

**ITEM 1  
COVER PAGE**

**Part 2A OF FORM ADV: FIRM BROCHURE**

**AO ASSET MANAGEMENT, LLC**

950 Third Avenue, 19th Floor  
New York, NY 10022  
Phone: (212) 554-3110

January 2014

This brochure provides information about the qualifications and business practices of AO Asset Management, LLC and AO Asset Management GP, LLC (collectively, “**we**,” “**us**,” or “**our**”). If you have any questions about the contents of this brochure, contact us at (212) 554-3110. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

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

We are a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Such registration under the Advisers Act does not imply any level of skill or training.

## **ITEM 2**

### **MATERIAL CHANGES**

As this is our initial Form ADV Part 2A, we have no material changes to report.

Pursuant to the requirements and rules of the SEC, we will ensure that you receive a summary of any material changes to this brochure and subsequent brochures within 120 days of the close of our fiscal year. We will also provide ongoing disclosure about material changes as such changes may arise.

Our brochure may be requested, free of charge, by contacting our Chief Compliance Officer, Michael Neiberg, at (212) 554-3112 or [michael@aoasset.com](mailto:michael@aoasset.com).

### ITEM 3 TABLE OF CONTENTS

	<u>Page</u>
ITEM 1	COVER PAGE.....1
ITEM 2	MATERIAL CHANGES .....2
ITEM 3	TABLE OF CONTENTS.....3
ITEM 4	ADVISORY BUSINESS .....4
ITEM 5	FEES AND COMPENSATION .....6
ITEM 6	PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....9
ITEM 7	TYPES OF CLIENTS.....10
ITEM 8	METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....11
ITEM 9	DISCIPLINARY INFORMATION.....18
ITEM 10	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....19
ITEM 11	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....21
ITEM 12	BROKERAGE PRACTICES.....23
ITEM 13	REVIEW OF ACCOUNTS .....26
ITEM 14	CLIENT REFERRALS AND OTHER COMPENSATION .....27
ITEM 15	CUSTODY .....28
ITEM 16	INVESTMENT DISCRETION .....29
ITEM 17	VOTING CLIENT SECURITIES .....30
ITEM 18	FINANCIAL INFORMATION .....32

## ITEM 4 ADVISORY BUSINESS

### A. General Description of Advisory Firm

AO Asset Management, LLC (the “**Investment Adviser**”) is a Delaware limited liability company organized on October 3, 2013. The Investment Adviser serves as the investment adviser to (i) AO Technology Master Fund, L.P., a Cayman Islands exempted limited partnership formed on November 14, 2013 (the “**Master Fund**”); (ii) AO Technology Fund, LP, a Delaware limited partnership formed on June 25, 2013 (the “**Domestic Fund**”), which is designed primarily for certain qualified U.S. taxable persons, and which invests all of its investable assets in the Master Fund; and (iii) AO Technology Fund, Ltd., a Cayman Islands exempted company formed on November 12, 2013 (the “**Offshore Fund**”), which is designed primarily for certain qualified investors who are not U.S. persons and for certain qualified U.S. tax-exempt investors, and which invests all of its investable assets in the Master Fund. In addition, the Investment Adviser expects to serve as the investment adviser to certain separately managed accounts (the “**Managed Accounts**”). We refer to the Domestic Fund together with the Offshore Fund and any additional feeder funds as the “**Feeder Funds**” and, together with the Master Fund as the “**Funds**,” and each, individually as the context may dictate, a “**Fund**.” We refer to the Funds and the Managed Accounts, collectively, as our “**Client Accounts**,” or more generally, with other potential clients, as our “**clients**.”

AO Asset Management GP, LLC, a Delaware limited liability company organized on June 25, 2013, serves as the general partner (the “**General Partner**”) of the Domestic Fund and the Master Fund. The General Partner has ultimate responsibility for the management, operation and administration of such Funds.

From time to time, we or our affiliates may launch, sponsor, or provide investment advisory services to additional pooled investment vehicles or managed accounts.

Our sole owner is Nicholas Romano (the “**Principal**”).

### B. Description of Advisory Services

As an investment adviser, we provide discretionary investment advisory services and design, structure and implement investment strategies for the Client Accounts. For a detailed discussion of our strategies, see Item 8 – “Methods of Analysis, Investment Strategies and Risk of Loss.”

Pursuant to our investment advisory agreements with each of the Funds, we provide advisory services and manage client assets in accordance with one or more of our established investment strategies. With respect to the Managed Accounts, we will tailor the types of securities or other instruments to be traded on the client’s behalf based upon specific directions provided by such clients in their investment advisory agreements or otherwise. Any restrictions on investing in certain securities, types of securities, or any geographic areas or industry sectors will be specified in the investment advisory agreement with, or offering and organizational documents of, the relevant client.

**C. Wrap Fee Programs**

We do not participate in wrap fee programs.

**D. Assets Under Management**

As of January 2, 2014, we had approximately \$35,000,000 assets under management on a discretionary basis and no assets under management on a non-discretionary basis.

## **ITEM 5 FEES AND COMPENSATION**

### **A. Advisory Services and Fees**

Written investment advisory agreements and/or organizational and offering documents of the Client Accounts govern the terms of compensation and the manner in which we charge fees to each of our clients. The fees we charge for our advisory services may be negotiable depending on the circumstances of the client's account and the service levels we provide to the client. For a detailed description of our fee arrangements, see Item 5 – "Fees and Compensation – Fees."

