

# **Firm Brochure**

(Part 2A of Form ADV)

## **AETOS ALTERNATIVES MANAGEMENT, LLC**

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This brochure provides information about the qualifications and business practices of Aetos Alternatives Management, LLC. If you have any questions about the contents of this brochure, please contact us at: 212-201-2500. 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. Registering with the United States Securities and Exchange Commission as an investment adviser does not imply a certain level of skill or training on the part of Aetos Alternatives Management, LLC.

Additional information about Aetos Alternatives Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**March 27, 2015**

Item 2      *Material Changes*

None

Item 3      **Table of Contents**

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Item 4 *Advisory Business*

A. *Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).*

Aetos Alternatives Management, LLC (“AAM”) is a Delaware limited liability company that provides investment advisory services to investment companies, institutions and high net worth individuals with respect to hedge fund and other investments.

AAM was formed as a wholly-owned subsidiary of Aetos Capital, L.P. (“Aetos Capital”) in October 2001 and began advising and managing hedge fund portfolios on behalf of clients in December 2001.

Aetos Capital has one limited partner that owns greater than 25% of its equity (a “principal owner”), which is The Allwin Family, LLC. The Allwin Family, LLC has two principal owners, which are the Maria Allwin Marital Trust and the James M. Allwin 2001 Children’s Trust.

B. *Describe the types of advisory services you offer.*

AAM offers asset allocation advice and manager and fund selection and monitoring with respect to portfolios of absolute return investments and other asset classes, including broadly diversified portfolios for clients seeking to outsource the management of all of their investment assets (commonly known as “outsourced CIO” portfolios). For absolute return clients, we manage separate accounts and investment funds that are invested primarily in hedge funds and other types of alternative investment vehicles, and outsourced CIO client assets are invested in separate accounts and funds across a broad range of asset classes. We offer these services on a discretionary and non-discretionary basis.

For absolute return clients with large accounts (generally in excess of \$100 million), AAM will provide a customized investment program for investment directly in alternative investments meeting the investment objectives and risk tolerance of the investor (a “Separate Account”). In constructing a Separate Account portfolio, AAM will assess a client’s investment objectives, liquidity needs and risk tolerance and advise the client with respect to its investment policies, asset allocation and manager selection as well as provide ongoing oversight of managers and consolidated portfolio reporting.

For other absolute return clients, AAM will provide a customized investment program involving investment in one or more of the registered investment companies advised by AAM (the “Aetos Funds”). Each Aetos Fund is designed to provide exposure to a particular alternative investment strategy, including multi-strategy arbitrage, equity long/short and distressed investments. AAM will customize the investments of each client’s account by selecting the mix of Aetos Funds that appropriately meets the investment objectives and risk tolerance of the client.

For outsourced CIO clients, AAM will work with each client to define and review the client’s investment objectives and policies, recommend appropriate asset allocations, evaluate and select investment managers across a diversified range of traditional and alternative asset classes, and perform ongoing monitoring of investment managers and the overall portfolio. In performing these services, AAM takes into account a variety of factors, including the client’s liquidity requirements, risk tolerances, liabilities and spending requirements, as well as current and anticipated market conditions.

C. *Explain how you tailor your advisory services to the individual needs of clients.*

AAM tailors its advisory services to take into account specific investment criteria. Examples of such criteria include risk tolerance, liquidity, leverage, investment concentration, and client regulatory requirements. For Separate Account clients, AAM adjusts client investment exposures through allocations to direct investments in hedge funds and for investors in the Aetos Funds, AAM adjusts such exposures through allocations among the different Aetos Funds.

*D. Do you participate in wrap fee programs*

AAM does not participate in wrap fee programs.

*E. Disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date “as of” which you calculated the amounts.*

As of December 31, 2014, AAM managed \$6,392,812,745 on a discretionary basis and \$4,742,594,117 on a non-discretionary basis.

