

## ITEM 1 COVER PAGE

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

#### AO ASSET MANAGEMENT, LLC

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

March 20, 2015

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

AO is a registered investment adviser. Registration of an investment adviser with the SEC does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

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

## ITEM 2 MATERIAL CHANGES

There have been no material changes since AO's initial filing of its ADV on January 21, 2014.

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

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

### ITEM 3 TABLE OF CONTENTS

ITEM 1 COVER PAGE .....	i
ITEM 2 MATERIAL CHANGES .....	ii
ITEM 3 TABLE OF CONTENTS .....	iii
ITEM 4 ADVISORY BUSINESS .....	4
ITEM 5 FEES AND COMPENSATION .....	6
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	9
ITEM 7 TYPES OF CLIENTS .....	10
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS ..	11
ITEM 9 DISCIPLINARY INFORMATION .....	20
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	21
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	23
ITEM 12 BROKERAGE PRACTICES .....	26
ITEM 13 REVIEW OF ACCOUNTS .....	31
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION .....	32
ITEM 15 CUSTODY .....	33
ITEM 16 INVESTMENT DISCRETION .....	34
ITEM 17 VOTING CLIENT SECURITIES .....	35
ITEM 18 FINANCIAL INFORMATION .....	36

## ITEM 4 ADVISORY BUSINESS

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

#### **Firm Description**

Founded on October 3, 2013, AO Asset Management, LLC, a Delaware limited liability company (“AO”), is a long/short technology, media, and telecommunications hedge fund focused on process-driven fundamental research. AO serves as the investment manager for and provides discretionary investment advisory services to the following investment funds: (i) AO Technology Master Fund, L.P., a Cayman Islands exempted limited partnership (the “Master Fund”); (ii) AO Technology Fund, LP, a Delaware limited partnership (the “Domestic Fund”), which is designed primarily for certain qualified U.S. taxable persons, and which invests all of its investable assets in the Master Fund; and (iii) AO Technology Fund, Ltd., a Cayman Islands exempted company (the “Offshore Fund”), which is designed primarily for certain qualified investors who are not U.S. persons and for certain qualified U.S. tax-exempt investors, and which invests all of its investable assets in the Master Fund. In addition, AO serves as the investment adviser to certain separately managed accounts (the “Managed Accounts”). We refer to the Domestic Fund together with the Offshore Fund and any additional feeder funds as the “Feeder Funds” and, together with the Master Fund as the “Funds,” and each, individually as the context may dictate, a “Fund.” We refer to the Funds and the Managed Accounts, collectively, as our “Client Accounts,” or more generally, with other potential clients, as our “Clients.”

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

#### **Principal Owners/Ownership Structure**

AO Asset Management GP, LLC, a Delaware limited liability company, serves as the general partner (the “General Partner”) of the Domestic Fund and the Master Fund. The General Partner has ultimate responsibility for the management, operation and administration of such Funds and is deemed a relying adviser under AO’s registration.

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

### **B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.**

Pursuant to its investment management agreement with the Funds, AO is responsible for Fund and Managed Accounts' day-to-day management and has ultimate investment management authority over all investment decisions, asset acquisitions and dispositions, distributions and management affairs, generally. This brochure refers to trading activities on behalf of the Funds and Managed Accounts; as previously mentioned, all of the trading on behalf of the Onshore Fund and the Offshore Fund occurs at the Master Level Fund level.

Our investment objective is to provide superior absolute and risk-adjusted returns, generating alpha based on in-depth proprietary research. We focus on equities in the technology, media, and telecommunications ("TMT") sectors of the global economy. We believe that these sectors traditionally see rapid adoption of disruptive new technology, creating an ongoing cycle of change, which often leads to large, new product cycles and opportunities for well-positioned companies. Additionally, we believe that its deep sector expertise and proprietary in-depth research allows it to identify such companies. AO's portfolio is generally comprised of long positions that it holds for a year or longer as well as short positions that it puts in for tactical purposes.

**C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.**

The advisory services provided to the Funds are tailored to the investment objectives, investment strategy, and investment restrictions, if any, as set forth in the governing documents of the Funds. We provide investment advice directly to the Funds and not to investors in the Funds individually. In addition, we do not require, nor do we seek, approval from the Funds or the investors in the Funds with respect to trading nor do we accept investment restrictions imposed by such investors (although we may agree to exclude certain investors from certain investments made by the Funds).

