

**FIRM BROCHURE**  
(Part 2A of Form ADV)

**September 10, 2014**

**American Assets Investment Management, LLC**

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**Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of American Assets Investment Management, LLC (“AAIM” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at (858) 345-1470. 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.**

**AAIM is registered as an investment adviser with Securities and Exchange Commission; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.**

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

## ITEM 1: COVER PAGE

Please refer to previous page.

## ITEM 2: MATERIAL CHANGES

This Brochure dated September 10, 2014 is being amended to update the information in numerous Items to reflect that, on September 2, 2014, certain of American Assets Investment Management's ("AAIM") client accounts were transferred to an affiliate, American Assets Capital Advisers, LLC ("AACA"), an investment adviser registered with the SEC that is 50% owned by AAIM.

Pursuant to SEC Rules, AAIM will ensure that clients receive a summary of any material changes to this Brochure within 120 days of the close of AAIM's fiscal year. Additionally, as the firm experiences material changes in the future, we will send you a summary of our "Material Changes" under separate cover.

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## **ITEM 4: ADVISORY BUSINESS**

### **A. Description of Firm**

American Assets Investment Management, LLC (“AAIM” or the “Firm”) is a San Diego, California based investment management firm, founded in 2002. AAIM is currently registered with the Securities and Exchange Commission (“SEC”) as an investment adviser and organized under the laws of the State of Delaware as a Limited Liability Company (“LLC”). AAIM offers discretionary investment advisory services exclusively to qualified investors through pooled investment vehicles and separately managed accounts. AAIM provides services to, and acts as General Partner of American Assets Investment Fund, L.P., a Delaware limited partnership (“AAIF” or the “Partnership”). AAIM generally requires a minimum account size of \$500,000 for the Partnership and at present there is no minimum for its separately managed account services. However, AAIM retains the right to change this at any time and for any reason without notification.

AAIM previously served as General Partner of the American Assets Real Estate Securities Fund, L.P. (“AARESF”), a Delaware limited partnership. Effective at the close of business on January 9, 2014, AARESF was reorganized into the Altegris/AACA Real Estate Long Short Fund, a series of Northern Lights Fund Trust (“Altegris/AACA Fund”), which is a mutual fund registered under the Investment Company Act of 1940 (“1940 Act”). The Firm was a sub-adviser to the Altegris/AACA Fund until that client account was terminated on September 2, 2014 so that it could be transferred to American Assets Capital Advisers, LLC, a Delaware limited liability company and investment adviser registered with the SEC (“AACA”). Certain other client accounts, including accounts for which AAIM acted as a sub-adviser under wrap fee programs sponsored by third party asset managers, were also transferred to AACA at that time. AAIM is the managing member and 50% owner of AACA. “AACA” and “American Assets Capital Advisers” were previously trade names for AAIM, but AAIM has discontinued the use of the trade names as of September 2, 2014.

### **B. Principal Owner**

The Ernest S. Rady Trust is the sole managing member and owner of 100% of the membership interest in AAIM, and, as such, controls the operations and activities of AAIM. Ernest S. Rady is the sole trustee of the Ernest S. Rady Trust.

### **C. Types of Advisory Services Offered**

AAIM in its management of AAIF seeks to generate high risk-adjusted total returns by investing in a wide variety of publicly traded securities including equities, debt and derivatives. AAIM primarily focuses on undervalued shares of large multi-national U.S. corporations. The required minimum initial capital contribution into the Partnership is \$500,000 (although the General Partner, in its sole and absolute discretion, may accept lesser amounts). The General Partner expects to admit additional Limited Partners, and accept additional capital contributions from existing Limited Partners, throughout the Partnership’s term. Capital contributions generally will be accepted as of the first day of each calendar quarter.

Additionally, AAIM manages separate accounts on a discretionary basis only. The client is responsible for informing AAIM of any changes to the client's investment objectives, individual needs and/or restrictions. In addition, AAIM does not take any responsibility for the accuracy of the information provided by clients. At this time there is no set required minimum account size for separate accounts not otherwise investing into the Partnership, and AAIM will open such accounts on a case-by-case basis, in its sole discretion.