**Item 5 Fees and Compensation**

*A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.*

As compensation for its advisory services to clients, AAM charges an annual management fee calculated as a percentage of assets under management, and may also charge an annual performance-based fee calculated as a percentage of the net return in the client’s account over a benchmark. Annual management fees range from .75% to 1.25% of a client’s assets invested in the Aetos Funds, and the annual performance-based fee is typically up to 10% of the net return in the client’s account for the calendar year above a hurdle rate, (such as the three month Treasury Bill secondary market rate) calculated on a “high water mark” basis. Both the annual management fee and the annual performance-based fee are negotiable, primarily based on the size of a client’s account, the nature of the services to be provided, and the client’s preference regarding the combination of asset-based and performance-based fees.

To the extent that a client’s account is managed through investments in the Aetos Funds, the management fee charged to the client’s account will be reduced by the amount of any fees paid to AAM by the Aetos Funds.

Fees charged to Separate Account clients are negotiable and will vary depending on the size of the investment and the nature and extent of the services to be provided.

*B. Describe whether you deduct fees from clients’ assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.*

Clients of AAM who invest in the Aetos Funds pay their investment advisory fees directly from their fund accounts. Management fees are paid quarterly in arrears, and performance-based fees, if any, are paid annually in arrears. Separate Account clients of AAM may elect to have their fees deducted from their account or to be invoiced for their fees. In either case, management fees are paid in arrears either on a monthly or a quarterly basis and performance-based fees, if any, are paid annually in arrears.

*C. Describe any other types of fees or expenses clients may pay in connection with your advisory services.*

In addition to the fees payable to AAM outlined above, clients invested in the Aetos Funds indirectly bear their proportionate share of custody, administration, legal and accounting expenses of the Aetos Funds, which are payable directly by the Aetos Funds and thereby reduce the value of a client’s Aetos Funds investment. Separate Account clients typically contract and pay for such services directly.

Both Aetos Fund and Separate Account clients also bear, indirectly, their proportionate share of the expenses of the hedge funds in which they invest. These expenses typically include brokerage expenses, management and performance-based fees, borrowing costs, administration expenses, custody expenses, and legal and accounting expenses.

*D. If your clients either may or must pay your fees in advance, disclose this fact.*

AAM’s investment advisory fees are paid in arrears.

- E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact.*

There is no compensation payable to AAM or any supervised person of AAM for the sale of securities or other investment products.

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

AAM receives both asset-based and performance-based fees from clients. Not all clients pay a performance-based fee. AAM is agnostic with respect to how clients wish to structure their fees, and regularly proposes fee arrangements that include an asset-based fee only option and an asset-based plus performance-based fee option.

There are potential conflicts of interest that exist when an investment manager advises clients with different fee structures. In particular, such a manager may appear to be incented to favor a performance fee paying client in its investment decisions. AAM is aware of this potential conflict and has implemented the following procedures to insure that all clients regardless of fee structure are fairly and equitably allocated available investment opportunities:

1. All investment activity is reviewed by AAM's investment committee, which determines if the proposed investment will be made, and to which clients the proposed investment will be allocated. In the vast majority of circumstances, the investment opportunity is not capacity constrained and no conflict of interest exists;
2. AAM performs a trade allocation process taking into account factors including a client's investment objectives, investment guidelines, current portfolio exposures, liquidity constraints, and cash availability. Upon review of these factors, capacity constrained investments are allocated among client accounts in a manner that AAM believes is fair and reasonable, generally pro rata based on desired investment amount among those clients for whom the investment is appropriate; and
3. The results of the trade allocation process are documented in a trade allocation worksheet, which is reviewed and approved by the Chief Compliance Officer prior to execution of the investment decisions.

**Item 7 *Types of Clients***

AAM provides investment advice to investment companies, public and corporate pension plans, endowments, foundations, trusts, and other institutional clients and high net worth individuals. The minimum account size is typically \$100,000, which may be waived for certain clients.

