

**Part 2A of Form ADV: *Firm Brochure***

**UBS Alternative and Quantitative Investments LLC**

**d.b.a. A&Q Hedge Fund Solutions (“A&Q”)**

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03/31/2015

This brochure provides information about the qualifications and business practices of A&Q. If you have any questions about the contents of this brochure, please contact Frank Pluchino at 203-719-7681 or email him at [frank.pluchino@ubs.com](mailto:frank.pluchino@ubs.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about A&Q is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search the SEC's site by a unique identifying number, known as a CRD number. Our firm's CRD number is 131034.

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

## **Item 2    Material Changes**

Item 8: The Method of Analysis section was updated to reflect the current support structure to our Chief Investment Officer.

Item 13: Review of account section was substantially re-written to better describe our current processes.

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## **Item 4 Advisory Business**

### **A. General Description of the Firm**

UBS Alternative and Quantitative Investments LLC (d.b.a. A&Q Hedge Fund Solutions) (“A&Q”), a wholly owned subsidiary of UBS AG (“UBS”), is part of UBS Global Asset Management. A&Q was originally part of another UBS AG subsidiary; however, it was organized as a separate investment management entity and registered with the SEC as an investment advisor in March of 2004.

A&Q’s principal place of business is located in Stamford, Connecticut with an additional office in New York, New York. A&Q has a sub-advisory relationship with UBS Alternative and Quantitative Investments Limited, which is located in London and is authorized and regulated in the UK by the Financial Conduct Authority. Similarly, A&Q has and can avail itself of additional investment capabilities through UBS Global Asset Management (Hong Kong) Limited and UBS Global Asset Management in Zurich, Switzerland.

### **B. Advisory Services**

A&Q primarily offers investment advisory services regarding investment in privately placed pooled investment vehicles. A&Q provides discretionary investment management services to a variety of investment vehicles, some of which are and others which are not registered under the Investment Company of 1940, as amended, as well as institutional and ultra high net worth investors. A&Q manages investment vehicles according to the applicable organizational documents and offering memorandum, and negotiated investment management agreements.

Additionally, A&Q provides advisory services to affiliated entities, institutional entities, intermediary firms and ultra high net worth investors. These relationships are governed according to negotiated advisory agreements. These agreements are based upon advisory clients' objectives determined following discussions with each advisory clients or their representatives. These discussions ordinarily include, among other things, topics such as time horizon, risk tolerance and liquidity needs. Using this information, A&Q attempts to develop an investment profile and provide advice that it believes will achieve such objectives. Advisory clients may impose reasonable and agreed upon restrictions on certain investments.

Although A&Q primarily provides investment advice regarding investments in privately placed pooled investment vehicles, investment advice is not limited to any specific product or security type and may include, but is not limited to, advice regarding the following securities: exchange-listed securities, securities traded over-the-counter, foreign issuers, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, United States governmental securities, options contracts on securities, options contracts on commodities, futures contracts on tangibles, futures contracts on intangibles, and interests in partnerships investing in real estate, interests in partnerships investing in oil and gas interests.

### **C. Client Assets**

As of December 31, 2014 A&Q actively managed approximately \$13.5 billion of clients' assets on a discretionary basis and approximately \$16.2 billion of clients' assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

As compensation for its advisory services, A&Q generally receives asset based fees equal to a percentage of the net assets advised. Generally these are determined monthly and are paid monthly or quarterly in arrears. In some cases, A&Q receives a fixed fee for advisory services. These fees are

negotiated on a client by client basis and based in part on the size and scope of the advisory relationship.

A&Q may receive a performance based fee or allocation, based on a percentage of profits earned within the applicable determination period (typically over a month, quarter or year). Performance based fees generally are subject to a "high water mark" such that no fee is paid until prior investment losses are recouped. These performance based fees can be negotiated on a client by client basis. Any performance based fees or allocations are structured in compliance with the Investment Advisers Act of 1940.

In addition to management and performance fees, A&Q's clients will also bear investment-related expenses (e.g., placement fees, interest on indebtedness, custodial fees, bank service fees, bank charges, other expenses related to the purchase, sale or transmittal of fund investments, professional fees (including, without limitation, expenses of consultants and experts) relating to investments); organizational expenses; legal, accounting, audit and tax preparation expenses; corporate licensing fees; the management fees and the performance fees charged by underlying investment vehicles; Board of Directors' liability insurance premiums; Board of Directors' fees and expenses, including travel, organizational expenses; entity-level taxes, and expenses incurred in connection with the offer and sale of shares of the Fund. This is not an exhaustive list and further information will be found in the applicable offering memorandum or client agreement.