#### **D. Advisory Agreements**

Prior to engaging AAIM to provide investment management services, a prospective client is required to enter into a written agreement with the Firm, which will describe the fees to be charged and the terms and conditions under which AAIM will render its services. AAIM will provide a brochure and one or more brochure supplements to each client or prospective client prior to or at the same time a client executes AAIM's investment management agreement or in the case of the Partnership, the Offering Document and the Private Placement Memorandum. AAIM will continue to provide services until terminated by AAIM or the client in accordance with the provisions outlined within the agreement, or when the Partnership has terminated.

#### **E. Assets Under Management as of December 31, 2013 and August 31, 2014**

As of December 31, 2013, AAIM had approximately \$1,543,949,124 of client assets under management ("AUM") on a discretionary basis, excluding AARESF, which reorganized into the Altegris/AACA Fund on January 9, 2014. At close of business on August 31, 2014, following the transfer of certain accounts from AAIM to AACA, AAIM had approximately \$1,535,913,907 of client AUM on a discretionary basis.

### **ITEM 5: FEES AND COMPENSATION**

#### **A. Management Fee for the Partnership**

The General Partner receives monthly fees in an amount equal to 0.0625% (0.75% per annum) for managing AAIF. A pro-rata management fee for AAIF will be charged to Limited Partners on amounts invested and withdrawn during any month. The management fee will be prorated for any month in which the General Partner does not act as General Partner for the entire month. The General Partner has the right, in its sole and absolute discretion, to change the management fee charged to any Limited Partner upon ninety (90) days' written notice.

#### **B. Management and Fees of Separate Accounts**

For the management of separate accounts, AAIM is typically compensated on a case-by-case basis. The client will be required to enter into a written agreement with AAIM setting forth the terms and conditions, including the fees, under which AAIM shall render its services. Such fees are subject to negotiation under certain circumstances and at the sole discretion of the Firm. As noted above, for wrap fee accounts, AAIM, as sub-adviser, receives a portion of the wrap fee paid by the client to the third party investment adviser or sponsor under the respective wrap account program.

Management fees are billed in arrears and calculated on a quarterly basis based upon the fair market value as calculated by the client's custodian as of the last day of the calendar quarter. Should a client open an account during the quarter, management fees will be prorated for assets held for a partial quarter based on the number of days that the account was open during the quarter. In the event that AAIM's services are terminated mid-quarter, the annual fee shall be prorated through the date of termination and any earned, unpaid balance will be immediately due and payable by client.

In accordance with the client's investment management agreement, AAIM either bills clients or debits fees directly from client accounts for separately managed account investment management services on a quarterly basis. The client should understand that the investment management fee does not include brokerage commissions, transaction fees, or other related costs and expenses incurred by the client. The client may incur certain charges imposed by third parties such as custodial fees, transfer taxes, wire transfer and electronic fund fees and other fees on brokerage accounts and securities transactions. Neither AAIM nor any of its advisory personnel receive compensation for the sale of securities or other investment products purchased for a client's account.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Performance fees are subject to negotiation with *qualified clients* (which generally refers to a client that immediately after entering into the contract has at least \$1,000,000 under the management with AAIM, or a client who has a net worth exceeding \$2,000,000 or is a qualified purchaser). All performance fee arrangements will be structured in accordance with Rule 205-3 of the Investment Adviser's Act of 1940, as amended. In measuring clients' assets for the calculation of performance-based fees, AAIM shall include realized and unrealized capital gains and losses.

We do not currently charge a performance fee to the Limited Partners of AAIF, although the General Partner has the right, in its sole and absolute discretion, to change the management fee charged to any Limited Partner upon ninety (90) days' written notice. We do not currently charge performance fees to our separate account clients.

