. Also, a particular Underlying Manager may take positions for its other clients that are opposite to positions taken for AIFAM.

Non-Traditional Investment Strategies

The success of non-traditional investment strategies may be less dependent on general market trends and more dependent on the Underlying Managers’ experience and skill.

Access to Information from Managers

AIFAM requests information from each Underlying Manager regarding the Underlying Manager's historical performance and investment strategy. AIFAM also requests detailed portfolio information on a continuing basis from each Underlying Manager. However, AIFAM may not always be provided with such information because certain of this information may be considered

proprietary by the particular Underlying Manager. This lack of access to information may make it more difficult for AIFAM to select, allocate among, and evaluate Underlying Managers.

Lack of Operating History of Underlying Managers

The Underlying Managers retained by AIFAM may be new Underlying Managers with a limited performance history in operating their own management company (although such Underlying Managers typically will have significant prior experience in the securities industry). Therefore, such investments may involve greater risks than investment with more established Underlying Managers.

Performance-Based Compensation Arrangements with Underlying Managers

Funds managed and/or advised by AIFAM will typically enter into arrangements with Underlying Managers which provide that Underlying Managers be compensated, in whole or in part, based on the appreciation in value (including unrealized appreciation) of the account during specific measuring periods. In certain infrequent cases, Underlying Managers may be paid a fee based on appreciation during the specific measuring period without taking into account losses occurring in prior measuring periods, although AIFAM anticipates that most, if not all, Underlying Managers who charge such fees will take into account prior losses. Such performance-based arrangements may create an incentive for such Underlying Managers to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements.

Funds managed and/or advised by AIFAM may be required to pay a performance fee to the Underlying Managers who make a profit for the Funds in a particular fiscal year even though the Funds may in the aggregate incur a net loss for such fiscal year.

Activities of Underlying Managers

Although AIFAM will seek to select only Underlying Managers who will invest its Funds' assets with the highest level of integrity, the Funds will have no control over the day-to-day operations of any of the selected Underlying Managers. As a result, there can be no assurance that every Underlying Manager engaged by the Funds will conform his conduct to these standards.

Illiquidity

Because of the limitations on redemptions and the fact that investments in AIFAM's Funds are not tradable, and furthermore, due to the fact that AIFAM may invest with Underlying Managers who do not permit frequent redemptions, including Underlying Managers who also have "lock-up" periods or otherwise do not permit redemptions for significant periods of time, an investment in a Fund managed and/or advised by AIFAM is a relatively illiquid investment.

Market Risk

The profitability of a significant portion of the AIFAM's investment program depends to a great extent on correct assessments of the future course of price movements of securities and other investments. There can be no assurance that Underlying Managers will be able to accurately predict these price movements. The securities markets have in recent years been characterized by great volatility and unpredictability. With respect to the investment strategy utilized by Underlying Managers to whom AIFAM will allocate, there is always some, and occasionally a significant, degree of market risk.

Diversification

Although AIFAM will seek to obtain diversification by investing with a number of different Underlying Managers with different strategies or styles, it is possible that several Underlying Managers may take substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject the investments of the Funds to more rapid change in value than would be the case if the assets of the Funds were more widely diversified.

Leverage

Underlying Managers retained by the Funds may utilize a substantial degree of leverage, particularly with regard to certain strategies. This results in the Underlying Manager controlling substantially more assets than it has equity. Leverage increases returns to the investors if the Underlying Manager earns a greater return on investments purchased with borrowed funds than the Underlying Manager's cost of borrowing such funds. However, the use of leverage exposes funds to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the Underlying Manager not borrowed to make the investments, (ii) margin calls or interim margin requirements may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Underlying Manager's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the Underlying Manager's assets, the Underlying Manager might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the fund.