Asset based management fees, fixed fees, performance based fees and applicable expenses/costs will be disclosed in more detail in a given fund's confidential offering documents or agreement with a client; however, these fees and allocations may be reduced, waived or calculated differently with respect to certain clients and investors in the funds. As a general matter, fees payable to A&Q will be deducted directly from the funds at a frequency disclosed in the applicable offering memorandum; however, there are cases where A&Q bills a client separately.

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

Clients should be aware that performance-based fee arrangement may create an incentive to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. In addition, since the performance compensation will be calculated on a basis that includes unrealized appreciation of a fund's net asset value, such compensation may be greater than if it were based solely on realized gains.

As disclosed in Item 5 above, some clients of A&Q are not charged performance-based fees. Accordingly, there may be an incentive to favor clients that pay performance fees over those that do not because the compensation earned by A&Q is more directly tied to the performance of incentive fee paying funds/accounts, which will vary by product and relationship. Accordingly, conflicts of interest can arise when managing funds that charge different levels of fees. A&Q seeks to resolve these potential conflicts of interest by implementing appropriate processes. Specifically, prior to implementing performance based fee arrangements, these arrangements will be reviewed by our firm to assess whether the proposed fee arrangement would unfairly disadvantage any of our clients. Additionally, A&Q has a trade allocation policy, monitored by compliance, which seeks to allocate, to the extent possible, investment opportunities over a period of time on a fair and equitable basis to all funds and clients. Furthermore, certain funds are subject to legal/regulatory restrictions that other funds are not and this may have an impact on the manner in which some securities are allocated.

## **Item 7    Types of Clients**

A&Q provides services to the following types of clients:

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

Typically, A&Q requires a client to fund a separate account with at least \$50,000,000; however, this number is negotiable based on desired service and overall relationship with A&Q and/or one of its affiliates.

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

### **Method of Analysis**

The fundamental tenets of our investment philosophy are as follows:

- We believe that markets offer temporary inefficiencies that are potentially monetizable by A&Q in concert with best-of-breed hedge fund talent. Inefficiencies are often the result of several factors:
  - forced selling of assets, leading to temporary distortions in supply and demand
  - complex, misunderstood securities or stories
  - variant discounting of fundamentals
- We view ourselves as investors, not just allocators. We have a unique vantage point in the market and seek to leverage our insights to add value for our clients. We believe we add value in several areas:
  - tactical strategy tilts
  - sourcing, seeding funds, or acting as acceleration capital for new and emerging managers
  - intelligent, database fund monitoring
  - value added portfolio construction
  - active, multi-variable approach to redeeming from hedge funds
  - partnering with hedge funds to identify tactical investment opportunities and co-investments
  - leverage our size and experience to extract attractive investment terms
- We believe in a highly active approach, supported by an investment team with extensive experience as direct risk-takers (at hedge funds or proprietary trading desks) and hedge fund investors. This real world experience enhances our ability to vet market opportunities, differentiate managers and monitor current investment holdings. Ultimately, we are active managers of active managers and rely heavily on independent evaluation of underlying strategies to support our allocation (or de-allocation) decisions
- Fees are a critical focus and we seek to use our scale as a large investor to reduce them where possible. Ultimately, we believe hedge fund fees are a function of two factors: 1) supply and

demand for hedge fund capacity; 2) the ability of a manager to generate sustainable alpha. We try our best to avoid paying high fees for generic market risk premia

- We believe focusing on investor advocacy, governance and operational due diligence results in advantageous terms and protection of capital

From a top-down perspective, our goal is to build robust hedge fund portfolios seeking to (1) preserve capital and (2) generating positive risk adjusted returns across varying capital market environments and macroeconomic regimes. In order to do so, we believe it is essential to have a deep understanding of the drivers of risk and return, as well as a command of the broader capital markets. Understanding a strategy's source of alpha (be it idiosyncratic, carry/yield, liquidity driven and/or directional in nature) as well as the causal factors behind how various strategies perform and correlate to each other and to the markets in varying economic environments, is key to constructing robust hedge fund portfolios.

From a bottom-up perspective, the manager selection process is forward-looking, and an emphasis is placed on the qualitative attributes of successful managers rather than simply on their historical track records. A combination of onsite and offsite due diligence is conducted to ascertain a manager's investment acumen under varying market conditions as well as the manager's ability to run an investment operation as a business. The due diligence is designed to evaluate the manager's investment methodology and execution, portfolio management and risk control, and operations and infrastructure. The goal is to identify the differentiating factors that give the manager a sustainable investment edge in seeking to generate superior risk-adjusted returns over time.

The identification of risk and return drivers also leads to establishing differentiating factors for comparing managers within a strategy. Certain aspects of these drivers will have more influence than others on the future performance of the manager. Some of these factors also may be conditional on a particular market factor or fund parameter, such as liquidity or asset level. Therefore, the differentiating factors must be considered in the proper context when evaluating a manager's edge.