Importantly, performance based fee arrangements may create an incentive for AAIM to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Additionally, the performance-based fee structure could also cause the portfolio manager responsible for the portfolios to devote a disproportionate amount of time to their management, and compensation may be larger than it otherwise would have been because the fee/incentive allocation will be based on account performance instead of a percentage of assets under management.

AAIM has procedures designed and implemented to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Other funds or accounts that AAIM manages may have investments substantially the same as, or that overlap with AAIF, or may have investment objectives that differ substantially from those of AAIF. They may afford investors more advantageous information, liquidity or other rights than those afforded to Limited Partners and may have different compensation arrangements. Further, differences in compensation arrangements or interests by AAIM in other accounts could be viewed as creating incentives for AAIM to favor one or more accounts over other accounts.

## **ITEM 7: TYPES OF CLIENTS**

AAIM provides two types of investment management services: management of AAIF as the General Partner, and portfolio management for separately managed accounts. An offer to purchase interests in AAIF will be made only to persons who are qualified investors by an approved private placement memorandum. In order to be eligible for this type of investment, a client must either demonstrate a net worth of \$2 million or at least \$1 million under management with AAIM. The clients for AAIM's advisory services with respect to AAIF and the separately managed accounts may be institutional clientele, including high net worth individuals, trusts, estates, charitable endowments, corporations, and pension and profit sharing plans.

The minimum investment is \$500,000 for AAIF, which may be waived by AAIM in its sole discretion. Separately managed accounts do not have a minimum investment, although AAIM has the right to require one.

There may be times when certain restrictions are placed by a client that prevent AAIM from accepting or continuing to manage the client's account. AAIM reserves the right to not accept and/or terminate management of a client's account if it feels that the client's imposed restrictions would limit or prevent it from meeting or maintaining its overall investment strategy, or for other reasons.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Investments & Strategies for AAIF**

The Partnership was organized for the primary purpose of investing in U.S. publicly traded securities (equity and debt). AAIF may also invest in options, convertible securities, debt/bond securities and all other types of financial instruments, partnerships or hedge funds, all as determined by the General Partner. The descriptions of the specific activities in which the Partnership may engage should not be understood to limit in any way the types of investment activities or the allocation of Partnership capital among such investments which AAIF may make. The Partnership may engage in any investment activities which the General Partner considers appropriate and consistent with the AAIF Partnership's objective.

The Partnership's objective is to achieve capital appreciation through primarily long investing in U.S. equity securities of public companies, as well as various option trading strategies. The General Partner attempts to achieve this objective through an investment process that emphasizes fundamental, bottoms-up, research-driven stock picking and a top-down management style that stresses disciplined risk management. The General Partner may seek to purchase securities of

public companies at prices that, in its opinion, are less than the fair or intrinsic value of the companies' assets or earning power.

AAIM allocates AAIF's capital seeking the most advantageous risk versus reward relationships and seeks investments that represent fundamentally good value in quality companies whose securities sell at "intrinsic value" or less. These investments may be in equity, debt, derivatives, preferred or convertible securities, sovereign debt, and all other types of securities and other financial instruments, partnerships or hedge funds.

We generally invest in equity securities and from time to time will attempt to enhance returns on those equity securities with purchase or sale of related derivatives (puts and calls predominantly). We focus on sectors of the economy we feel have a combination of growth opportunity and attractive relative valuation.

From time to time we will short what we believe are overvalued securities as a hedging mechanism or as a separate investment idea.

We focus our company analysis on a combination of these attributes:

- Underlying Value
- Reliability of Management Team
- Valuation of the Securities
- Financial Analysis
- Transparency of Reporting
- Liquidity

In addition, we focus on understanding broad macro-economic trends, which allow us to allocate AAIF's investments.

## **B. Investments & Strategies for Separate Accounts**

The investment strategy of AAIM in regards to separately managed accounts is sometimes similar to that of AAIF with respect to equity securities, but also may have investment objectives that differ substantially from those of AAIF. Additionally, AAIM may purchase debt/bond securities for separate accounts. The investment strategy for separately managed accounts may differ from that of AAIF in order to comply with various state and federal regulatory issues depending on the nature, and/or the business and governing laws of the specific client that opens the separate account. The investment strategy for separately managed accounts also may differ based on the investment guidelines and objectives of the client.