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

- A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.*

AAM allocates client capital among a select group of investment managers across a variety of strategies. For its absolute return clients, AAM's objective is to produce an attractive absolute return on invested capital, largely independent of the various benchmarks associated with traditional asset classes. Portfolios developed by AAM are intended to be vehicles through which investors can access a selection of institutional quality absolute return investments, constructed and monitored using dedicated resources and disciplined methodologies. The portfolios constructed by AAM are diversified to benefit from reduced exposure to any individual manager and/or strategy, and, subject to the liquidity constraints associated with particular investments, have the ability to shift their allocations among managers and/or strategies as market conditions may dictate.

AAM formulates asset allocation advice intended to meet a client's long-term return objectives, taking into account the client's risk tolerance and other considerations, and recommends investments with specific managers and in specific funds in each asset class. AAM continuously monitors the performance of the managers and funds selected and will periodically adjust allocations, subject to client investment guidelines, to rebalance the portfolio, increase or decrease exposures to particular funds or managers or tactically adjust the portfolio's asset allocation.

Specific information used in identifying and evaluating managers and funds includes:

- The backgrounds of the key investment, financial and risk management professionals of the manager of an investment. This includes an assessment of their professional and personal backgrounds as well as their experience in managing investments in the proposed strategies. References are checked and information is gathered from a wide range of sources, which may include existing and former investors, former colleagues, counterparties, competitors as well as other related parties.
- The manager's investment philosophy and discipline, risk management, financial and back-office operations and the overall alignment of interests. The manager's organizational design must be consistent with the chosen investment strategy's requirements, which in turn must be consistent with the opportunities present in the current or foreseeable investment environment.
- The manager's track record in the proposed strategy, with particular attention to its performance throughout a complete market cycle, if such track record is available.
- The manager's appreciation for the drivers of return and the inherent risk within its discipline, with a focus on how the manager varies the investment process in recognition of different investment climates (i.e., its ability and willingness to appropriately modify its strategies or the risk level in the portfolio in response to any significant opportunities and/or risks presented).
- The manager's culture, reputation for integrity, and its dependence on key investment professionals.
- The structure of a fund investment, including the specific terms and conditions under consideration.
- Perceived capacity constraints associated with the manager's investment strategy, as excessive assets under management (relative to strategy opportunity set and organizational design) may tend to degrade a manager's ability to generate attractive risk-adjusted returns.

While AAM's investment process is designed to identify managers who will provide attractive risk-adjusted returns over a complete market cycle, clients should bear in mind that absolute return portfolios and portfolios of investments constituting other asset classes with respect to which AAM provides advice may be volatile, and there is a risk that investors in portfolios managed by AAM will lose money. Clients should consider this risk of a possible loss of capital when evaluating AAM.

*B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.*

Please see item 8C below.

*C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.*

For its absolute return clients, AAM recommends investments in hedge funds and other alternative investments. Hedge fund and other alternative investment managers invest in a wide variety of securities and financial instruments each of which has risks particular to it. Investing in hedge funds does involve certain

risks that are different from the risks involved in investing directly in such securities and financial instruments. These risks, which are also applicable to other alternative investment funds not typically described as hedge funds (such as certain funds structured for investments in illiquid assets) are described below:

**Liquidity:** Investments in hedge funds are often subject to an initial lock-up period during which time clients cannot withdraw their investment. These lock-up periods typically are 1 year, but can be longer. After the expiration of the lock-up period, withdrawals are permitted on a periodic basis, generally ranging from monthly to annually. Such withdrawals may be subject to “gates”, which limit the amount of the investor’s or fund’s assets that may be withdrawn on any single date. Additionally, certain client’s investment objectives and guidelines may include allocations to less liquid alternative investment funds, which do not permit any redemptions and require that an investment be maintained until all fund assets are liquidated. It is important that clients consider their cash flow needs when considering an investment in hedge funds.