Investment research is organized by skill set into global investment research groups or "Strategy Teams", Equity Hedged, Quantitative Equity, Relative Value / Multi-Strategy, FIRV / Agency MBS, Corporate Credit & Structured Products, Reinsurance, Global Macro / Systematic Trading, and Commodities. Each Strategy Team has two core responsibilities: (i) manager research and (ii) strategy research. Strategy Team research is a key input for the portfolio management process. Responsibilities are delegated by skill set and seniority; however, all team members are involved in both core responsibilities. Team members in each Strategy Team strive to provide concise forward-looking assessments of managers' risk and return profiles for their respective strategies. Formal Strategy Team meetings are held monthly, but informal interaction occurs continuously.

Our portfolios are managed by our Chief Investment Officer ("CIO") who is supported by senior investment professionals and the investment risk team with oversight from A&Q's compliance and market risk control. Portfolios leverage the research of global strategy teams and incorporate both the top down strategy views, manager rankings and structuring capabilities of A&Q. Key consideration is given to the Operational Due Diligence team, corporate governance and Client Advocacy Group.

### **Investment Strategies**

A&Q employs a number of investment strategies in connection with investment management services it provides to its clients. A&Q's clients should carefully read the relevant offering memorandum or client agreements for specific information applicable to that investment to ensure that the investment is

appropriate considering, among other considerations, their own investment objectives, risk tolerance, and time horizons. When managing funds and account, A&Q will principally use one or more of the following strategies:

### **Equity Hedged**

In general, managers classified as Equity Hedged use fundamental analysis to invest in publicly traded equities and seek to generate alpha through superior security selection. Through fundamental analysis, managers evaluate factors that may affect a security's value, such as macroeconomic trends, industry specific metrics, and other qualitative and quantitative factors. Equity Hedged managers may take both long and short positions to capture the perceived mispricing of a given security. Portfolio construction is generally driven primarily by bottom-up fundamental research, although top-down analysis may also be applied. The sub-strategies that comprise Equity Hedged include Fundamental, Event Equity, and Opportunistic Trading.

### **Credit/Income**

Within Credit/Income, corporate and structured credit-oriented managers generally utilize credit analysis to evaluate potential investments, use debt or debt-linked instruments to execute their investment theses, or seek to create carry-oriented return streams in other asset classes that behave similarly to income-generating debt instruments (e.g. reinsurance). Managers' approach can be either fundamental, quantitative, or a combination of both. A common thread for corporate and structured Credit managers is the application of in-depth fundamental credit, capital structure, and event analysis to individual credit opportunities. Along with that, a successful manager must remain more cognizant than ever of the potential impact from macro shocks and the technical environment when constructing a portfolio. A similar set of skills, supplemented by deep fundamental analysis of weather patterns and probability analysis is applicable for reinsurance managers. The five sub-strategies that currently comprise Credit/Income include Distressed, Corporate Long/Short, Structured Products, Reinsurance, and Other.

### **Relative Value**

Relative Value strategies are generally non-fundamental and non-directional, and are often quantitatively-driven. Managers in this strategy typically use arbitrage to exploit mispricings and other opportunities in various asset classes, geographies, and time horizons. Managers frequently focus on capturing the spread between two assets, while seeking to maintain neutrality to other factors, for example to geography, changes in interest rates, equity market movement, and currencies. The sub-strategies that comprise Relative Value include Statistical Arbitrage, Merger Arbitrage, Capital Structure/Volatility Arbitrage (Cap Structure/Vol Arb), Fixed Income Relative Value (FIRV), and Agency Mortgages.



## Trading

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

## Other/Niche

Finally, as the industry evolves and matures, A&Q expects hedge fund managers to continue to seek new and creative ways to express investment ideas and attempt to generate absolute returns outside the existing categories. Within the industry, there are many names for these types of investment strategies, including 'niche', or even 'alternative alternatives'. This category is also used to capture exposure to non-hedge fund strategies that occasionally creep into hedge fund portfolios, such as private equity, real estate, and infrastructure.

***The description set forth in this Brochure of services offered as well as strategies or securities used by A&Q on behalf of its clients should not be understood to limit or constrain A&Q's investment activities. A&Q remains free to offer any advisory services, engage in any investment strategy and make any investment, including anything not described in this Brochure, that A&Q considers appropriate, subject to A&Q's clients objectives and guidelines. The investment strategies A&Q pursues are speculative and entail substantial risk. There can be no assurance that any of A&Q's clients will achieve their investment objectives; therefore, such activities could result in a substantial loss of capital.***

## Material Risks

All investments carry a certain amount of risk and a client may lose money by investing funds or accounts managed by A&Q. A&Q cannot guarantee that it will achieve its clients' investment objectives. Below is a summary of certain risks that may be associated with such an investment. This list of risk factors is not a complete enumeration or explanation of the risks involved in an investment. Clients should read this entire brochure as well as the prospectus or offering documents or account agreement governing their investment. Clients should also consult with their own legal, financial, and tax advisors before deciding whether to invest in a strategy.