With respect to the Managed Accounts, we provide advisory services tailored to the investment objectives, investment strategy and investment restrictions, of the particular client. We will tailor the types of securities or other instruments to be traded on the client's behalf based upon specific directions provided by such clients in their investment advisory agreements or otherwise.

AO does not tailor its advisory services to the individual needs of investors in the Funds, provided, however, that in order to comply with certain legal and regulatory requirements, there may be instances when an investor may not participate in an investment by the Fund (such as with respect to new issues) and appropriate measures will be taken by the respective Fund to comply with such laws and regulations. The Funds or AO, however, may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing a Fund's governing documents. Such rights include notification and disclosure rights, certain fee arrangements, transfer rights, and certain withdrawal or redemption rights, among others.

Any restrictions on investing in certain securities, types of securities, or any geographic areas or industry sectors will be specified in the investment advisory agreement with, or offering and organizational documents of, the relevant client.

**D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.**

We do not participate in wrap fee programs.

**E. If you manage client assets, 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, we managed \$594,509,000 in regulatory assets under management, all of which are managed on a 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.**

In consideration of the investment management services provided to the Funds and pursuant to the investment management agreement, a management fee is payable to the Investment Adviser quarterly, in advance, at an annual rate equal to the Management Fee Percentage times the applicable Fund's net assets as of beginning of each quarter, adjusted for any additional capital contributions by investors to the Funds, admission of new investors to the Funds and withdrawals or redemptions by investors from the Funds. The Management Fee Percentage equals, (i) in respect of Class F interests in the Funds, 1.25%; (ii) in respect of Class P interests in the Funds, 2.0%; provided that such percentage shall decrease to 1.0% commencing at the start of the first month following the date on which our assets under management reach \$500 million; and (iii) in respect of Class A interests in the Funds, 1.5%. With respect to Managed Account Clients, the Management Fee Percentage ranges from 0.25% to 2.0%.

Written investment advisory agreements and/or organizational and offering documents of the Client Accounts govern the terms of compensation and the manner in which we charge fees to each of our clients. The fees we charge for our advisory services may be negotiable depending on the circumstances of the client's account and the service levels we provide to the client. We may reduce or waive a portion of a client's management fee in our sole discretion, and generally do so with regard to our employees.

**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.**

The Funds' management fees generally are deducted from the applicable Fund's accounts on behalf of each feeder fund quarterly in advance. Performance fees are deducted from the applicable Fund's accounts annually in arrears.

Management fees for the Managed Accounts are payable according to the directives of each Managed Account, which may be either quarterly or monthly in advance or in arrears. Performance fees for Managed Accounts will generally be payable annually in arrears. Managed Account Clients are billed for such fees rather than having their fees deducted.

**C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.**

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

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

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

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

**D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

Management fees applicable to the Funds are paid on behalf of each Feeder Fund quarterly in advance as described in the investment management agreement and/or governing documents of each Fund. In the event an investor terminates an investment advisory contract prior to the end of a billing period, management fees will be refunded based on the ratio that the number of days for which investment advisory services were rendered bears to the total number of days in that payment period. In the event that the investment advisory relationship is terminated (or funds are withdrawn or redeemed) other than at the end of a performance allocation calculation period, such termination (or withdrawal or redemption) date shall typically be treated as the end of a performance allocation calculation period.

**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 and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.**

1. Explain that this practice presents a conflict of interest and gives you or your supervised persons an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to clients. If you primarily recommend mutual funds, disclose whether you will recommend "no-load" funds.
2. Explain that clients have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with you.
3. If more than 50% of your revenue from advisory clients results from commissions



and other compensation for the sale of investment products you recommend to your clients, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary or, if applicable, your exclusive compensation.

4. If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.

Not applicable (with respect to all Item 5.E and its sub-parts).

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

If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a Client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.

AO accepts performance-based fees. A performance allocation is allocable to the General Partner by a Fund at a rate equal to the performance allocation percentage times the net gains allocable to an investor's account. The performance allocation is generally allocable on an annual basis in arrears. The performance allocation is subject to a loss carryforward (described below). The Performance Allocation Percentage equals (i) in respect of Class F interests in the Funds, 15%; (ii) in respect of Class P interests in the Funds, 10%; and (iii) in respect of Class A interests in the Funds, 20%. The Incentive Allocation for Managed Account Clients are generally negotiable, but may be 10% to 20% of the net gains attributable to a Managed Account.

No Incentive Allocation will be made with respect to a capital account of an investor until the investor has recovered any loss carryforward in the capital account. An investor's share of net losses of the Fund for prior months, to the extent not previously utilized in reducing the amount to be allocated to the General Partner, is referred to as Loss Carryforward. The amount of an investor's Loss Carryforward will be reduced proportionately by any withdrawal by the investor.