## **D. Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Prior to entering into an Investment Management Agreement with AAIM, a client should carefully consider: (1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually three-to-five years, (2) that volatility from investing in the stock market or other securities can occur, and (3)

that over time the client's assets may fluctuate and at any time be worth more or less than the amount invested.

- **Market Risk:** The client's account is subject to market risk—the risk that the securities markets will increase or decrease in value. Market risk applies to every security. Security prices may fluctuate widely over short or extended periods in response to market or economic news and conditions. Securities markets also tend to move in cycles, with periods of rising security prices and periods of falling security prices. If there is a general decline in the securities markets, it is possible a client's investment may lose value regardless of the individual results of the companies in which AAIM invests.
- **Interest Rate Risk:** Interest rate risk is the risk that a debt security's value will decline due to changes in market interest rates. Even though some interest-bearing securities offer a stable stream of income, their prices will fluctuate with changes in interest rates.
- **Credit Risk:** Credit risk is the risk that the issuer of a debt security will fail to repay principal and interest on the security when due. Credit risk is affected by the issuer's credit status, and is generally higher for non-investment grade securities.
- **Income Risk:** Income risk is the potential for a decline in the account's income due to falling interest rates.
- **Common Stock Risk:** Common stocks are subject to greater fluctuations in market value than other asset classes as a result of such factors as a company's business performance, investor perceptions, stock market trends and general economic conditions. The rights of common stockholders are subordinate to all other claims on a company's assets including debt holders and preferred stockholders; therefore, the client's account could lose money if a company in which it invests becomes financially distressed. The strategy's portfolio tends to be invested in a relatively small number of stocks. As a result, the appreciation or depreciation of any one security held in the account will have a greater impact on the account's performance than it would if the account were invested in a larger number of securities. Although that strategy has the potential to generate attractive returns over time, it also increases the account's volatility. As a result, when a client elects to exit this strategy, their account may be worth more or less than the amount initially invested.
- **Derivatives Risk:** The use of derivatives can lead to losses because of adverse movements in the price or value of the asset, index, rate or instrument underlying a derivative, due to failure of a counterparty or due to tax or regulatory constraints. Derivatives may create investment leverage in the client's account, which magnifies the account's exposure to the underlying investment. Derivative risks may be more significant when they are used to enhance return or as a substitute for a position or security, rather than solely to hedge the risk of a position or security held by the account. Derivatives for hedging purposes may not reduce risk if they are not sufficiently correlated to the position being hedged. A decision as to whether, when and how to use derivatives involves the exercise of specialized skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or



unexpected events. Derivative instruments may be difficult to value, may be illiquid, and may be subject to wide swings in valuation caused by changes in the value of the underlying instrument. The loss on derivative transactions may substantially exceed the initial investment.

- Option Risk: An option is a derivative that establishes a contract between two parties concerning the buying or selling of an asset at a reference price. The buyer of the option gains the right, but not the obligation, to engage in some specific transaction on the asset, while the seller incurs the obligation to fulfill the transaction if so requested by the buyer. The price of an option derives from the difference between the reference price and the value of the underlying asset plus a premium based on the time remaining until the expiration of the option. A further risk in derivatives such as options is counterparty risk. In an option contract this risk is that the seller won't sell or buy the underlying asset as agreed.
- Selling Securities Short: In selling securities short, the possible gains are limited (the stock can only decline to a price of zero), and the seller can lose more than the original value of the share, with, in theory, no upper limit. For this reason, short selling is usually used as part of a hedge rather than as an investment in its own right. Short positions pose a risk because they lose value as a security's price increases; therefore, the loss on a short sale is theoretically unlimited.

Past performance is no guarantee of future results.