- **Management risk:** A&Q's judgments about the fundamental value of securities or other factors showing the attractiveness of investments acquired for a portfolio may prove to be incorrect. In addition; A&Q's judgments about asset allocations, exposure to foreign currencies and other macro-economic factors may prove to be incorrect.
- **Risk of loss:** Investing in securities involves risk of loss that clients should be prepared to bear. The investment decisions that A&Q makes for a client are subject to various market, currency, economic, political and business risks, and our investment decisions based on such factors will not always be profitable.
- **No guarantee of investment objectives:** A&Q does not guarantee or warranty that a client's account will achieve its investment objectives, performance expectations, risk and/or return targets.

- **No government guarantee:** An investment in an account or fund managed by A&Q is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.
- **Personnel risk:** A&Q generally utilizes a team approach to managing investment portfolios. However, certain strategies may be dependent upon the expertise of certain key personnel, and any future unavailability of their services could have an adverse impact on the performance of clients invested in such strategies.
- **Diversification and liquidity risk:** Unless otherwise agreed upon by a client and A&Q, we will not be responsible for the client's overall diversification, asset allocation or liquidity needs. In addition, certain strategies pursued by A&Q may be non-diversified and hold a low number of investments. An investment in a fund or account managed by A&Q may require significant written prior notice and at predetermined intervals throughout the year meaning such an investment may not be suitable for someone who needs immediate liquidity associated with an investment. Additionally, investments in a fund or account may be subject to gates and other redemption restrictions which may restrict liquidity.
- **Tax risk:** Clients should consult their tax advisors regarding the tax consequences of their investments. A&Q is not a tax advisor, although certain of its investment strategies may consider the potential tax implications of investment decision.
- **Risk of equity instruments:** For strategies investing in equity securities, there are various risks including, without limitation, the following:
  - The stock markets where a portfolio's investments are traded may shut down or otherwise become unavailable.
  - An adverse event, such as negative press reports about a company in the portfolio, may depress the value of the company's stock.
  - Small to mid-capitalization companies may have less diversified product or service offerings and less liquidity in the markets which increases their volatility.
- **Risk of fixed income investments:** For strategies investing in fixed income securities, there are various risks including, without limitation, the following:
  - Interest rate risk: If interest rates rise, the prices of fixed income securities in the portfolio may fall, and the longer the maturity of a fixed income security, the greater its sensitivity to changes in interest rates.
  - Credit risk: The issuer may default on its obligation to pay principal or interest, may have its credit rating downgraded by a rating organization or may be perceived by the market to be less creditworthy. Lower-rated bonds are more likely to be subject to an issuer's default than investment grade (higher-rated) bonds. Lower-rated bonds may have less liquidity and be more difficult to value in declining markets.
  - Prepayment risk: If interest rates decline, the issuer of a security may exercise its right to prepay principal earlier than scheduled, forcing the account to reinvest in lower yielding securities.
  - Extension risk: If interest rates rise, the average life of securities backed by debt obligations is extended because of slower than expected payments. This will lock in a below-market

interest rate, increase the security's duration and reduce the value of the security.

- **Foreign country and emerging market risks:** For strategies investing in foreign countries and emerging markets, there are various risks including, without limitation, the following:
  - Vulnerability to economic downturns and instability due to undiversified economies; trade imbalances; inadequate infrastructure; heavy debt loads and dependence on foreign capital inflows; governmental corruption and mismanagement of the economy; and difficulty in mobilizing political support for economic reforms.
  - Adverse governmental actions, such as nationalization or expropriation of property; confiscatory taxation; currency devaluations, interventions and controls; asset transfer restrictions; restrictions on investments by non-citizens; arbitrary administration of laws and regulations; and unilateral repudiation of sovereign debt
  - Political and social instability, war and civil unrest.
  - Less liquid and efficient securities markets; higher transaction costs; settlement delays; lack of accurate publicly available information and uniform financial reporting and accounting standards; difficulty in pricing securities and monitoring corporate actions; and less effective governmental supervision.
  - Changes in foreign currency exchange rates and in exchange control regulations may adversely affect the value of securities denominated or traded in non-US currencies.

The risks described above are more severe for underlying funds investing in emerging markets than for non-US developed markets.