In addition to our fees and compensation, each Client Account will pay certain operating expenses and administrative expenses, as set forth in the applicable written investment advisory agreement and/or organizational and offering documents of the Client Account. Operating expenses and administrative expenses may include, but are not limited to all fees, costs and expenses associated with the financing, sourcing, acquiring, holding, hedging and disposing of investments or proposed investments (including, without limitation, custodial fees, brokerage fees, commissions, consulting services, due diligence, investment-related travel expenses, as well as all fees, expenses, interest payments and principal payments due to any legal, financial, accounting, consulting or other advisors, or any lenders, investment banks and other financing sources in connection with the financing, sourcing, acquiring, holding, hedging and disposing of investments or proposed investments), all entity-level taxes, fees or other governmental charges, the costs of any insurance (including, without limitation, directors and officers insurance, if any), expenses incurred in the collection of monies owed to the Client Accounts, management fees, legal, auditing, consulting, research, and accounting fees and expenses (including, without limitation, expenses associated with the preparation of financial statements, tax returns and Schedules K-1, if any), extraordinary expenses (including, without limitation, litigation-related and indemnification expenses) and the costs of any reporting to investors, any meetings of investors and any "broken-deal" or failed transaction expenses.

We will bear the costs of providing our services to the Client Accounts, including our general overhead, salary, office and travel expenses (other than travel related to the investment of the Client Accounts' assets) and will be reimbursed for any non-investment advisory expenses we incur on behalf of the Client Accounts.

In connection with the above fees and expenses, the Feeder Funds pay a proportionate share of such fees and expenses incurred by the Master Fund. We do not receive brokerage commission or other compensation attributable to the sale of securities or other investment products.

For a discussion of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of commissions and compensation for such broker-dealers, see Item 12 – "Brokerage Practices – Selection of Broker-Dealers and Reasonableness of Compensation."

## B. Payment of Fees

The fees relating to our trading strategies for the Funds are generally as follows:

- A management fee is payable to the Investment Adviser quarterly, in advance, at an annual rate equal to the Management Fee Percentage times the applicable Fund's net assets as of beginning of each quarter, adjusted for any additional capital contributions by investors to the Funds, admission of new investors to the Funds and withdrawals or redemptions by investors from the Funds. The "**Management Fee Percentage**" equals, (i) in respect of Class F interests in the Funds, 1.25%; (ii) in respect of Class P interests in the Funds, 2.0%; provided that such percentage shall decrease to 1.0% commencing at the start of the first month following the date on which our assets under management reach \$500 million; and (iii) in respect of Class A interests in the Funds, 1.5%.
- A performance allocation is allocable to the General Partner by a Fund at a rate equal to the Performance Allocation Percentage times the net gains allocable to an investor's account. The performance allocation is generally allocable on an annual basis in arrears. The performance allocation is subject to a "loss carryforward." The "**Performance Allocation Percentage**" equals (i) in respect of Class F interests in the Funds, 15%; (ii) in respect of Class P interests in the Funds, 10%; and (iii) in respect of Class A interests in the Funds, 20%.
- Such fees are deducted from the applicable Fund's assets.

We may elect to waive or reduce the performance allocations and the management fees described above without notice to or the consent of any Fund (or underlying investors in the Funds). There are no current side letter agreements that would negatively impact the Funds.

With respect to each capital contribution by a Fund investor, such investor may also be subject to certain withdrawal or redemption fees in an amount equal to 5% of the amount being withdrawn or redeemed. Such fees, which are paid to the applicable Fund, would generally be imposed with respect to any withdrawals or redemptions that occur prior to the 12 month anniversary of any applicable capital contribution.

Pursuant to the terms of the applicable investment advisory agreement, if the investment advisory relationship is terminated (or funds are withdrawn or redeemed) as of any date other than the last business day of the applicable payment period, we typically charge a prorated management fee based on the ratio that the number of days for which investment advisory services were rendered bears to the total number of days in that payment period, and we return any unearned fees to the client or underlying investor. In the event that the investment advisory relationship is terminated (or funds are withdrawn or redeemed) other than at the end of a performance allocation calculation period, such termination (or withdrawal or redemption) date shall typically be treated as the end of a performance allocation calculation period.

The fees relating to our trading strategies for our Managed Accounts will generally be negotiable, and will generally be as follows:

- Management and performance fees, which generally may range from 0.25% to 2% of the net assets attributable to a Managed Account and 10% to 20% of the net gains attributable to a Managed Account, respectively, will vary due to account size and other factors and are typically based on the nominal account size.
- Management fees may be payable quarterly or monthly, in advance or in arrears; performance fees will generally be payable annually in arrears.
- Clients are invoiced for the payment of such fees.



## ITEM 6

### PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

In some cases, including pursuant to our investment advisory agreements with the Funds, we will enter into performance or incentive fee or allocation arrangements with eligible clients. The terms and conditions of such fees or allocations are subject to individualized negotiations with each client. We will structure any performance or incentive fee or allocation arrangement in accordance with Section 205(a)(1) of the Advisers Act and the rules and regulations thereunder, including the exemption set forth in Rule 205-3 of the Advisers Act permitting performance fee arrangements with “qualified clients.” For a more detailed discussion of the calculation of the incentive fees or allocations paid or made, as applicable, by the Funds, see Item 5 – “Fees and Compensation – Payment of Fees.”

Performance-based fee or allocation arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that we may recommended under a different fee or allocation arrangement. In the allocation of investment opportunities, performance-based fee or allocation arrangements may also create an incentive for us to favor accounts with performance or incentive fee or allocation arrangements over accounts that do not have such arrangements or, alternatively, favor accounts with higher performance-based fees or allocation arrangements over accounts with lower performance-based fees or allocation arrangements. We have adopted an investment allocation policy and procedures (the “**Allocation Policy**”) designed to ensure that all of our clients are treated fairly and equitably and to prevent this form of conflict from influencing the allocation of investment opportunities among our clients. In accordance with our Allocation Policy, while each of our clients may not participate in each individual investment opportunity on an overall basis, each client generally will be entitled to participate equitably with our other clients.