The Incentive Allocation is calculated based on each investor's ownership but will be made at the Master Fund level and allocated separately to the capital account of each investor. The Master Fund will maintain sub-capital accounts for the Fund investor's interest in the Master Fund. The Fund's share of the Incentive Allocation will be debited to the Fund's capital account in the Master Fund

and credited to the capital account of the General Partner in the Master Fund. Each investor's proportional share of the Incentive Allocation is debited to the capital account of the investor in the Fund. The Incentive Allocation is calculated on an investor-by-investor basis at the Master Fund level and, for investors with more than one capital account, will be calculated separately for each capital account.

All performance fee agreements are structured in accordance with Section 205(a)(1) of the Advisers Act and the rules and regulations thereunder, including the exemption set forth in Rule 205-3 of the Advisers Act permitting performance fee arrangements with qualified clients.

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

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

## **ITEM 7 TYPES OF CLIENTS**

**Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

We currently provide investment advisory services to the Funds and Managed Accounts. The Funds and Managed Accounts limit their respective investors to persons who are both “accredited investors” as defined in the Securities Act of 1933, as amended and “qualified clients” as defined in the Investment Company Act of 1940, as amended.

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

Investors in Funds and Managed Accounts include primarily U.S. and non-U.S. investors, including, among others, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, trust programs, other investment advisers, foreign funds and other U.S. institutions. In addition, employees and other persons associated with AO and/or its affiliates may be investors in the Funds.

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

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

### **A. 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.**

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

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

We invest the Funds’ assets in the common stocks of companies in the TMT sectors globally,

with a focus on mid-cap and larger names traded in the U.S. We base our investment strategy on three fundamental principles:

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

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

**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.**

## **Risk Factors**

Investing in securities involves risk of loss that clients should be prepared to bear. More specifically, an investment in the Funds and Managed Accounts involves substantial risks, including, but not limited to, those described below. There can be no assurance that the Funds' investment objective will be achieved or that there will be any return of capital, and investment results may vary substantially on a monthly, quarterly or annual basis. The Funds are a potentially

suitable investment only for sophisticated investors for whom an investment in the Funds does not represent a complete investment program and who, in consultation with their own investment and tax advisors, fully understand and are capable of assuming the risks of an investment in the Funds. Because this is not an exhaustive list of all of the risks associated with the conduct of our investment advisory business, clients should read this brochure, any investment advisory agreement and any offering documents of the particular Fund or other Client Account before making an investment with us.

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

the case following the credit crisis and extreme economic downturn that began in 2008, notwithstanding general agreement among commentators that the funds and advisers had little to do with precipitating the credit crisis or its aftermath. As a result, multiple pieces of legislation have been introduced or adopted, both on the state and federal level. It is unknown when or whether any additional initiatives will be proposed or adopted into law, but any of them, if enacted, could add to the costs and regulatory burdens of operating the Funds.

- *Small Capitalization Companies.* The Funds may invest a substantial portion of their assets in the stocks of companies with small market capitalizations (any company with an equity market capitalization of \$2.5 billion or less). Such stocks involve higher risks in some respects than do investments in stocks of larger companies. The prices of small capitalization and even medium-capitalization stocks are often more volatile than prices of large capitalization stocks and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to long investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be illiquid. The small market capitalization stocks have, at times, significantly underperformed the large capitalization stocks and may do so in the future. A related concern for short sale risk is that smaller companies tend to be more readily acquired.
- *Derivative Instruments.* The Funds could potentially create leverage via the use of instruments such as options and other derivative instruments. The value of a derivative depends largely upon price movements in the underlying asset; hence many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. In addition, there are a number of other risks associated with derivatives trading, such as increased exposure for the Funds, exposure to liquidity risks and counterparty risks. The Funds may invest in options, which can provide a greater potential for profit or loss than an equivalent investment in the underlying asset and may involve different risks than investing in directly in the underlying asset.
- *Risk of Global Investing.* The Funds may invest their assets in non-U.S. securities and other financial instruments denominated in non-U.S. currencies. Investments in securities of non-U.S. issuers and securities denominated in non-U.S. currencies pose currency exchange risks to the extent not hedged. In addition, foreign securities regulators may exercise less regulatory supervision than those in the U.S., and foreign governments may afford less legal protection to the Funds as an investor. In addition, Fund investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies.
- *Diversification Risk.* The Funds may hold a limited number of positions (both long and

short) at any given time. As a result of the Funds' lack of diversification, a significant loss in any one position may have a material adverse effect on the net asset value of the Funds and the Funds' rate of return. Diversification of Funds' assets among different industries is not a primary goal of the Funds. Therefore, any fluctuation in the overall value of securities in industries such as retailing, media, casino, communications and energy likely will have a material adverse effect on the performance of the Funds.