- **Asset-backed and mortgage-backed securities risks:** Certain strategies may invest in securitized debt, including asset-backed securities (ABS) and/or mortgage-backed securities (MBS). The investment characteristics of MBS and ABS may differ from traditional debt securities in that interest and principal payments are made more frequently, principal may be prepaid at any time and a number of state and federal laws govern and may limit right to the underlying collateral.
- **Derivatives risks:** The use of derivatives involves risks which are different from the risks associated with investing directly in securities. The primary risks of loss associated with derivatives are (i) market risk – the risk that the market value of the investment will decline; (ii) credit risk – the risk that the counterparty to the transaction will default on its obligations; (iii) liquidity risk – the risk that the instrument will not be readily marketable; and (iv) valuation risk – the risk that the instrument may have only one pricing source. Additionally, investments in derivatives include the risk that changes in the value of a derivative may not correlate with the underlying asset, rate, index, or market. Gains or losses involving some options, futures and other derivatives may be substantial. While some derivatives strategies can reduce the risk of loss, the use of derivatives can also reduce the opportunity for gain or result in losses by offsetting favorable price movements in other investments. Derivatives may create leverage and may pose the risk of losing more than the amount invested.
- **Leverage risk:** Derivatives that involve leverage can result in losses to the client's portfolio that exceeds the amount originally invested in the derivative instruments. Certain strategies may use derivatives or may borrow money and purchase investments in order to leverage or gear a client's portfolio. If a client's portfolio is levered and the investments decrease in value, the client's losses will be greater than if the client's portfolio was not leveraged. In addition, if the return on an

investment purchased with borrowed funds is not sufficient to cover the cost of borrowing, then the net income of the client will be less than if borrowing were not used.

- **IPO risks:** The purchase of shares sold in initial public offerings (IPOs) may expose strategies to the risks associated with issuers that have no operating history as public companies, as well as potentially significant price fluctuations. Furthermore, there is no guarantee funds invested into by A&Q will be allocated IPOs in the future.
- **Short sales risk:** Short sales involve the risk that the client will incur a loss by subsequently buying a security at a higher price than the price at which the client previously sold the security short. This would occur if the securities lender required the client to deliver the securities the client had borrowed at the commencement of the short sale and the client was unable to either purchase the security at a favorable price or to borrow the security from another securities lender. If this occurs at a time when other short sellers of the sale security also want to close out their positions, a “short squeeze” can occur. A short squeeze occurs when demand is greater than supply for the security sold short. Because the loss on a short sale arises from increases in the value of the security sold short, such loss is theoretically unlimited.
- **Non-publicly traded securities, private placements and restricted securities:** Investing in unregistered or unlisted securities may involve a high degree of business and financial risk that can result in substantial losses, due to the absence of a public trading market for these securities and the absence of public disclosure and other investor protection requirements applicable if the securities were publicly traded.
- **Illiquid securities:** Certain strategies (e.g., multi-asset portfolios, private equity, real estate, infrastructure, etc.) may invest in illiquid assets, such as private equity, venture capital, real estate, infrastructure, etc. Exposure to an illiquid asset class will be made by purchasing interests in a privately offered pooled investment vehicle (“illiquid asset vehicle”). Investment in an illiquid asset vehicle poses similar risks as direct investments in illiquid securities. In addition, investment in an illiquid asset vehicle will be subject to the terms and conditions of the illiquid asset vehicle’s investment policy and governing documents which often include provisions that may involve investor lock-in periods, mandatory capital calls, redemption restrictions, infrequent valuation of assets, etc.
- **Investments in pooled investment funds:** To the extent a strategy invests in a pooled investment fund, there may be additional risks discussed in the fund’s offering documents or governing instruments which are not discussed in this brochure. Prior to investing an account in a fund, A&Q will assess whether it believes the investment is consistent with the client’s investment guidelines as well as applicable law and regulation (e.g., Investment Company Act of 1940, ERISA, etc.). A client will generally bear, indirectly, fund investment expenses (e.g., brokerage commissions to execute portfolio trades, etc.) and operating costs (e.g., administration, custody, audit, etc.). When a client’s account invests into another fund, the client will normally bear, indirectly, fees paid by the fund to its investment manager.
- **Frequent trading:** Certain strategies may involve frequent trading of securities. Frequent trading can impact a portfolio’s investment performance due to increased brokerage and other transaction costs. For taxable clients, frequent trading may also result in short-term capital gains which are taxed at a higher rate than long-term capital gains.

**Item 9     Disciplinary Information**

Neither A&Q nor its management personnel have any reportable disciplinary events to disclose.

**Item 10    Other Financial Industry Activities and Affiliations**

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

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

UBS is a global financial institution which provides financial services directly and through its divisions and subsidiaries. Its divisions include Investment Bank (equity, derivative, fixed income sales and prime brokerage services), Global Asset Management (investment advisory and administration services) and Wealth Management and Swiss Banking (customized investment advisory services for high net worth clients).