The Allocation Policy seeks to allocate investment opportunities among our clients in a fair and equitable manner. Allocations of investment opportunities are not necessarily made on a pro rata basis as our clients may pursue distinct investment strategies. Rather, we make independent allocation decisions with respect to each client. Allocations of investment opportunities among the clients are based on a variety of considerations, including potentially different or conflicting investment objectives and strategies; the life cycle of various portfolios; risk parameters (including, without limitation, the use of leverage); cash and liquidity availability (e.g., allocation size may vary depending on a client’s cash availability, the other liquidity obligations of the applicable client or commitments made to other investments); follow-on investments (e.g., such investments may be allocated in accordance with the allocation of the original investment); investment time frames; and legal, tax, and regulatory considerations.

## **ITEM 7**

### **TYPES OF CLIENTS**

We currently provide investment advisory services to the Funds, which are offered to high net worth individuals; financially sophisticated individual and institutional investors, including trusts, estates, or charitable organizations, pension and profit sharing plans; and commingled investment vehicles. We expect to also provide investment advisory services to institutional investors through Managed Accounts.

The minimum initial subscription for an investor in the Funds is \$1,000,000. Investors in the Funds must meet certain prescribed criteria, including, as applicable, being an “accredited investor,” as defined in Rule 501(a) of Regulation D, promulgated pursuant to Section 4(2) of the Securities Act of 1933, as amended (the “**Securities Act**”) and a “qualified purchaser,” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). Such minimum investment amounts and investor criteria are set forth in the offering documents of each Fund.

We may, in our sole discretion, waive any of these minimum account requirements.

## ITEM 8

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

#### A. Methods of Analysis and Investment Strategies

The investment objective of the Funds is to achieve superior risk-adjusted absolute returns over a multi-year period. The Funds' focus is on equities in the technology, media and telecommunications ("TMT") sectors of the global economy. We believe that these sectors traditionally see rapid adoption of disruptive new technology, creating an ongoing cycle of change, which often leads to large new product cycles and opportunities for well positioned companies. We believe that our deep sector expertise and proprietary in-depth research will help us to identify such companies and build a portfolio accordingly. We expect the Funds to hold long positions for a year or longer and to take short positions on a tactical, as opposed to hedging, basis.

Each of the Feeder Funds invests all or substantially all of its investable assets through the Master Fund, and conducts all or substantially all of its investment and trading activities indirectly through its investment in the Master Fund.

We intend to invest the Funds' assets in the common stocks of companies in the TMT sectors globally, with a focus on mid-cap and larger names traded in the U.S. We base our investment strategy on three fundamental principles:

- *Fundamental Research.* We seek to be an expert in the TMT sectors of the global economy. In researching a target company, we gather data from three important sources: public company management, competitors (both public and private companies), and the IT community that buys the target company's product. This data then is synthesized and quantified into a proprietary financial model that drives the portfolio decision-making process. Our investments, both long and short, are based on this proven and repeatable process.
- *Long-Term Outlook.* Identifying long-term product cycles creates the opportunity to buy and hold well-positioned companies with good management teams over multiple year periods. We believe that utilizing an investment horizon of more than 12 months increases the tax efficiency of the Funds and raises the quality of the long portfolio, thus enhancing performance on a pre-tax basis.
- *Tactical Shorting.* We view shorting as an opportunity to enhance the returns of the Funds, rather than to hedge the Funds' positions and/or manage net exposures. We believe that our in-depth research, sector expertise and investing experience gives us early insights into changing fundamentals in the volatile TMT sector. Given the high failure rate of companies in the TMT sector, we believe that there will be attractive shorting opportunities for the Funds. Short candidates include poorly positioned companies as well as high-growth stocks where we believe fundamentals are inflecting downward.

We expect the Managed Accounts to pursue investment objectives similar to those described above in respect of the Funds.

**B. Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. More specifically, an investment in the Funds involves substantial risks, including, but not limited to, those described below. There can be no assurance that the Funds' investment objective will be achieved or that there will be any return of capital, and investment results may vary substantially on a monthly, quarterly or annual basis. The Funds are a potentially suitable investment only for sophisticated investors for whom an investment in the Funds does not represent a complete investment program and who, in consultation with their own investment and tax advisors, fully understand and are capable of assuming the risks of an investment in the Funds. Because this is not an exhaustive list of all of the risks associated with the conduct of our investment advisory business, clients should read this brochure, any investment advisory agreement and any offering documents of the particular Fund or other Client Account before making an investment with us.

- *General Investment and Trading Risks.* All securities investments present a risk of loss of capital. Volatile financial markets increase that risk. If our evaluation of an investment opportunity should prove incorrect, the Funds could experience losses as a result of a decline in the market value of securities in which the Funds hold a long position or an increase in the value of securities in which the Funds hold a short position. The risk management techniques that may be used by us do not provide any assurance that the Funds will not be exposed to a risk of significant investment losses.
- *Investment Judgment.* The profitability of a significant portion of the Funds' investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that we will be able to predict accurately these price movements.
- *General Economic Conditions.* Market risk is a factor in any investment, and during the last several quarters, a high level of volatility in the financial markets has increased risk generally. The most difficult type of market environment for the Funds' strategy is expected to be a speculative environment, in which hype, promotional management teams and/or investor euphoria drive stock price movements instead of company fundamentals. This type of environment is of particular concern during short-covering driven rallies and/or for low-dollar short positions. The success of any investment activity is affected by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of investor participation in the markets for both equities and interest-sensitive securities. Unexpected volatility or illiquidity in the markets in which the Funds hold positions, directly or indirectly, could impair the Funds' ability to carry on their business or cause them to incur losses.
- *Risks Posed by Additional Legislation and Increased Regulatory Oversight.* The Funds must comply with various legal requirements, including requirements

imposed by the securities laws, tax laws, anti-money laundering laws and regulations, and pension laws in various jurisdictions. Should any of those laws change, the legal requirements to which the Funds and their investors may be subject could differ materially from current requirements. In addition, investment funds and their investment advisers have come under attack from the media and some legislators in recent years. This has particularly been the case following the credit crisis and extreme economic downturn that began in 2008, notwithstanding general agreement among commentators that the funds and advisers had little to do with precipitating the credit crisis or its aftermath. As a result, multiple pieces of legislation have been introduced or adopted, both on the state and federal level. It is unknown when or whether any additional initiatives will be proposed or adopted into law, but any of them, if enacted, could add to the costs and regulatory burdens of operating the Funds.