The concept of leverage involves the use of debt to finance purchases of securities and manifests itself in different ways. Funds managed and/or advised by AIFAM (i.e., through Underlying Managers) have the ability to borrow funds "on margin" from brokers for the purchase of equity securities. These are transactions that involve an initial cash requirement representing 50% of the underlying security's value with respect to transactions in U.S. markets and varying (typically lower) percentages with respect to transactions in non-U.S. markets. Purchases of debt securities may be financed through repurchase agreements with banks, brokers and other financial institutions which involve the transfer by the fund of the underlying debt instrument in return for cash proceeds based upon a percentage (which can be as high as 95-100%) of the value of the debt instrument. Underlying Managers face risks due to leverage in the event that its equity or debt instruments decline in value. In this event, the funds could be subject to a "margin call" or "collateral call," pursuant to which the funds must either deposit additional funds with the lender, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value.

To the extent that options, futures, options on futures, swaps, swaptions and other "synthetic" or derivative financial instruments are used, it should be noted that they inherently contain much greater leverage than a non-margined purchase of the underlying security, commodity or instrument. This is due to the fact that generally only a very small portion (and in some cases none) of the value of the underlying security, commodity or instrument is required to be paid in order to make such investments. In addition, many of these products are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

In addition, the Funds (i.e., through Underlying Managers) may establish short-term unsecured loans from major banks. Finally, investments may be made in highly leveraged issuers or situations, including issuers that have engaged in leveraged buyouts or certain types of real estate related investments.

Volatility

As a result of the Underlying Managers' flexible investment style, including the use of leverage, investments in emerging markets, "macro" investments and derivative and synthetic instruments generally, the investment performance of the Funds may be more volatile than the investment performance of funds investing only in U.S. equity securities.

Lack of Liquidity of Fund Assets

Fund assets may, at any given time, consist of securities and other financial instruments or obligations which are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts and it may be extremely difficult to accurately value any such investments.

Portfolio Valuation

Because of overall size, concentration in particular markets and maturities of positions held by the Funds (i.e., through Underlying Managers), the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations arrived at by the Underlying Managers. In addition, the timing of liquidations may also affect the values obtained on liquidation. Securities held by the Underlying Managers may routinely trade with bid-ask spreads that may be significant. At times, third-party pricing information may not be available for certain positions held by the Underlying Managers. In addition, the Underlying Managers may hold loans or privately placed securities for which no public market exists. Fund valuations by AIFAM will be conclusive and binding on all investors.

Effect of Substantial Redemptions

In the event Underlying Managers retained by the Funds experience substantial redemptions on any date (whether due to poor performance, death or retirement of principals or other reasons), the Underlying Manager may find it difficult to adjust its asset allocation and trading strategies to the suddenly reduced amounts of assets under management. Under such circumstances, in order to provide sufficient funds to pay such redemptions, the Underlying Managers might be required to liquidate positions at an inappropriate time or on unfavorable terms, or to suspend payment of redemptions in whole or in part.

Item 9. Disciplinary Information

There have not been any legal or disciplinary events relating to AIFAM that would be material to a client's or prospective client's evaluation of AIFAM's advisory business or the integrity of AIFAM's management.

Item 10. Other Financial Industry Activities and Affiliations

AIFAM has a number of affiliated entities domiciled in the United States and other jurisdictions.

AIFAM LLC is a Delaware limited liability company and wholly owned subsidiary of AIFAM. It serves as investment manager to certain Funds and shares common offices and employees of AIFAM.

AIFAM Capital Asia, Ltd. is an exempted company in the Cayman Islands owned by certain members of AIFAM's management. It serves as an investment manager to a Fund for which AIFAM is an investment sub-advisor.

AIFAM Asset Management Co., Ltd. is a Japanese corporation wholly owned by AIFAM. It is registered with, and regulated by, the Japanese Financial Service Authority.

From time to time, AIFAM and its affiliates may direct, or recommend to direct, a Fund advised or managed by AIFAM to invest all or any portion of its assets in another Fund AIFAM and/or its affiliates advise or manage. In such circumstance, fees are waived or modified to ensure investors of the Funds are not paying additional fees.