Among UBS' direct and indirect affiliates and related persons are various broker-dealers, investment advisers and banking organizations. A&Q has and it anticipates it will continue to maintain arrangements with UBS and its affiliates that are material to its business. In addition, A&Q has service level agreements with UBS and its affiliates pursuant to which the affiliates provide certain services including, but not limited to: technology development services, technology production services, premises/corporate services, human resources services, financial control services, market risk services, legal services, compliance services, and equity trading support services.

A&Q engages in a variety of transactions involving its affiliates that are members of the Global Asset Management Business Group and Wealth Management Business Group of UBS in connection with the marketing and distribution of its affiliates' investment products and services.

A&Q is one of several subsidiaries within the UBS Asset Management Group of UBS. In addition to A&Q, UBS AM Group in the Americas includes UBS Global Asset Management (US) Inc., UBS Global Asset Management (Americas) Inc., UBS Global Asset Management (Canada) Co., UBS Global Asset Management (New York) Inc., UBS Asset Management International Limited, UBS Realty Investors LLC, UBS Fund Services and UBS O'Connor LLC.

A&Q has entered into a sub-advisory agreement with UBS Global Asset Management (Hong Kong Limited) branch to provide discretionary investment advice to certain A&Q clients which are private offshore investment funds. A&Q has retained UBS Alternative and Quantitative Investments Limited, a United Kingdom based investment adviser to provide sub-advisory services to some products managed by A&Q for the purpose of (i) providing advice and services when requested by A&Q regarding, without limitation, (A) alternative asset managers ("sub-managers") and the funds they operate ("portfolio funds") for investment (B) direct investments, and (C) any other authority delegated to A&Q by the funds and (ii) when requested by A&Q, making decisions regarding, without limitation, (A) the selection of sub-managers and portfolio funds for investment, (B) the selection of direct investments, and (C) any other authority delegated to A&Q by the funds in accordance with the investment program described in the relevant Memoranda (the "investment program"). Although A&Q does not presently intend to do so, A&Q may enter into one or more sub-investment advisory relationships with other affiliates of UBS to provide investment advice to A&Q's clients.

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

The transactions and portfolio strategies of A&Q and its affiliates used for other investment funds or accounts could conflict with the transactions and investment strategies employed by A&Q in managing our funds and adversely affect the prices and availability of the portfolio funds in which the funds may invest and/or the financial instruments in which the funds, portfolio funds or advisory clients invest or may seek to invest. A&Q and its affiliates are not under any obligation to share any investment opportunity, idea or strategy with the funds or advisory clients. As a result, other clients and A&Q's affiliates may compete for appropriate investment opportunities. Certain conflicts of interest may also arise from the fact that the investment banking and corporate finance activities of A&Q's affiliates may restrict the ability to purchase or sell certain financial instruments under applicable law, regulations or internal policies imposed by UBS. A&Q and its affiliates will not be obligated to divest their proprietary or other clients' positions or refrain from engaging in any transactions in order to permit clients to make any particular investment. Additionally, A&Q may manage investment funds that are predominantly owned or seeded by its affiliates, which may create an incentive for A&Q to allocate investment opportunities to such investment funds over other investment funds or clients it manages with similar investment objectives. Such other investment funds and other clients, together may own sufficient units to influence votes at the funds level, and the interests of such funds and other clients may differ from those of other members.

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

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

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

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

Our Code of Ethics includes policies and procedures for the review of initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of

Ethics also requires the prior approval of certain acquisitions and sales of securities. Our code also provides for oversight, enforcement and recordkeeping provisions.

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

The Code of Ethics has been designed to help mitigate risks due to actual or potential conflicts of interest to our clients. We have established these procedures to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest. A copy of our Code of Ethics is available to our clients and prospective clients. You may request a copy by email sent to [frank.pluchino@ubs.com](mailto:frank.pluchino@ubs.com), or by calling Frank Pluchino at 203-719-7681.

Employees of A&Q, subject to personal trading rules, may choose to personally invest, directly and indirectly, in certain, but not all, of the funds advised by A&Q. It is not expected that Employees will pay fees for investing in such products. If such investments are made, the size and nature of these investments will change over time. Employees are not required to keep any minimum investment in any of the funds managed by A&Q.

#### **Item 12 Brokerage Practices**

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

A&Q is primarily an allocator to other pooled investment vehicles. As a consequence, it is not typical for us to engage on a frequent basis in securities type transactions with broker/dealers. This may occur from time to time if the underlying fund that a client is invested in provides to an A&Q fund or a client a payment in kind in the form of securities or for hedging purposes.