- *Securities of Sub-Investment Grade Companies.* Special risks may arise if the Funds invest in the securities of sub-investment grade and highly leveraged companies. Although such investments may result in significant returns to the Funds, they involve a substantial degree of risk. If the “natural leverage” created by a company’s high level of borrowing should work against a short position held by the Funds, the Funds’ losses would be heightened. Although the Funds may not do so frequently, should the Funds purchase distressed and/or non-performing debt securities, and subsequent to purchasing them find that they are no longer readily traded by broker-dealers, these securities may not show any return for a considerable period of time. Many distressed and/or non-performing securities ordinarily remain unpaid while the company is in bankruptcy and may not ultimately be paid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. As a result, if they are no longer readily traded by broker-dealers, such securities may have to be held for an extended period of time. There is no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Funds invest, the Funds may lose their entire investment. Under such circumstances, the returns generated from the Funds’ investments may not compensate the Funds’ investors adequately for the risks assumed.
- *Small Capitalization Companies.* The Funds may invest a substantial portion of their assets in the stocks of companies with small market capitalizations (any company with an equity market capitalization of \$2.5 billion or less). Such stocks involve higher risks in some respects than do investments in stocks of larger companies. The prices of small capitalization and even medium-capitalization stocks are often more volatile than prices of large capitalization stocks and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to long investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be illiquid. The small market capitalization stocks have, at

times, significantly underperformed the large capitalization stocks and may do so in the future. A related concern for short sale risk is that smaller companies tend to be more readily acquired.

- *Derivative Instruments.* The Funds could potentially create leverage via the use of instruments such as options and other derivative instruments. The value of a derivative depends largely upon price movements in the underlying asset; hence many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. In addition, there are a number of other risks associated with derivatives trading, such as increased exposure for the Funds, exposure to liquidity risks and counterparty risks. The Funds may invest in options, which can provide a greater potential for profit or loss than an equivalent investment in the underlying asset and may involve different risks than investing in directly in the underlying asset.
- *Risk of Global Investing.* The Funds may invest their assets in non-U.S. securities and other financial instruments denominated in non-U.S. currencies. Investments in securities of non-U.S. issuers and securities denominated in non-U.S. currencies pose currency exchange risks to the extent not hedged. In addition, foreign securities regulators may exercise less regulatory supervision than those in the U.S., and foreign governments may afford less legal protection to the Funds as an investor. In addition, Fund investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies.
- *Diversification Risk.* The Funds may hold a limited number of positions (both long and short) at any given time. As a result of the Funds' lack of diversification, a significant loss in any one position may have a material adverse effect on the net asset value of the Funds and the Funds' rate of return. Diversification of Funds' assets among different industries is not a primary goal of the Funds. Therefore, any fluctuation in the overall value of securities in industries such as retailing, media, casino, communications and energy likely will have a material adverse effect on the performance of the Funds.
- *Litigation Risk.* Distressed companies such as those in which the Funds may occasionally invest may be subject to litigation, including bankruptcy litigation, shareholder derivative suits and creditor suits.
- *Hedging.* The Funds intend to engage in a variety of hedging transactions. Hedges can be more difficult to implement than many other types of transactions, and the possibilities for errors may be greater than for other transactions.
- *Short Sales.* Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market prices to the extent such decline

exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

In addition, short sellers are subject to the risk of a “short squeeze.” A short squeeze is a situation in which the short seller is prematurely forced out of a short position. The lender of a security used to cover a short generally has the right to demand the return of the security that has been loaned at any time. If a lender were to demand the return of securities that the Funds had borrowed, the Funds would be required to replace the borrowed securities by borrowing identical securities from another lender. If the Funds were unable to replace the borrowed securities, they would be required to close out the short sale by buying identical securities in the market in order to make delivery. In such event, the Funds could incur significant losses if the securities sold short had increased in value.

Although the Funds do not anticipate using borrowed money frequently, the Funds also could be forced to close out a short sale prematurely as a result of an increase in margin requirements, coupled with an inability to provide the required additional margin on short notice.

In addition, overall declines in market prices have increased short-selling activity and consequently increased the demand for borrowed securities. At the same time, a decrease in the federal tax rate applicable to certain stock dividends, which decrease is inapplicable to comparable payments made to individuals whose stocks are on loan to short sellers when such dividends are paid, is expected to decrease the supply of securities available for borrowing by short sellers. This increase in demand coupled with a decrease in supply can be expected to increase the cost of employing short sale strategies.

- *Leverage; Interest Rates; Margin.* We may borrow funds from brokerage firms and banks on behalf of the Funds in order to be able to increase the amount of capital available for marketable securities investments. The rates at which the Funds can borrow, in particular, will affect the operating results of the Funds. Even if the Funds make a profit on a trade, the interest expense incurred in carrying the position may exceed the profit generated by the trade. The Funds’ use of short-term borrowings or repurchase agreements will result in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds’ margin accounts or repurchase obligation decline in value, the Funds could be subject to a “margin call,” pursuant to which the Funds must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the

event of a sudden precipitous drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to pay off their margin debt.