## **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers such as AAIM are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of the Firm or the integrity of its management. AAIM does not have any such legal or disciplinary events, and thus has no information to disclose with respect to this Item.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

AAIM will devote such time and attention to the Partnership's activities as AAIM deems necessary for the management of the affairs of AAIF and its separate account clients. In this regard, Ernest Rady and John Um will devote substantial time and attention to the affairs of AAIF and the Firm's separate account clients.

Please note that AAIM acts as investment adviser for the securities and debt/bond portfolio of Western Insurance Holdings, Inc. ("WIH") and its subsidiaries, including Insurance Company of the West ("ICW"), a multi-line property/casualty insurance group headquartered in San Diego, California with offices throughout the United States. Ernest S. Rady, AAIM's Chief Executive Officer, Chief Investment Officer and Chief Compliance Officer, controls and owns, through an affiliate, a majority of the outstanding shares of WIH. Mr. Rady is on the boards of directors of ICW and its affiliates, American Assets Trust, Inc. ("AAT"), and San Diego Private Bank, the

board of trustees of Salk Institute for Biological Sciences, and the Dean's Advisory Council of the Rady School of Management at the University of California, San Diego.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics Summary**

The Investment Advisers Act of 1940, as amended (the "Advisers Act") imposes a fiduciary duty on all investment advisers to act in the best interest of its clients. AAIM's clients therefore entrust us to use the highest standards of integrity when dealing with their assets and making investments that impact their financial future. Our fiduciary duty compels all employees to act with integrity in all of our dealings.

The Firm, its employees or affiliates may from time to time invest client assets in securities that they also buy and sell for their own accounts.

Investment activities are reviewed carefully and continuously to ascertain whether any possible conflicts of interest are presented by such investments. Under policies adopted by and in accordance with the fiduciary duties of the Firm, any conflict will be resolved in favor of the client.

The Firm has adopted a Code of Ethics for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. The Firm and its personnel owe a duty of loyalty, fairness and good faith towards their clients, and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code of Ethics. The Code of Ethics covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code of Ethics, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

AAIM obtains information from a wide variety of publicly available resources. AAIM and its personnel do not have, nor claim to have, insider or private knowledge with respect to the companies in which AAIM invests on behalf of its clients.

### **B. Participation or Interest in Client Transactions**

Because our Code of Ethics would permit associated persons of AAIM to invest in the same securities as clients, there is a possibility that the associated person could benefit from market activity by a client in a security held by that person. Employee trading is continually monitored under the Code of Ethics, with an eye to reasonably prevent conflicts of interest between AAIM and its clients.

AAIM does not effect any principal or agency cross securities transactions for client accounts, nor does it effect internal cross-trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Should AAIM ever decide to effect principal trading or agency cross-trades, it will comply with the applicable provisions of the Advisers Act, including Rule 206(3)-2.

## **ITEM 12: BROKERAGE PRACTICES**

### **A. Broker Selection**

In deciding which broker-dealers to use, AAIM may consider a wide range of factors. These include, among others, a broker-dealer's: historical execution performance; commission rate; execution, clearance, settlement and error correction capabilities (both generally and as they relate to the particular type of trade or security); willingness to commit capital; reliability and financial stability; ability to locate securities to borrow for short sales; and provision of research and other services and products (including the nature, quantity and quality of those services). AAIM may cause clients to pay commissions and other transaction compensation at higher than the lowest available rate as a result of considering the above factors.

Please see Item 15(A) for discussion regarding prime brokerage arrangement.

### **B. Transaction and Investment Opportunities**

Neither AAIM nor any of its principals or affiliates has any obligation to provide clients with any particular investment opportunity or to refrain from taking advantage of an investment opportunity that could be beneficial to clients. AAIM will allocate transactions and opportunities among the various accounts it manages in a manner it believes to be equitable, considering each account's objectives, programs, limitations and capital available for investment, but even accounts with similar objectives will often have different investment portfolios.