**Leverage:** The use of leverage by a hedge fund may result in the hedge fund controlling substantially more assets than the hedge fund has equity and can expose the hedge fund to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the hedge fund not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the hedge fund’s assets, the hedge fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

**Portfolio Transparency:** Hedge funds typically do not provide investors with complete portfolio transparency, so an investor in hedge funds will not know exactly what underlying securities comprise its investment portfolio. AAM seeks to invest client assets with hedge fund managers who provide sufficient portfolio information to allow for effective portfolio monitoring. This information may include material holdings, exposure reports by geography, sector, and strategy or such other category as is appropriate for the investment strategy, and leverage, among other factors, or some combination of the above. The availability of this type of information varies with respect to each hedge fund investment.

**Valuation:** Hedge funds generally provide valuation information on at least a monthly basis. Because hedge funds typically do not provide position-level portfolio transparency, it is not possible for a hedge fund investor to independently verify a hedge fund’s reported net asset value. To reduce the likelihood of encountering valuation concerns, AAM generally seeks to invest client assets in hedge fund strategies that do not have excessive exposure to hard-to-price securities. AAM also conducts comprehensive due diligence on the back office control functions of hedge fund managers. This due diligence includes an assessment of the internal control environment inherent in the manager’s processing of trades and reporting of returns. AAM also reviews the role of third party administrators and, to a lesser extent, valuation agents, in independently reporting and/or validating fund returns for each underlying fund manager. This review includes an examination of SSAE16 or other due diligence documentation where available. AAM also receives and reviews annual audited financial statements of hedge fund investments.

In addition, AAM maintains a pricing committee that meets monthly to review the reported valuations received from hedge funds. At each monthly meeting of the Pricing Committee, AAM’s Chief Investment Officer presents a pricing confirmation sheet for each hedge fund investment to the Pricing Committee. This pricing confirmation sheet contains three distinct “tests”: a returns-based analysis, a regression analysis and a customized peer group analysis. The purpose of the Pricing Committee is to identify performance outliers, which must then be reconciled based on the position and exposure data provided and, where necessary, reviewed in discussions with the hedge fund managers. There can be no assurance, however, that this process will identify hedge fund valuation errors.

**Operational Failures:** Hedge fund investments are subject to the risk that a hedge fund manager may suffer a breakdown of operational controls that can lead to loss of capital, or in the case of severe breakdowns, can lead to the liquidation of the hedge fund. Such breakdowns may involve counterparty exposures, cash



management controls, failure to properly match investment liquidity with investor liquidity and failures to adequately monitor portfolio exposures, leverage and investment correlations. Additional breakdowns may involve inadequate segregation of duties and internal controls resulting in, among other things, incorrect valuations and fraud, which is discussed in greater detail below. To mitigate these risks, prior to initiating an investment in a hedge fund, AAM performs an operational review, including a separate on-site meeting and review of due diligence documentation. This operational review is documented for each manager in a detailed due diligence worksheet (“DDW”) and summary scorecard, which are discussed in detail during investment committee meetings. An unsatisfactory DDW or scorecard will prohibit investment. The operational review is redone on a periodic basis.

**Counterparty Risk:** Hedge fund investors face the risk of investment losses due to the counterparty risks faced by the hedge funds in which they invest. These counterparty risks include, but are not limited to (a) the risk that a fund’s counterparty will default on a credit obligation; or (b) the risk that a counterparty may increase collateral terms, discontinue financing arrangements or take other actions against a fund that may lead to investment losses, declines in net asset value, or operational disruptions for the fund. AAM’s operational due diligence team assesses and monitors counterparty risks as part of its formal operational due diligence process. A description and assessment of counterparty risks is contained in the DDW and scorecard.