- *Dependence on Occurrence of Events.* The ability to realize a profit on certain of the Funds' investments may be dependent upon the occurrence of certain events, for example, the bankruptcy, sale or successful reorganization of a company. If the event that we are expecting to occur does not occur, the Funds may sustain a significant loss.
- *Institutional Risks; Counterparty Risk.* Institutions will have custody of the assets of the Funds. Certain assets of the Funds will be exposed to the credit risk of the dealers, brokers and exchanges through which we deal, whether we engage in exchange-traded or off-exchange transactions. These firms and/or financial institutions, regardless of how large or well-capitalized, may encounter financial difficulties that impair the operating capabilities or the capital position of the Funds. If any broker-dealer or other financial institution holding the Funds' assets were to become bankrupt or insolvent, it is possible that the Funds would be able to recover only a portion, or in certain circumstances, none of their assets held by such bankrupt or insolvent entity.

Brokers may trade with an exchange as principals on behalf of the Funds, in a "debtor-creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to all of the assets of the Funds (for example, the transactions that the broker has entered into on behalf of the Funds as principal as well as the margin payments that the Funds provide). In the event of such broker's insolvency, the transactions into which the broker has entered as principal could default, and the Funds' assets could become part of the insolvent broker's estate, to the detriment of the Funds. The Funds' assets may be held in "street name," in which case, a default by the broker could cause the Funds' rights to be limited to that of an unsecured creditor.

To the extent that the Funds invest in swaps, derivative or synthetic instruments, or other over-the-counter transactions, including forward contracts, or, in certain circumstances, non-U.S. securities, the Funds may also take a credit risk with respect to the parties with whom they trade and may bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

- *Changes in Investment Strategy.* We have considerable discretion in choosing the securities that may be acquired and have the right to modify the investment strategy, selection criteria or hedging techniques used by the Funds without the



consent of their investors. Any of these new investment techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings, which could result in unsuccessful investments and, ultimately, losses to the Funds. In addition, any new investment strategy or hedging technique developed may be more speculative than earlier techniques and may increase the risk of an investment in the Funds.

- *Special Allocation of Increase in Net Asset Value.* Subject to a loss carryforward, we will receive a performance allocation as described in Item 5 – “Fees and Compensation – Fees.” The amount allocated to us is variable and cannot be determined in advance. Depending upon the Funds’ rate of return, the amount allocated to us may be substantial compared to a fee calculated as a percentage of the assets under management, which might be paid to a money manager for managing a comparable amount of money. This provision may provide an incentive to us to approve more speculative trading strategies in an effort to maximize the Funds’ rate of return.

To the extent that any Managed Account pursues investment objectives similar to those described above in respect of the Funds, an investment in such Managed Account will involve risks similar to those described above.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

To the best of our knowledge, there are no legal or disciplinary events that we believe would be material to our clients' or our prospective clients' evaluation of our advisory business or the integrity of our management.

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

**A. Broker-Dealer Registration**

Neither we nor any of our management personnel (i) are registered as broker-dealers or (ii) have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

**B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration**

Neither we nor any of our management personnel (i) are registered as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing or (ii) have any application pending to register with respect to any of the foregoing.

**C. Material Relationships and Conflicts of Interests with Industry Participants**

Our relationships and arrangements with our various clients and other industry participants are material to our advisory business and may raise conflicts of interest. Below is a description of some of the potential conflicts of interest arising from such relationships and arrangements. Because this is not an exhaustive list of all of the conflicts of interest associated with the conduct of our investment advisory business, clients should read this brochure, any investment advisory agreement and any offering documents of the particular Client Account before making an investment with us.

**Multiple Clients**

There is no limit on the number of clients that we or our affiliates may manage or advise. Further, we and our personnel may have investments in certain of our clients. Fund investors may also hold Managed Accounts. As a result of the foregoing, we may have conflicts of interest in (i) allocating the time and resources of our personnel between and among clients; (ii) allocating investment opportunities between and among clients (see Item 6 – “Performance-Based Fees and Side-By-Side Management”); and (iii) effecting transactions between clients, including clients in which we or our personnel may have different financial interests.

**Broker-Dealers and Other Service Providers**

While we select our prime brokers, counterparties and service providers in accordance with our fiduciary obligations to our clients, from time to time, such parties or their affiliates may also invest in the Funds.

With respect to the selection of broker-dealers, we allocate portfolio transactions to brokers based on best execution and in consideration of such brokers’ provision or payment of the costs of research and other services. For a more detailed discussion of the factors that we consider in selecting or recommending broker-dealers for client transactions, see Item 12 – “Brokerage Practices.”

Our Code of Ethics requires that we make full disclosure of all material facts concerning any actual or potential material conflicts of interest, and requires us and our personnel to follow appropriate procedures designed to minimize any such conflict.

For a more detailed discussion of our Code of Ethics, see Item 11 – “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.”

**D. Material Conflicts of Interest Relating to Other Investment Advisers**

Except as otherwise disclosed in this Item 10, we do not recommend or select for our clients, receive compensation directly or indirectly from, or have other business relationships with, other investment advisers.

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

**A. Code of Ethics**

We have adopted a Code of Ethics that is based on the principle that we, and each of our personnel, owe a fiduciary duty to our clients and a duty to comply with federal and state securities laws and all other applicable laws. These duties include the obligation of all personnel to conduct their personal securities transactions in a manner that does not interfere with the transactions of any client or otherwise take unfair advantage of their relationship with clients. Among other things, the Code of Ethics requires regular reporting of personal securities transactions by certain personnel. Additionally, we maintain a restricted list, which is a dynamic, virtual list of certain issuers whose securities our personnel are not permitted to trade.