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

A&Q does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

As a matter of policy and practice, A&Q does not generally block client trades and, therefore, implements client transactions separately for each account. A&Q may give advice or take action with respect to any clients which may differ from the advice given or the timing or nature of any action taken with respect to investments to other clients. It is the policy of A&Q to allocate, to the extent possible, investment opportunities over a period of time on a fair and equitable basis. In cases where an investment opportunity may be limited, priority may be granted to one client over another for a variety of reasons including but not limited to instances where the funds or other clients, as the case may be, are below their respective minimum investment allocations, have been waiting to invest in a portfolio fund for more than a month, are making an initial investment in a portfolio fund or such an investment would have negative implications (legal or regulatory) on other funds/accounts managed by A&Q. In circumstances when it is unsuitable, impractical or undesirable for investment opportunities

to be allocated among the fund and other clients as described above, A&Q will allocate such investment opportunities among the funds and other clients in a manner that A&Q in its discretion determines is fair and equitable.

A&Q has no obligation to invest in or withdraw from a portfolio fund for the funds or other clients even though A&Q may invest in or withdraw from a portfolio fund for the accounts of its other clients if A&Q believes in good faith that such transaction or investment would be unsuitable, impractical or undesirable. Likewise, an affiliated sub-manager will have no obligation to purchase, sell or exchange any financial instrument for an affiliated portfolio fund which the affiliated sub-manager may purchase, sell or exchange for the accounts of its other clients if the affiliated sub-manager believes in good faith that such transaction or investment would be unsuitable, impractical or undesirable for the affiliated portfolio fund.

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

Although A&Q employees exercise due care in making and implementing investment decisions, A&Q may, from time to time, make errors with respect to trades made on behalf its funds. Trade errors can occur in connections with (i) the placement of orders (either purchases or sales) in excess of or less than the intended amount, (ii) the sale/purchase of the a security where the intent was to purchase/sell, (iii) the purchase or sale of the wrong security, (iv) miscommunication among employees. The foregoing is not an exhaustive list.

As a general matter, if A&Q commits a trade error that results in a net loss for a fund, A&Q will credit an amount equal to the net loss to that fund as soon as reasonably practical considering all relevant facts, which may include internal approvals. To the extent a net loss is caused by the mistake of a third party (such as a broker or other service provider), A&Q will endeavor to recover such amounts from the responsible party.

Notwithstanding the foregoing, A&Q has full discretion to resolve a particular trade error in a manner other than specified above after a complete investigation and evaluation of the circumstances surrounding the event.

### **Item 13    Review of Accounts**

Portfolio management and monitoring is led by our CIO and supported by senior investment team members, notably the Deputy CIO, Director of Portfolio Management and Senior Portfolio Managers.

It is important to note that all of the A&Q products are monitored by four additional groups: the Investment Risk Team, UBS Risk Control, A&Q Operations & Product Control, and Compliance on a monthly basis in an attempt to ensure that each specific client investment guideline and limits are being met. Dedicated Portfolio Specialists are also assigned to each portfolio to provide assistance with monitoring and coordination with clients.



The Review Committee is a final control meeting for portfolio management decisions. Members of the Review Committee include the Global Head of A&Q, CIO, Deputy-CIO, Business Management, Investment Risk, OpDD, Client Solutions Group (“CSG”), and Client Advocacy Group (“CAG”) Heads, the General Counsel, Chief Compliance Officer and Investment Operations. The Review Committee reviews month-end trade processes, the approval of new managers, pending open issues or risks, and various business topics. The Global Head of A&Q, CIO, and the Head of Operational Due Diligence have the ability to veto fund approvals and portfolio decisions. The use of a veto at the Review Committee is unusual as typically funds deemed objectionable are eliminated prior to the Review Committee in the investment process. The Review Committee also reviews and approves the monthly trade blotter and material open corporate actions.

Independent research is the foundation of A&Q's investment process. Both A&Q's process and team structure is designed to harness the specialized skills of our investment team while maintaining transparency and efficiency in the portfolio construction process. A&Q divides its research universe into specialized strategy teams (Equity Hedged, Credit/Income, Relative Value/Multi-Strategy, and Trading), each of which meet monthly to discuss current and prospective investment managers as well as current market environments and opportunity sets within each respective strategy. Strategy Teams have two core responsibilities, which serve as inputs into our portfolio management and investment advisory process: 1) bottom-up manager selection and 2) top-down strategy research.

The MAC meeting provides a monthly forum that evaluates fund recommendations and approves new funds for potential investment, subject to completion of operational due diligence, investment risk and Client Advocacy Group (“CAG”) review. When a new fund is presented, a formal investment opinion is submitted by the Strategy Team. Investment Risk, CAG and OpDD also introduce preliminary findings on prospective funds at the MAC. The MAC is conducted by senior members of the investment team. To become investable, a fund must be affirmatively approved in the MAC after debate led by the CIO and senior members of the investment team. Subsequent to the MAC but prior to investment, potential funds must also receive a pass rating from OpDD. Final approval for investment occurs at the Review Committee (“RC”) meeting. The CIO holds veto power over fund investments at both the MAC and the RC.