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

AIFAM has adopted a Code of Ethics that meets industry standards of professionalism and integrity. The Code of Ethics and Compliance Manual together provide a framework and guidelines for AIFAM's personnel to prevent and minimize conflicts of interest, uphold the law, regulations and rules, maintain fiduciary duties to clients and loyalty to AIFAM. All personnel acknowledge the Code of Ethics at least annually or as amended. The Code of Ethics is available to any client or prospective client upon request.

The Code of Ethics requires AIFAM personnel to adhere to its personal trading rules. All personnel are required to obtain pre-clearance for transacting in certain securities, and are required to report transactions of reportable securities on a quarterly basis. All personnel are required to report his/her holdings of reportable securities on an annual basis and at any time he/she opens a new brokerage account.

The Code of Ethics also outlines policies and procedures on receiving and giving gifts and other forms of business entertainment, including provisions on prior approval, reporting requirements as well as restrictions on certain gifts and business entertainment. The Code of Ethics also provides guidelines on political activity and involvement by AIFAM's personnel.

Item 12. Brokerage Practices

AIFAM has authority to select intermediaries to be used as well as negotiate the compensation to be paid to such parties in connection with a transaction in circumstances where a Fund engages in direct trading. Such transaction-based compensation is borne by the affected Fund. In selecting intermediaries, AIFAM considers, among other factors: financial stability of the intermediary, market expertise, execution efficiency, and commission rates.

AIFAM does not use or generate “soft dollars” with respect to Fund transactions. However, AIFAM may on occasion use financial intermediaries that provide non-execution related products or services to their customers.

For Fund of Funds, AIFAM does not typically select brokers or dealers to be used in the execution of transactions. When investing in an Underlying Manager, an AIFAM Fund contracts directly with the Underlying Manager without the involvement of a financial intermediary.

To the extent a Fund engages in “secondary market” transactions in interests of an Underlying Manager, AIFAM has limited opportunities to select the financial intermediaries involved in such transactions. The number of intermediaries active in the “secondary market” is small and transaction costs may vary significantly among intermediaries and transaction types.

Item 13. Review of Accounts

AIFAM monitors and reviews its Funds on a regular basis. Members of the investment team are responsible for their assigned Fund and/or Underlying Managers. An investment committee is convened no less than once a month for a formal discussion of each Fund.

Each Fund typically provides its investors with a net asset value statement of the Fund on a monthly or quarterly basis. These reports are made available typically from twenty to forty-five days after month-end, depending on the Fund. Some Funds may distribute other financial reports and information as appropriate. Annual audited financial statements are also distributed for Funds upon completion.

Item 14. Client Referrals and Other Compensation

AIFAM, including its affiliate entities, currently have no solicitation agreements for client referrals. In the event AIFAM enters solicitation agreements in the future, it will be in compliance with the requirements of Rule 206(4)-3 of the Advisers Act.

Item 15. Custody

AIFAM does not maintain direct custody of Fund assets, which are held by third-party qualified custodians.

Item 16. Investment Discretion

AIFAM has investment discretion for all Funds pursuant to investment management agreements and related or equivalent agreements. Investment guidelines and restrictions of a particular Fund are set for in that Fund’s offering memorandum.

Item 17. Voting Client Securities

AIFAM has implemented policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 under the Advisers Act. It should be noted that AIFAM Funds do not hold exchange-traded securities but rather hold interests in unregistered investment companies that do not regularly solicit votes, consents or proxies.

To the extent AIFAM exercises voting authority on behalf of a particular Fund, it will act in accordance with policies and procedures designed to ensure that proxies are voted in a Fund's best interest, after taking into consideration all relevant facts and circumstances at the time of the vote.

Any actual or apparent conflict of interest between the interest of AIFAM and its Funds will be resolved in manner consistent with the best interest of the Funds.

AIFAM's proxy voting policy or voting record are available to investors and prospective investors of AIFAM's Fund(s) upon request.

Item 18. Financial Information

Not Applicable.