We will provide a copy of our Code of Ethics, free of charge, to any client or investor and prospective client or prospective investor upon request. Our Code of Ethics may be requested by contacting our Chief Compliance Officer, Michael Neiberg, at (212) 554-3112 or [michael@aoasset.com](mailto:michael@aoasset.com).

**B. Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest, Invest, or Buy or Sell at the Same Time; Conflict of Interests**

Although we generally do not permit such transactions, conflicts of interest may occur if we, or our related persons, were to trade in the same security at or about the same time as our clients. An example of such occurrence would be seeking to sell the securities we hold, while simultaneously recommending that our clients maintain their position in the security. In such circumstances, a sale by our related persons or by us may affect the liquidity, value or trading price of the securities that our clients continued to hold. In addition, we or our personnel may invest in the Funds, and, therefore, such persons may hold an indirect interest in the same securities as other investors in the Funds. Our Code of Ethics and our personal trading policy have been designed to limit such conflicts of interest.

We or our affiliates may give advice and recommend securities to certain clients that may differ from advice given to, or securities recommended to, or bought or sold for, other clients, even though their investment programs may be the same or similar.

On rare occasions, we may deem it to be in the best interests of our clients to reallocate or “cross” securities transactions between clients. Similarly, on rare occasions, we may enter into “principal transactions” in which we or an affiliate act as principal for our own account or for the account of a client with respect to the sale of a security to or purchase of a security from another client. We maintain policies and procedures intended to limit the potential conflicts of interest inherent in cross or principal transactions. Cross or principal transactions will only be effected if they are deemed to be in the best interests of the particular clients involved and conducted in compliance with our policies and procedures and applicable law.

Our Code of Ethics prohibits us and our personnel from trading for clients or for ourselves or themselves, or recommending trading, in securities of a company while in possession of material nonpublic information (“**Inside Information**”) about the company, and from disclosing such information to any person not entitled to receive it, in either case in contravention of applicable securities laws. By reason of our various activities, we may have access to Inside Information or be restricted from effecting transactions in certain investments that might otherwise have been initiated. We have adopted policies and procedures reasonably designed to, among other things, control and monitor the flow of Inside Information to and within our organization, as well as prevent trading based on Inside Information.

### **Personal Trading**

We believe restricting our personnel’s personal trading is one way of avoiding conflicts of interest between our clients and such personnel. Our personal trading policies are part of our Code of Ethics. For a full description of our Code of Ethics, see Item 11 – “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Code of Ethics.” Generally, the Code of Ethics requires that, prior to effecting any personal securities transactions, all personnel and their immediate family members, must receive written approval from the Chief Compliance Officer.

Unless expressly approved in advance by the Chief Compliance Officer, firm personnel generally may not effect any securities transactions for themselves or their family members. The Chief Compliance Officer will not approve a transaction in an individual security except in narrow circumstances, such as the sale of pre-existing positions after an employee begins employment with us.

Generally, if a proposed securities transaction involves a security appearing on our restricted list, the transaction will not be approved for personal trading. The restricted list is a dynamic, virtual list of companies or issuers about which a determination has been made that it is prudent to restrict trading activity. It is our policy that all personnel and their immediate family members strictly observe such trading activity prohibitions or restrictions.

In addition, in general, firm personnel must provide the Chief Compliance Officer with (i) their, and their immediate family members’ securities holdings at the commencement of employment and annually thereafter, and (ii) quarterly transaction reports. Furthermore, the personal accounts of such persons will be reviewed regularly and compared with transactions for our clients and against the restricted list.

## **ITEM 12**

### **BROKERAGE PRACTICES**

Pursuant to each client's investment advisory agreement, or other similar agreement, we are generally authorized to select the broker or dealer to effect transactions on behalf of our clients. However, our selection of the broker or dealer may be tailored to a particular client's investment guidelines or restrictions, where appropriate. Accordingly, portfolio transactions will be allocated to brokers based on best execution and in consideration of such broker's provision or payment of the costs of research and other services.

#### **A. Selection of Broker-Dealers and Reasonableness of Compensation**

Consistent with our fiduciary duty to clients, we have an obligation to seek the best price and execution of client securities transactions when we are in a position to direct brokerage transactions. While not defined by statute or regulation, "best execution" generally means the execution of client trades at the best net price considering all relevant circumstances.

We will place trades for execution only with approved brokers or dealers. The factors to be considered in selecting and approving broker-dealers that may be used to execute trades include, but are not limited to:

- the ability to achieve prompt and reliable executions at favorable prices;
- the competitiveness of commission rates in comparison with other brokers satisfying our overall selection criteria;
- the overall direct net economic result to clients' assets;
- the broker-dealer's clearance and settlement capabilities;
- the operational efficiency with which transactions are effected;
- the financial strength, integrity and stability of the broker;
- the ability to effect the transaction where a large block or other complicating factors are involved;
- the availability of the broker to execute possible difficult transactions in the future;
- the quality, comprehensiveness and frequency of available research and related services considered to be of value; and
- the quality, comprehensiveness and frequency of notifications of investment opportunities.

In addition, access to the brokerage firm's securities analysts in related areas that provide us with assistance in our investment decision-making process may be a factor in choosing a broker-dealer.

The Principal and the Chief Compliance Officer are responsible for due diligence on best execution, including ensuring that we meet our best execution obligations, updating our best execution procedures whenever appropriate and considering any other best execution issues identified by the Principal or the Chief Compliance Officer. The Principal and the Chief Compliance Officer generally meet on a quarterly basis to review the approved broker list and to evaluate several randomly selected trades for best execution.