### **C. Aggregation**

Conflicts of interest could also arise in connection with transactions for the Partnership's account, the other investment vehicles in which AAIM is involved and separately managed accounts. In some cases, the various accounts may seek to buy or sell the same security or other investment at the same time. In those cases, AAIM may combine purchase and sale orders on one or more account's behalf with orders for those of other account(s) (including personal accounts owned by AAIM or its affiliates, members or employees). When it does so, it will generally allocate the proceeds from those transactions on an average price basis among the various participants. At times, however, AAIM may cause the various accounts to effect transactions that differ in substance, timing and amount. This may be due to, among other

things, differences in investment objectives or other factors affecting the appropriateness or suitability of particular investment activities to the accounts, limitations on the availability of particular investment or transactional opportunities or differences in withdrawal or redemption rights.

There will be occasions where AAIM may execute aggregate portfolio transactions of the same security for numerous accounts, particularly where accounts have similar investment objectives. Although such transactions potentially could be either advantageous or disadvantageous to one or more particular accounts, they will be effected only when AAIM believes that to do so will be in the best interest of the affected accounts. When such aggregated transactions occur, the objective will be to allocate on an average cost basis or in a manner that is deemed equitable to the accounts involved.

#### **D. Soft Dollars Considerations**

AAIM's policy is to comply with the provisions of the safe harbor of Section 28(e) when entering into soft dollar arrangements. Section 28(e) of the Exchange Act of 1934 ("Section 28(e)"), which generally allows investment advisers to use client commissions to pay for certain brokerage and research services under certain circumstances without breaching their fiduciary duties to clients (known as "soft dollars"). Brokerage and research services may include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement and custody) and providing information regarding the economy, industries, sectors of securities, individual companies, statistical information, taxation, political developments, legal developments, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis and performance analysis. Such research services can be received in the form of written reports, telephone conversations, personal meetings with security analysts and/or individual company management, and attending conferences. The research services provided by a broker may be proprietary and/or provided by a third party (*i.e.*, originates from a party independent from the broker who provided the execution services).

Subject to Section 28(e), brokerage commissions may be paid in excess of that which another broker might have charged for effecting the same transaction, so long as an adviser makes a good faith determination that the amount of commission charged is reasonable in relation to the value of the brokerage and research services received, viewed in terms of either the specific transactions or an adviser's overall responsibility to the accounts for which it exercised investment discretion.

Research services provided by brokers may be used by advisers in servicing any or all of the adviser's clients, and may be used in connection with clients other than those making the payment of commissions, as permitted by Section 28(e). In addition, the receipt of research services may be deemed to be the receipt of an economic benefit to AAIM, and although customary, may be deemed to create a conflict of interest between AAIM and its clients.

Following the transfer of accounts from AAIM to AACA, AAIM does not currently have any soft dollar arrangements.

### **E. Handling Trade Errors**

Errors created in separately managed accounts must be corrected so as not to harm any client. The goal of error correction is to make the client whole, regardless of the cost to AAIM. Soft dollar arrangements or the promise of future trade commissions cannot be used to correct errors when placing a trade for a client's account and AAIM cannot correct a trade error made in a client's account by allocating the trade to a different account, unless that account was meant to receive the trade in the first place.

### **ITEM 13: REVIEW OF ACCOUNTS**

Principals of AAIM review account transactions on a daily basis. AAIM will provide each Limited Partner in the Partnership with periodic reports no less frequently than annually that will include financial statements, information concerning valuations, profits, gains and losses. In addition, AAIM will provide each Limited Partner with tax-related information on an annual basis. AAIM's separate account clients receive monthly statements directly from the broker for the account, with information concerning valuations, profits, gains and losses. In some cases, the Firm may also provide similar information in addition to the information provided by the broker.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

AAIM may, from time to time, enter into agreements with individuals and organizations that refer clients to AAIM (if AAIM pays a fee for the referrals, such individuals or organizations are referred to in this document as "solicitors"). All such agreements will be in writing and comply with the requirements of Rule 206(4)-3 of the Advisers Act. If a client is introduced to AAIM by a solicitor, AAIM may pay that solicitor a fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. While the specific terms of each agreement may differ, generally, the compensation will be based upon AAIM's engagement of new clients and the retention of those clients and is calculated using a varying percentage of the fees paid to AAIM by such clients. Any such fee shall be paid solely from AAIM's fees, and shall not result in any additional charge to the client.