**Compensation Arrangements and Other Expenses:** Clients of AAM should be aware that they will bear, in addition to fees payable to AAM that are described in items 5 and 6, both asset-based fees and performance-based fees payable to the hedge funds in which they invest, as well their pro rata share of the hedge fund’s other operating expenses.

**Fraud:** Hedge fund investments are subject to the risk that fraudulent actions on the part of the hedge fund manager or other service providers or transaction counterparties may lead to significant losses. While no due diligence process is guaranteed to uncover fraud, AAM conducts a comprehensive operational due diligence process that is designed to uncover factors that may increase the risk of manager fraud. This process, overseen by the operational due diligence specialist team, includes a review of a hedge fund manager’s business and operational infrastructure, including trade processing work flows, accounting and reconciliation procedures, portfolio valuation procedures (including third party oversight), cash controls, business continuity planning, compliance procedures, and overall segregation of duties. As part of this process, AAM conducts a manager background check through a third party investigative firm and reviews key third party provider relationships. The operational due diligence process is undertaken prior to the initiation of a fund investment as well as on a periodic basis for existing fund investments, and is summarized for each manager in a detailed report and summary scorecard.

**Style Drift:** Because hedge fund managers often do not provide position-level portfolio transparency, hedge fund investments are subject to the risk that investments held by a hedge fund may be different than AAM expects, leading to client exposures to unexpected securities or asset classes. During its monthly portfolio investment review and monthly pricing review process, members of the AAM investment team examine portfolio positions and exposures of hedge funds, to the extent available, to determine if the manager is investing capital in ways that are consistent with expectations. In addition, regressions are run to determine if reported hedge fund performance is consistent with AAM’s expectations based on AAM’s understanding of the hedge fund’s holdings. To the extent that actual performance differs materially from an expected range of performance, AAM follows up with the hedge fund manager to obtain additional performance attribution information. AAM also meets periodically with hedge fund managers as part of its ongoing investment monitoring process. Hedge fund exposures are a topic of discussion at these meetings.

#### Item 9 *Disciplinary Information*

AAM does not have any disclosures to make relating to legal or disciplinary events.

Item 10 *Other Financial Industry Activities and Affiliations*

- A. *If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.*

Not applicable

- B. *If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.*

Not applicable

- C. *Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.*

Not applicable except for item 2.

1. *broker-dealer, municipal securities dealer, or government securities dealer or broker*
2. *investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund).*

AAM serves as the investment adviser to three registered investment companies: Aetos Capital Long/Short Strategies Fund, LLC, Aetos Capital Distressed Investment Strategies Fund, LLC and Aetos Capital Multi-Strategy Arbitrage Fund, LLC and six Cayman Islands exempted companies that serve as feeder funds for the three registered investment companies: Aetos Capital Long/Short Strategies Cayman Fund, Aetos Capital Distressed Investment Strategies Cayman Fund, Aetos Capital Multi-Strategy Arbitrage Cayman Fund, Aetos Capital Long/Short Strategies Cayman Fund II, Aetos Capital Distressed Investment Strategies Cayman Fund II and Aetos Capital Multi-Strategy Arbitrage Cayman Fund II. Pursuant to investment management agreements in place between AAM and its clients, AAM may have investment discretion to allocate client assets to these funds. To the extent that client assets are allocated to these funds, any fees payable to AAM under the client's investment management agreement will be offset by the amount of any fees paid to AAM by the funds in respect of a client's investment in these funds.

3. *other investment adviser or financial planner*
4. *futures commission merchant, commodity pool operator, or commodity trading advisor*
5. *banking or thrift institution*
6. *accountant or accounting firm*
7. *lawyer or law firm*
8. *insurance company or agency*
9. *pension consultant*
10. *real estate broker or dealer*
11. *sponsor or syndicator of limited partnerships.*

- D. *If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.*

AAM receives no compensation from any manager or fund it recommends or selects for client investments, and has no other business relationships with such managers, funds or any other third parties that create a material conflict of interest with respect to its investment advisory services.