## **1. Research and Other Soft Dollar Arrangements**

Our policy is to only use "soft" or commission dollars to the extent that such expenses come within Section 28(e) of the Securities Exchange Act of 1934, as amended ("**Section 28(e)**"). Section 28(e) provides a "safe harbor" to investment managers that use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment manager in performing investment decision-making responsibilities. Conduct outside of the safe harbor afforded by Section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. Items for which we may use soft dollars, and that fall within the safe harbor, include:

- research (including, without limitation, research seminars and similar programs (however, travel expenses, meals and hotel accommodations are not included));
- computer analyses of securities portfolios;
- analysis of economic factors and trends as well as political analysis; and
- third party research, provided that the broker is (i) contractually obligated to pay the provider of the service or products, or (ii) not directly obligated to pay the provider of the service or products, but pays such provider directly and assures itself that such payments are used only for eligible brokerage or research.

We are not obligated to seek the lowest transaction charge, except to the extent that it contributes to the overall goal of obtaining the best execution for clients. A higher transaction charge on exchange and over-the-counter trades may be determined reasonable in light of the value of the brokerage execution and research products and services provided to us for the benefit of our clients.

We may from time to time enter into formal or informal arrangements with certain brokers ("**Soft Dollar Brokers**") whereby the provision of research or brokerage execution services is explicitly dependent on the level of commissions and underwriting concessions generated by the clients. Using a broker who provides us with research or other "soft-dollar" benefits may cause clients to pay commissions higher than the commissions charged by broker-dealers who do not so provide.



Research services received from Soft Dollar Brokers will be used to supplement and augment our own research capabilities, and will directly assist us in our investment decision-making process. Section 28(e) permits products and services obtained by soft dollars to be used for any or all of our clients. Accordingly, the clients that provide the brokerage transaction charges for which such products and services are provided or that engage in the securities transactions generating such charges do not necessarily receive the direct benefit of specific services. Instead, we may receive a benefit because we do not have to produce or pay for the research, products or services ourselves. Therefore, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution. In selecting Soft Dollar Brokers to initiate soft dollar transactions, we will consider the capabilities of the Soft Dollar Broker to provide best execution.

All products and services that are paid for with client transaction charges will be of the type authorized by Section 28(e). All products and services that are paid for with soft dollars are reviewed and approved to ensure the product or service provides lawful and appropriate assistance in the performance of our investment decision-making activities. In addition, a determination is made that the amount of the commissions paid is reasonable in light of the value of the products or services provided.

## **2. Brokerage for Client Referrals**

In selecting or recommending broker-dealers, we do not consider whether we, or any of our affiliates, receive client or investor referrals from a broker-dealer or third party. We have adopted certain policies and procedures to ensure that we meet our best execution obligations. The Principal and the Chief Compliance Officer generally meet on a quarterly basis to review the approved broker list and to evaluate several randomly selected trades for best execution.

## **3. Directed Brokerage**

"Directed brokerage" refers to instances in which a client retains the discretion to choose brokers and instructs us to direct portfolio transactions to a particular broker-dealer. We do not permit any directed brokerage arrangements.

## **B. Aggregating Orders for Various Clients**

We may aggregate the orders of our clients for trade execution and thereafter allocate the securities on an average price basis to such clients. More specifically, each client that participates in an aggregated order will participate at the average share price for all of our transactions in that security or other instrument on a given business day and transaction costs will be shared pro rata based on each client's participation in the transaction. No client will be favored over any other client as a result of such aggregation. Brokerage commission rates will not be reduced because of such aggregation. In some instances, average pricing may result in higher or lower execution prices than otherwise obtainable by a single client.

**ITEM 13**  
**REVIEW OF ACCOUNTS**

**A. Periodic Review of Client Accounts**

Our Chief Compliance Officer conducts periodic reviews of client accounts to ensure that we are trading in conformity with all applicable guidelines.

**B. Contents and Frequency of Account Reports to Clients**

Investors in the Funds typically receive the following written reports: (i) annually, an audited financial report prepared by a certified public accounting firm; (ii) unaudited monthly statements regarding estimates of net asset value corresponding to each investor's investment; and (iii) annual tax information necessary for completion of the tax return. Investors in Managed Accounts will receive reports as specified in the investment advisory agreements relating to such Managed Accounts.

Upon request, certain investors may receive additional information and reporting that other investors may not receive, and such information may affect an investor's decision to request a withdrawal or redemption from its account.

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

**A. Economic Benefits for Providing Services to Clients**

We do not receive economic benefits from third parties (other than fees from clients) for providing investment advice or other advisory services to our clients. Currently, our only clients are the Funds (although we expect to advise Managed Accounts in the future).

**B. Compensation to Non-Supervised Persons for Client Referrals**

As of the date of this brochure, we do not have any arrangement with a third party whereby we directly or indirectly compensate such person for client or investor referrals.

If we do enter into such an arrangement, all payments to any person, including solicitors, for client or investor referrals will be made in accordance with the provisions of Rule 206(4)-3 of the Advisers Act and any other applicable laws. We will not make use of a solicitor who is subject to the disciplinary actions stated in Rule 206(4)-3(A)(1)(ii) under the Advisers Act or, if a solicitor is subject to such an action, such solicitor must represent to us that it is relying on no-action relief from the SEC allowing it to engage in cash solicitation activities and that it is in compliance with all of the obligations imposed by the SEC as a condition to such relief.

In selecting or recommending broker-dealers, we do not consider whether we or any of our affiliates receive client or investor referrals from a broker-dealer or third party. We have adopted certain policies and procedures to ensure that we meet our best execution obligations. The Principal and the Chief Compliance Officer generally meet on a quarterly basis to review the approved broker list and to evaluate several randomly selected trades for best execution.

## **ITEM 15**

### **CUSTODY**

Rule 206(4)-2 of the Advisers Act (the “**Custody Rule**”) imposes specific conditions on investment advisers who have actual or deemed custody of client assets. As an investment adviser to clients, we may be deemed to have custody in instances where we have actual possession or the authority to obtain possession of the assets of our clients, and therefore we must meet the applicable conditions of the Custody Rule.