- *Litigation Risk.* Distressed companies such as those in which the Funds may occasionally invest may be subject to litigation, including bankruptcy litigation, shareholder derivative suits and creditor suits.
- *Hedging.* The Funds intend to engage in a variety of hedging transactions. Hedges can be more difficult to implement than many other types of transactions, and the possibilities for errors may be greater than for other transactions.
- *Short Sales.* Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

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

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

In addition, overall declines in market prices have increased short-selling activity and consequently

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

- *Leverage; Interest Rates; Margin.* We may borrow funds from brokerage firms and banks on behalf of the Funds in order to be able to increase the amount of capital available for marketable securities investments. The rates at which the Funds can borrow, in particular, will affect the operating results of the Funds. Even if the Funds make a profit on a trade, the interest expense incurred in carrying the position may exceed the profit generated by the trade. The Funds' use of short-term borrowings or repurchase agreements will result in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds' margin accounts or repurchase obligation decline in value, the Funds could be subject to a "margin call," pursuant to which the Funds must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to pay off their margin debt.
- *Dependence on Occurrence of Events.* The ability to realize a profit on certain of the Funds' investments may be dependent upon the occurrence of certain events, for example, the bankruptcy, sale or successful reorganization of a company. If the event that we are expecting to occur does not occur, the Funds may sustain a significant loss.
- *Institutional Risks; Counterparty Risk.* Institutions will have custody of the assets of the Funds. Certain assets of the Funds will be exposed to the credit risk of the dealers, brokers and exchanges through which we deal, whether we engage in exchange-traded or off-exchange transactions. These firms and/or financial institutions, regardless of how large or well-capitalized, may encounter financial difficulties that impair the operating capabilities or the capital position of the Funds. If any broker-dealer or other financial institution holding the Funds' assets were to become bankrupt or insolvent, it is possible that the Funds would be able to recover only a portion, or in certain circumstances, none of their assets held by such bankrupt or insolvent entity.

Brokers may trade with an exchange as principals on behalf of the Funds, in a "debtor-creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to all of the assets of the Funds (for example, the transactions that the broker has entered into on behalf of the Funds as principal as well as the margin payments that the Funds provide). In the event of such broker's



insolvency, the transactions into which the broker has entered as principal could default, and the Funds' assets could become part of the insolvent broker's estate, to the detriment of the Funds. The Funds' assets may be held in "street name," in which case, a default by the broker could cause the Funds' rights to be limited to that of an unsecured creditor.

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

- *Changes in Investment Strategy.* We have considerable discretion in choosing the securities that may be acquired and have the right to modify the investment strategy, selection criteria or hedging techniques used by the Funds without the consent of their investors. Any of these new investment techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings, which could result in unsuccessful investments and, ultimately, losses to the Funds. In addition, any new investment strategy or hedging technique developed may be more speculative than earlier techniques and may increase the risk of an investment in the Funds.
- *Special Allocation of Increase in Net Asset Value.* Subject to a loss carryforward, we will receive a performance allocation as described in Item 5 – "Fees and Compensation Fees." The amount allocated to us is variable and cannot be determined in advance. Depending upon the Funds' rate of return, the amount allocated to us may be substantial compared to a fee calculated as a percentage of the assets under management, which might be paid to a money manager for managing a comparable amount of money. This provision may provide an incentive to us to approve more speculative trading strategies in an effort to maximize the Funds' rate of return.