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

- A. *If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request.*

AAM has adopted a Code of Ethics that includes the following provisions, among others, and is available for review by clients and prospective clients upon request:

- each employee of AAM is responsible for maintaining the very highest ethical standards, including a duty at all times to place the interests of clients first, a duty to ensure that all personal securities transactions are conducted in accordance with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest, and a duty not to take advantage of his or her position or engage in any fraudulent or manipulative practice with respect to a client's account;
- each employee of AAM must comply at all times with applicable federal securities laws;
- each employee of AAM must periodically report personal securities holdings and transactions to the Chief Compliance Officer;
- each employee of AAM must obtain prior approval from the Chief Compliance Officer before he or she (or any related person) engages in any personal securities transaction, unless such transaction is specifically exempted under the Code of Ethics;
- each employee of AAM must report violations of the Code of Ethics to the Chief Compliance Officer; and,
- each employee of AAM must receive a copy of the Code (and any amendments) and must provide a written acknowledgment of his or her receipt and review of the Code (and any amendments).

- B. *If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.*

See item 10(c)(2) above.

- C. *If you or a related person invests in the same securities that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.*

Employees and principals of AAM may invest in the investment companies managed by AAM described in 10(c)(2) above. Such investments are made on the terms outlined in such investment company's prospectus or offering memorandum. Employees and principals of AAM are not permitted to invest in any hedge funds in which clients invest without the written consent of the Chief Compliance Officer.

- D. *If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.*

Not applicable.

Item 12 *Brokerage Practices*

AAM does not currently utilize broker/dealers to execute any client portfolio transactions.

Item 13 *Review of Accounts*

- A. *Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.*

AAM generally reviews client accounts on a quarterly basis. The review is conducted by a member of the Investment Committee and members of the investor relations team. The review considers each client's current asset allocation and any changes in the client's circumstances. As a result of these reviews a shift in the allocation of client assets may be considered and initiated by the Investment Committee. The Investment Committee may also periodically determine to shift allocations generally across client accounts to reflect its views on market opportunities. The members of the Investment Committee are Anne Casscells, Michael Klein, James Gibbons, Jonathan Bishop and Andrew Walling. The Investment Committee acts by majority, although each of Ms. Casscells and Mr. Klein retain veto authority. Additional information about the Investment Committee members can be found in the brochure supplement attached to the end of this brochure.

- B. *If you review client accounts on other than a periodic basis, describe the factors that trigger a review.*

In addition to the reviews noted above, client accounts are reviewed at a client's request, or when market changes dictate that an off-cycle review would be appropriate.

- C. *Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.*

Each AAM client receives a written monthly report containing account balance information, a summary of account subscription/redemption activity, and performance information. Additionally, AAM may provide additional client reports on a monthly, quarterly and annual basis. These additional reports may include performance information, both on an absolute basis and relative to appropriate benchmarks, quantitative and qualitative attribution of returns, and allocations including exposure and manager changes. AAM may also provide clients with quarterly and annual letters discussing the performance of Aetos' investment strategies and markets generally.

Item 14 *Client Referrals and Other Compensation*

- A. *If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.*

Not applicable

- B. *If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.*

Not applicable

Item 15 *Custody*

AAM may be deemed to have custody of certain client assets either by virtue of AAM employees serving as directors of private funds advised by AAM or by virtue of AAM's ability to deduct fees from client accounts. For all AAM client accounts where AAM may be deemed to have custody, a third party administrator or custodian independent from AAM sends monthly account statements to the client. Clients should review these account statements carefully.

Item 16 *Investment Discretion*

AAM manages client accounts on both a discretionary and a non-discretionary basis. For accounts where AAM has discretion, a client's investment management agreement with AAM will contain any restrictions placed on AAM's authority, which typically include permissible investment types and asset allocation ranges, which appear in guidelines that form part of the agreement.