The Asset Allocation meeting brings together the distinct Strategy Teams in one forum. In this meeting, the investment team compares the opportunity set across strategies with the objective of discerning which strategies are more or less attractive on a relative basis and identifying potential tactical tilts to the portfolios. On annual basis, A&Q performs a strategy review at which point new sub-strategies may be added or deleted.

After the Asset Allocation meeting, the CIO leads a series of meetings focused on Portfolio Management. Portfolio Management meetings, which are the culmination of the monthly investment cycle, provide the primary forums to review portfolio work performed by the investment team members in a group setting, while including monitoring input from Investment Risk and client feedback from Portfolio Specialists. Finally, the Review Committee Meeting serves as a final control point relating to the approval of new managers, to review any pending open issues or risks, and to discuss any business topics relating to program management.

In terms of client servicing, several methods of communication are used with clients such as direct email, phone conversations, in-person meetings and updates via the A&Q website. (Note: Certain investors in our commingled products which are not registered with the SEC and other products subject

to other regulatory requirements (e.g. UCIT compliant funds) may receive additional reporting, and thus, may receive more information than other investors in the Fund. The decision to provide additional information is determined on a case by case basis). Below please find a list of standard reports available to clients:

### **Monthly Report**

The report includes a commentary on recent performance, transparency on managers within the portfolio, information relating to the portfolio's overall strategy and sub-strategy, and performance/statistical analysis.

### **Strategy and Exposure Report**

Strategy and exposure reports provide quantitative details, dissecting the portfolio into several components including strategy, geographic, sector and exposure levels.

### **Portfolio Change Report (discretionary clients only)**

This report summarizes the redemptions, additions, and contributions made to the portfolio on a monthly basis.

### **Quarterly Risk Report**

This comprehensive report is available 45-days after quarter-end and covers numerous types of portfolio and manager-level analysis. Examples of analyses included in the report:

- Historical strategy risk allocation
- Performance-based statistics
- Value at Risk (VaR) and Risk Contribution
- Leverage
- Liquidity
- Drawdown
- Beta
- Correlation
- Equity Hedged Portfolio Analysis - "Value Add"

### **Quarterly Hedge Fund Strategy Review and Outlook**

For this quarterly report, the A&Q Investment Team highlights the drivers of each hedge fund strategy's current opportunity. It also includes A&Q's outlook for the upcoming quarter.

As it relates to product reviews, annual audits of the products' financial statements are completed each year by Ernst & Young and are provided to investors.

### **Item 14 Client Referrals and Other Compensation**

Funds managed by A&Q may occasionally receive rebates from underlying funds in which they invest. Any rebate received will be placed into the affected client accounts. A&Q may therefore receive a benefit in the form of management fees charged to the funds on the resulting higher asset base. We may also receive a benefit on the incentive side because the expenses to the hedge fund are less, resulting in better net performance.

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

#### **Item 15 Custody**

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

An independent public accounting firm subject to inspection by the Public Company Accounting Oversight Board ("PCOAB"), audits the financial statements of our pooled investment vehicles and audited annual financial statements of these vehicles are distributed to their investors within 180 days of the accounts' fiscal year end. In certain cases we have contracted for independent surprise audits of certain funds and/or managed accounts.

#### **Item 16 Investment Discretion**

In accounts where A&Q has investment discretion, A&Q will make investment related decisions without consulting the client, which decisions involve determinations regarding which securities are bought and sold for the account and the total amount of securities to be bought and sold. A&Q' discretionary authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between A&Q and the client.

#### **Item 17 Voting Client Securities**

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

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

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

- if a proposal is addressed by the specific policies herein, A&Q will vote in accordance with such policies;
- if A&Q believes it is in the best interest of the client to depart from the specific policies provided for herein, A&Q will be subject to the requirements below, as applicable;

- if the proxy proposal is (1) not addressed by the specific policies or (2) requires a case-by-case determination by A&Q, A&Q may vote such proxy as it determines to be in the best interest of the client, without taking any action as described below, provided that such vote would be against A&Q' own interest in the matter (i.e. against the perceived or actual conflict). A&Q will memorialize the rationale for voting in writing.

A&Q retains all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Frank Pluchino by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted.

#### **Item 18 Financial Information**

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

As an advisor we are required to disclose that A&Q has no financial condition that is reasonably likely to impair our ability to meet our contractual obligations. A&Q Hedge Fund Solutions has not been the subject of a bankruptcy petition at any time during the past ten years.