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

**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.**

- *Equity Securities.* The Master Fund will invest in equity securities, and expects to hold both long and short positions in such securities. Such investments will be subordinate to the claims of an issuer's creditors and, to the extent such securities are common securities, preferred stockholders. Dividends customarily paid to equity holders can be suspended or cancelled at any time. For the foregoing reasons, investments in equity securities can be highly speculative and carry a substantial risk of loss of principal. The Master Fund may invest in the registered and listed securities of U.S. companies, in unregistered securities that are privately offered, and in securities and other instruments of foreign corporations and foreign countries.
- *"New Issue" Trading.* The Master Fund may engage in "new issues" trading. Investing in "new issues" poses unique risks arising out of their transient illiquidity, lack of trading history and concentration of ownership. In the event that the Master Fund elects to trade "new issues," investors and/or shareholders of a Fund that are "restricted persons" or "covered persons" under applicable rules of the Financial Industry Regulatory Authority (FINRA) may not be permitted to participate or participate fully in the returns generated by those trades.
- *Liquidity of Investments.* Each Fund expects to acquire illiquid investments, which are often difficult to dispose of quickly. In addition, investments that were once liquid may become illiquid, making it difficult to acquire or dispose of them at the prices quoted on the various exchanges. In that event, the Master Fund's ability to respond to market movements may be impaired and the Master Fund may experience adverse price movements upon liquidation of its investments. AO expects that, from time to time, illiquid or thinly traded investments may comprise a substantial portion of the Funds' portfolio.
- *Hedging Transactions.* The success of a Fund's hedging strategy will be subject to the Investment Manager's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of a Fund's hedging strategy is also subject to the Investment Manager's ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner.

While a Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for such Fund than if it had not engaged in any such hedging transactions. For a variety of reasons, the Investment Manager may not seek to establish a perfect correlation between such hedging instruments and the risks being hedged. Such imperfect correlation may prevent a Fund from achieving the intended hedge or expose a Fund to risk of loss. In addition, the Investment Manager may not hedge a risk inherent in a Fund's portfolio because a hedge may not be available or is too costly in light

of the likelihood of the possible risk actually occurring or because the risk simply could not be reasonably anticipated.

- *Options.* A Fund may engage in the trading of options. Such trading involves risks substantially similar to those involved in trading margined securities in that options are speculative and highly leveraged. Specific market movements of the securities underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option which the writer must purchase or deliver upon exercise of the option.
- *Derivatives.* A Fund may invest in derivative financial instruments. In addition, a Fund may from time to time utilize both exchange-traded and over-the-counter futures and options for hedging purposes, as well as other derivatives. Regulatory restraints may restrict the instruments that the Fund may trade. Such derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

The trading of over-the-counter derivatives subjects a Fund to a variety of risks including: (i) counterparty risk; (ii) basis risk; (iii) interest rate risk; (iv) settlement risk; (v) legal risk; and (vi) operational risk. Counterparty risk is the risk that one of a Fund's counterparties might default on its obligation to pay or perform generally on its obligations. Basis risk is the risk that the normal relationship between two prices might move in opposite directions. Interest rate risk is the general risk associated with movements in interest rates. Settlement risk is the risk that a settlement in a transfer system does not take place as expected. Legal risk is the risk that a transaction proves unenforceable in law or because it has been inadequately documented. Operational risk is the risk of unexpected losses arising from deficiencies in a firm's management information, support and control systems and procedures. Transactions in over-the-counter derivatives may involve other risks as well, as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk.

- *Short Selling.* The Funds may engage in short selling. Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling

allows a Fund to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed by a Fund at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and a Fund may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

Short selling activities with respect to U.S. securities are subject to other restrictions imposed by U.S. securities laws and the various U.S. securities exchanges that may affect investment activities of a Fund. If short sales are effected on an exchange or an over-the-counter market outside the United States, such transactions will be subject to the applicable local law, which may be more or less restrictive than U.S. law. Moreover, such laws and regulations are subject to change without notice.

- *Small Capitalization Companies.* The Funds may invest a substantial portion of their assets in the stocks of companies with small market capitalizations (any company with an equity market capitalization of \$2.5 billion or less). Such stocks involve higher risks in some respects than do investments in stocks of larger companies. The prices of small capitalization and even medium-capitalization stocks are often more volatile than prices of large capitalization stocks and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to long investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be illiquid. The small market capitalization stocks have, at times, significantly underperformed the large capitalization stocks and may do so in the future. A related concern for short sale risk is that smaller companies tend to be more readily acquired.

## **ITEM 9 DISCIPLINARY INFORMATION**

**If there are legal or disciplinary events that are material to a client’s or prospective client’s evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.**

Like other registered investment advisers, AO is required to disclose all material facts regarding any

legal or disciplinary events that would materially impact an investor's evaluation of AO or the integrity of AO's management. No legal or disciplinary events that would be material to our clients' or our prospective clients' evaluation of our advisory business or the integrity of our management have occurred.

## **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.**

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

**B. 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 adviser, or an associated person of the foregoing entities, disclose this fact.**

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

**C. 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.**

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)
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.**

AO has no arrangements with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships that are material to its advisory services, the Funds or its investors.