Item 17 *Voting Client Securities*

While AAM accepts authority to vote client securities, and accordingly maintains a proxy voting policy as required by Rule 206(4)-6, AAM is rarely involved in proxy voting because client assets are invested in funds rather than in publicly traded securities. Occasionally, a fund will solicit the vote or consent of its investors with respect to a matter relating to the operation of the fund or its constituent documents, and AAM will take such action in response to such solicitation as it believes to be in its clients' best interests. A copy of the proxy voting policy is available upon request.

Item 18 *Financial Information*

- A. *If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.*

Not applicable

- B. *If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.*

There is no financial condition that is reasonably likely to impair AAM's ability to meet contractual commitments to clients.

- C. *If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.*

Not applicable

**Part 2B of Form ADV**  
***Brochure Supplement for:***

Anne Casscells, Co-President and Chief Investment Officer  
Aetos Alternatives Management, LLC  
2180 Sand Hill Road, Suite 410  
Menlo Park, CA 94025

This brochure supplement provides information about Anne Casscells that supplements the Aetos Alternatives Management, LLC brochure. You should have received a copy of that brochure. Please contact the Chief Compliance Officer at 212-201-2500 if you did not receive Aetos Alternatives Management, LLC's brochure or if you have any questions about the contents of this supplement.

Item 2 *Educational Background and Business Experience*

Ms. Casscells was born in 1958. She earned her Masters of Business Administration from the Stanford Graduate School of Business, and her Bachelor of Arts in British Studies, from Yale University. Ms. Casscells has been with AAM in the same capacity since prior to 2010.

Item 3 *Disciplinary Information*

Ms. Casscells has no disciplinary information to disclose.

Item 4 *Other Business Activities*

Ms. Casscells is a member of the Board of Directors and the Investment and Audit Committees of Schwab Charitable, the head of the Investment Committee of KQED, Inc., and Trustee, Treasurer, head of the Finance Committee and a non-voting member of the Investment Committee of Grace Cathedral.

Item 5 *Additional Compensation*

Ms. Casscells has no additional compensation to disclose.

Item 6 *Supervision*

Ms. Casscells and Michael Klein, as Co-Presidents of AAM, supervise all aspects of AAM's business. Ms. Casscells can be reached at 650-234-1860 and Mr. Klein can be reached at 212-201-2500.

**Part 2B of Form ADV**  
***Brochure Supplement for:***

Michael Klein, Co-President and Chief Risk Officer  
Aetos Alternatives Management, LLC  
875 Third Avenue  
New York, NY 10022

This brochure supplement provides information about Michael Klein that supplements the Aetos Alternatives Management, LLC brochure. You should have received a copy of that brochure. Please contact the Chief Compliance Officer at 212-201-2500 if you did not receive Aetos Alternatives Management, LLC's brochure or if you have any questions about the contents of this supplement.



Item 2 *Educational Background and Business Experience*

Mr. Klein was born in 1958. Mr. Klein is a graduate of Colgate University and received his Juris Doctor degree from Boston College Law School. Mr. Klein has been with AAM in the same capacity since prior to 2010.

Item 3 *Disciplinary Information*

Mr. Klein has no disciplinary information to disclose.

Item 4 *Other Business Activities*

Mr. Klein serves as an independent Director/Trustee of investment funds managed by Morgan Stanley and is a board member of Sanitized Marketing AG, a privately-held specialty chemical company.

Item 5 *Additional Compensation*

Mr. Klein has no additional compensation to disclose.

Item 6 *Supervision*

Mr. Klein and Anne Casscells, as Co-Presidents of AAM, supervise all aspects of AAM's business. Ms. Casscells can be reached at 650-234-1860 and Mr. Klein can be reached at 212-201-2500.