Each prospective client who is referred to AAIM under such an arrangement will receive a copy of AAIM's Form ADV Part 2A and a separate written disclosure document disclosing the nature of the relationship between the third party solicitor and AAIM and the amount of compensation that will be paid by AAIM to the third party. The solicitor is required to obtain the client's signature acknowledging receipt of AAIM's Form ADV Part 2A and the solicitor's written disclosure statement.

### **ITEM 15: CUSTODY**

Pursuant to Rule 206(4)-2 of the Investment Advisers Act of 1940, AAIM is deemed to have custody of client funds because the Firm has the authority and ability to debit its fees directly from clients' accounts, and also due to the Firm's role as general partner of the AAIF pooled investment vehicle. To mitigate any potential conflicts of interests, all AAIM client account assets are maintained with independent qualified custodians.

AAIM may only implement its investment management recommendations after the client has arranged for and furnished AAIM with all information and authorization regarding its accounts held at the designated qualified custodian.

**A. Prime Broker and Custodian for AAIF**

AAIM has appointed J.P. Morgan Securities, LLC ("JP Morgan") as prime broker and custodian for AAIF. As such, JP Morgan will settle and clear all transactions executed by AAIF. Such transactions may be executed through JP Morgan, or other brokers.

The custodial functions of JP Morgan include, among other matters, arranging for: (i) the receipt and delivery of securities purchased, sold, borrowed and loaned; (ii) the making and receiving payments therefore; (iii) custody of securities fully paid or not fully paid for and, therefore, compliance with margin and maintenance requirements; (iv) custody of all cash, dividends and exchanges, distributions and rights accruing to an account, or delivery of cash to the Partnership's banks; and (v) tendering securities in connection with cash tender offers, exchange offers, mergers or other corporate reorganizations. JP Morgan, has no decision-making discretion relating to AAIF investments.

JP Morgan is entrusted with the safe custody of all the assets of AAIF, and JP Morgan maintains a segregated account in the name of and for the sole benefit of AAIF. The assets of the Partnership will be separately designated in JP Morgan's books. These fully paid assets will be segregated from JP Morgan's own proprietary positions in order to ensure adequate protection in the event of the bankruptcy or insolvency of JP Morgan. Fully paid for assets refers to all assets not deposited as margin. Non-fully paid for securities held in the margin accounts with JP Morgan need not be segregated and may be available to the creditors of JP Morgan. The assets of the Partnership may also be deposited as margin with other broker-dealers and may not be held in segregated accounts.

JP Morgan or a successor prime broker may provide services to AAIM distinct from the custodial, lending and related services the prime broker provides the Partnership. These services may include, among other things, consulting services with respect to various aspects of AAIM's business and introducing AAIM to prospective advisory clients and prospective investors in AAIF or as separate account clients. They may be provided at lower than the market price for similar services or for no charge. A prime broker may also enter into financial transactions with AAIM or its affiliates, and these transactions may be on terms more favorable than the terms available with other counterparties. These transactions might include lending money to AAIM or investing in funds managed by AAIM. To the extent AAIM receives services from the prime broker at lower than market prices, or enters into transactions on terms better than terms available in the market, or collects fees from investments by a prime broker into funds managed by AAIM, because AAIM is responsible for selecting the prime broker or negotiating the rates of compensation paid to the prime broker by AAIF, conflicts may exist between AAIM's interests and the Limited Partners of AAIF. AAIM may have an incentive to cause AAIF to accept less favorable pricing for prime brokerage services (including interest and similar charges on margin borrowings and short positions) than might be available otherwise or to continue to use a prime

broker when AAIF would not otherwise do so. AAIM believes the compensation AAIF will pay the prime broker is reasonable and competitive with rates charged by other prime brokers for services of comparable quality.