We are required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which we have custody with a “qualified custodian.” Qualified custodians include banks, brokers, futures commission merchants and certain foreign financial institutions.

Rule 206(4)-2 imposes on advisers with custody of clients' funds or securities certain requirements concerning reports to such clients (including underlying investors) and surprise examinations relating to such clients' funds or securities. However, an adviser need not comply with such requirements with respect to pooled investment vehicles if each pooled investment vehicle: (i) is audited at least annually by an independent public accountant, and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to their investors, all limited partners, members or other beneficial owners within 120 days (180 days in the applicable case of a fund of fund adviser) of its fiscal year-end.

We do not expect that we will be deemed to have custody of Managed Account client assets.

## **ITEM 16**

### **INVESTMENT DISCRETION**

At the outset of an advisory relationship, we generally receive discretionary authority from a client to select the identity and amount of securities to be purchased and sold by the client. For example, we have investment discretion to manage securities accounts on behalf of the Funds. In all cases, we exercise this investment discretion in a manner consistent with the stated investment objectives of the particular client, which are contained in the applicable offering documents and/or investment advisory agreement.

When selecting securities and assessing potential investments, we observe the investment policies, limitations and restrictions of the clients we advise, as stated in the applicable investment advisory agreement or other applicable agreements or offering documents. Our clients may place limitations on our investment authority, including, without limitation, designating types of permitted investments, prohibiting certain types of investments or imposing certain limitations with respect to the value of certain trades placed on their behalf.

For a complete discussion of our advisory business and the services we provide to our clients, see Item 4 – “Advisory Business.”

## ITEM 17

### VOTING CLIENT SECURITIES

We have, and in the future will continue to accept, the authority to vote our clients' securities. As such, we have adopted policies and corresponding procedures to comply with Rule 206(4)-6 of the Advisers Act and with our fiduciary obligations (such policies and procedures, the "**Proxy Voting Policies**").

We are committed to voting proxies in a manner consistent with the best interest of our clients. For most matters, however, our policy is not to vote a proxy if we believe the proposal is not adverse to the best interest of each client or, if adverse, the outcome of the vote is not in doubt, in order to avoid the unnecessary expenditure of time and the cost to review the proxy materials in detail and carry out the vote. In such circumstances, we believe that devoting our time to investment activities on behalf of our clients best serves our clients. In the situations where we do vote a proxy, we generally vote proxies in accordance with the general guidelines set forth herein.

We will cast ballots in a manner we believe to be consistent with the interest of the client. We will consider only those factors that relate to the client's investment or that are dictated by the client's written instructions, including how its vote will economically impact (short-term and long-term) and otherwise affect the value of the client's investment (keeping in mind that, after conducting an appropriate cost-benefit analysis, not voting at all on a presented proposal may be in the best interest of the client).

We generally expect to vote in accordance with the recommendations of company management, as we believe management usually knows more about the company than passive shareholders. However, we realize that there are many complexities to proxy votes and we will vote against a proposal or recommendation of management if we determine that such a vote is in the best interests of the client. Generally, proxy votes will be cast in favor of proposals that:

- maintain or strengthen the shared interests of shareholders and management;
- increase shareholder value;
- maintain or increase shareholder influence over the issuer's board of directors and management;
- maintain or enhance the independence of the board of directors; and
- maintain or increase the rights of shareholders.

Proxy votes generally will be cast against proposals having the opposite effect of those items listed above, particularly where we believe that a proposal will have a dilutive effect on the value of the underlying security.

In voting on any issue, we will vote in a prudent and timely fashion and only after evaluating the issue(s) presented on the ballot.

These voting guidelines are just that – guidelines. The guidelines are not exhaustive and do not include all potential voting issues. Because proxy issues and the circumstances of individual companies are so varied, there may be instances when we may not vote at all on a presented proposal or may not vote in strict adherence to these guidelines.

We may occasionally be subject to conflicts of interest in the voting of proxies due to business or personal relationships we maintain with persons having an interest in the outcome of certain votes. We, our affiliates and/or our employees (or other covered persons) may also occasionally have business or personal relationships with the proponents of proxy proposals, participants in proxy contests, corporate directors and officers, or candidates for directorships.

If at any time we become aware of a conflict of interest relating to a particular proxy proposal, we will handle the proposal as follows:

- If an actual or potential conflict is found to exist, we will engage a reputable non-interested party to independently review our vote recommendation and to confirm that our vote recommendation is in the best interest of the client under the circumstances. If the independent non-interested party determines that our vote recommendation is not in the best interest of the client under the circumstances, then we will vote in the manner suggested by such independent non-interested party.
- After consulting with the Chief Compliance Officer, the Principal will promptly vote proxies received in a manner consistent with the Proxy Voting Policies and guidelines (if any) issued by a client (or in the case of an employee benefit plan, the plan's trustee or other fiduciaries if such guidelines are consistent with the Employee Retirement Income Security Act of 1974, as amended).

We will keep certain records required by applicable law in connection with our proxy voting activities for clients and will provide proxy-voting information to clients upon their written or oral request.

Clients may obtain a copy of our Proxy Voting Policies, and/or information regarding how a proxy was voted, by contacting our Chief Compliance Officer, Michael Neiberg, at (212) 554-3112 or [michael@aoasset.com](mailto:michael@aoasset.com).

**ITEM 18**  
**FINANCIAL INFORMATION**

**A. Balance Sheet**

We are not required to attach a balance sheet because we do not require or solicit the payment of fees 6 months or more in advance.

**B. Contractual Commitments to Our Clients**

We have no financial condition that is reasonably likely to impair our ability to meet contractual and fiduciary commitments to our clients.

**C. Bankruptcy Petitions**

We have not been the subject of a bankruptcy petition at any time during the past 10 years.