**Part 2B of Form ADV**  
***Brochure Supplement for:***

James Gibbons, Senior Portfolio Manager  
Aetos Alternatives Management, LLC  
875 Third Avenue  
New York, NY 10022

This brochure supplement provides information about James Gibbons that supplements the Aetos Alternatives Management, LLC brochure. You should have received a copy of that brochure. Please contact the Chief Compliance Officer at 212-201-2500 if you did not receive Aetos Alternatives Management, LLC's brochure or if you have any questions about the contents of this supplement.

Item 2 *Educational Background and Business Experience*

Mr. Gibbons was born in 1960. Mr. Gibbons earned his Bachelor of Science degree in Finance from Georgetown University. Mr. Gibbons has been with AAM in the same capacity since prior to 2010.

Item 3 *Disciplinary Information*

Mr. Gibbons has no disciplinary information to disclose.

Item 4 *Other Business Activities*

Mr. Gibbons has no other business activities to disclose.

Item 5 *Additional Compensation*

Mr. Gibbons has no additional compensation to disclose.

Item 6 *Supervision*

Anne Casscells and Michael Klein, as Co-Presidents of AAM, supervise all aspects of AAM's business. Ms. Casscells can be reached at 650-234-1860 and Mr. Klein can be reached at 212-201-2500.

**Part 2B of Form ADV**  
***Brochure Supplement for:***

Jonathan Bishop, Portfolio Manager  
Aetos Alternatives Management, LLC  
875 Third Avenue  
New York, NY 10022

This brochure supplement provides information about Jonathan Bishop that supplements the Aetos Alternatives Management, LLC brochure. You should have received a copy of that brochure. Please contact the Chief Compliance Officer at 212-201-2500 if you did not receive Aetos Alternatives Management, LLC's brochure or if you have any questions about the contents of this supplement.

Item 2 *Educational Background and Business Experience*

Mr. Bishop was born in 1978. Mr. Bishop earned his Bachelor of Science degree in Commerce from the University of Virginia. Mr. Bishop joined the Investment Committee of AAM in 2014 and has been a member of the portfolio management team at AAM since prior to 2010.

Item 3 *Disciplinary Information*

Mr. Bishop has no disciplinary information to disclose.

Item 4 *Other Business Activities*

Mr. Bishop has no other business activities to disclose.

Item 5 *Additional Compensation*

Mr. Bishop has no additional compensation to disclose.

Item 6 *Supervision*

Anne Casscells and Michael Klein, as Co-Presidents of AAM, supervise all aspects of AAM's business. Ms. Casscells can be reached at 650-234-1860 and Mr. Klein can be reached at 212-201-2500.

**Part 2B of Form ADV**  
***Brochure Supplement for:***

Andrew Walling, Portfolio Manager  
Aetos Alternatives Management, LLC  
875 Third Avenue  
New York, NY 10022

This brochure supplement provides information about Andrew Walling that supplements the Aetos Alternatives Management, LLC brochure. You should have received a copy of that brochure. Please contact the Chief Compliance Officer at 212-201-2500 if you did not receive Aetos Alternatives Management, LLC's brochure or if you have any questions about the contents of this supplement.

**Item 2** *Educational Background and Business Experience*

Mr. Walling was born in 1978. Mr. Walling is a graduate of Princeton University and received his Masters of Business Administration from the Stanford Graduate School of Business. Mr. Walling joined the Investment Committee of AAM in 2014 and has been a member of the portfolio management team at AAM since prior to 2010.

**Item 3** *Disciplinary Information*

Mr. Walling has no disciplinary information to disclose.

**Item 4** *Other Business Activities*

Mr. Walling has no other business activities to disclose.

**Item 5** *Additional Compensation*

Mr. Walling has no additional compensation to disclose.

**Item 6** *Supervision*

Anne Casscells and Michael Klein, as Co-Presidents of AAM, supervise all aspects of AAM's business. Ms. Casscells can be reached at 650-234-1860 and Mr. Klein can be reached at 212-201-2500.