AAIF is not required to pay any custody fee to JP Morgan to act as prime broker and custodian. AAIF is not committed to continue its prime brokerage relationship or its clearing relationship with JP Morgan for any minimum period. If AAIF uses another prime broker, it may be required to pay separate fees in cash. To the extent that securities are purchased in non-U.S. markets, JP Morgan will transfer funds to its sub-brokers located in the country in which the securities are purchased. Such sub-brokers (sub-custodians) will maintain custody of the securities until such time as they are sold, at which point uninvested proceeds will be transferred back to AAIF's account at JP Morgan. JP Morgan shall exercise reasonable skill, care and diligence in the selection of sub-custodians. JP Morgan will be responsible to AAIF for the duration of the sub-custody agreement for satisfying itself as to the ongoing suitability of any sub-custodian to provide custodian services. JP Morgan shall maintain an appropriate level of supervision over the sub-custodians and make appropriate enquiries, periodically to confirm that the obligations of the sub-custodians continue to be competently discharged. JP Morgan remains responsible for losses arising from the acts or omissions or insolvency of such sub-custodians. A sub-custodian who holds assets other than margin will segregate those assets in segregated accounts to ensure that they are unavailable to creditors of the sub-custodian or any other entity. The fees of any such sub-custodians shall be at normal commercial rates. AAIM also expects to allocate portions of AAIF's brokerage business to JP Morgan. AAIM will provide reports no less than annually.

## **B. Prime Broker and/or Custodian for the Separate Accounts**

AAIM intends to make a case-by-case determination as to the prime broker and custodian for separately managed accounts but generally it will be the same as for AAIF. Clients should be aware, however, of the differences between having their assets custodied at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

AAIM may only implement its investment management recommendations after the client has arranged for and furnished AAIM with all information and authorization regarding its accounts held at the designated qualified custodian. Clients receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to any performance reports that may be provided by AAIM. AAIM's performance reports for client separately managed accounts may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **ITEM 16: INVESTMENT DISCRETION**

### **A. Discretionary Authority**

All separately managed accounts services are performed by AAIM on a discretionary basis. In exercising its discretionary authority, AAIM has the ability to determine the type and amount of

securities to be transacted and whether a client's purchase or sale should be combined with those of other clients and traded as a "block." Such discretion is to be exercised in a manner consistent with each client's stated investment objectives, risk tolerance, and time horizon. In addition, AAIM's authority to trade securities may be limited in certain circumstances by applicable legal and regulatory requirements. Clients are permitted to impose reasonable limitations on AAIM's discretionary authority, including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to AAIM in writing.

#### **B. Limited Power of Attorney**

By signing AAIM's investment management agreement, clients authorize AAIM to exercise full discretionary authority with respect to all transactions involving the client's account. Pursuant to such agreement, AAIM is designated as the client's attorney-in-fact with discretionary authority to effect investment transactions in the client's account, which authorizes AAIM to give instructions to third parties in furtherance of such authority.

### **ITEM 17: VOTING CLIENT SECURITIES**

AAIM is required to describe its proxy voting policies and procedures and, upon the request of any client, to provide such person with (i) the actual policies and procedures and (ii) information about votes cast on behalf of any fund in which such person has made an investment. In general, proxies will be voted in consultation with the Firm's investment professionals who are responsible for the relevant portfolio investment. The investment professionals, after consultation with senior professionals and counsel, as appropriate, will vote proxies in a manner they believe to be consistent with the best interest of the investors. The investment professionals monitor potential conflicts in proxy voting by consulting with counsel and taking appropriate measures to minimize any such conflicts. Records of proxy material and votes are maintained in our offices. A complete copy of our detailed proxy voting policies and procedures or information on how we voted proxies for is available upon request. AAIM votes proxies for the Partnership and some separately managed accounts.

### **ITEM 18: FINANCIAL INFORMATION**

AAIM does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. AAIM does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.