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

### **Multiple Clients**

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

### **Broker-Dealers and Other Service Providers**

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

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

Our Code of Ethics requires that we make full disclosure of all material facts concerning any actual

or potential material conflicts of interest, and requires us and our personnel to follow appropriate procedures designed to minimize any such conflict.

**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.**

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

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

**A. 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.**

### **Code of Ethics**

We have adopted a Code of Ethics that is based on principals of openness, honesty, integrity and trust and on the principle that we, and each of our personnel, owe a fiduciary duty to our clients and a duty to comply with federal and state securities laws and all other applicable laws.

AO's Code of Ethics covers standards of business conduct, duties of Firm personnel, personal trading requirements, insider trading and reporting of personal securities transactions, among other things. The Code also includes a prohibition on insider trading and outlines strict policies that dictate how any such information is treated.

Employees of AO who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, suspension or dismissal. Employees are also required to promptly report any violations of the Code of Ethics of which they become aware.

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

**B. 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.**

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

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

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

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

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

### **Conflicts of Interest**



In addition to the conflict of interest arising from trading by AO or its principals or employees for their own accounts as discussed immediately above, and conflicts relating to AO's receipt of performance-based compensation, which are discussed in Item 6 above, Clients or investors in the Funds are subject to additional conflicts of interest. The offering documents for each Fund details a complete description of what we believe to be the most significant conflicts of interest associated with an investment in a Fund. Investors should carefully consider the conflicts of interest described herein, as well as those outlined in the Feeder Funds' offering documents, prior to investing in a Fund.

The Investment Manager, who is responsible for the investment decisions made on behalf of the Funds, may in the future be responsible directly or indirectly for investment decisions made on behalf of other investment vehicles and individual managed accounts. The Investment Manager may take action with respect to the Funds that differs from that taken with respect to other pooled investment vehicles and managed accounts advised by the Investment Manager. To the extent a particular investment is suitable for both a Fund and another Client, such investment will be allocated between the applicable Funds and such other Client pro rata based on assets under management or in some other manner, which the Investment Manager determines is fair and equitable under the circumstances to all Clients, including such Fund(s).

The fact that the General Partner and AO's principals and employees have financial ownership interests in the Funds creates a potential conflict in that it could cause AO to make different investment decisions than if such parties did not have such financial ownership interests. AO may have an incentive to favor accounts in which such persons have an interest with respect to trading opportunities, trade allocation, and allocation of investment opportunities.

AO has adopted rules intended to detect and prevent conflicts of interest that arise when AO's related persons own, buy, or sell securities. AO's Code of Ethics requires AO employees to place the interests of Clients first, and on an annual basis, each AO employee must certify that he or she has read and understands the Code and has complied with its provisions. Each principal and employee of AO is required to adhere to AO's personal trading rules. These rules require, except with respect to certain exempted transactions, that AO's principals and employees obtain prior written consent from AO's Chief Compliance Officer or his designee before effecting any securities transaction for their own accounts. Principals and employees must furnish to AO's Chief Compliance Officer or his designee duplicate copies of their brokerage statements or a quarterly holdings report.

AO may from time to time recommend that certain of its clients invest a portion of their investable assets in other clients, typically in connection with a master feeder fund structure. Such arrangements are described in the offering memoranda or other governing documents of the Feeder Funds. AO and its related persons also recommend interests in advisory clients to prospective investors.

- C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) 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.**

### **Personal Trading**

We believe restricting our personnel's personal trading is one way of avoiding conflicts of interest between our clients and such personnel. Our personal trading policies are part of our Code of Ethics. Generally, the Code of Ethics requires that, prior to effecting any personal securities transactions, all personnel and their immediate family members, must receive written approval from the Chief Compliance Officer.

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

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

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

- 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.**

Please refer to Items 11.A, 11.B and 11.C.

## **ITEM 12 BROKERAGE PRACTICES**

**A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).**

**1. Research and Other Soft Dollar Benefits.** If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.

- a. Explain that when you use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.**
- b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your clients’ interest in receiving most favorable execution.**
- c. If you may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.**
- d. Disclose whether you use soft dollar benefits to service all of your clients’ accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.**
- e. Describe the types of products and services you or any of your related persons acquired with client brokerage commissions (or markups or markdowns) within your last fiscal year.**
- f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.**

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

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

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

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

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

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

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

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

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

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

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

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

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

**2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.**

- a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving client referrals, rather than on your clients' interest in receiving most favorable execution.**
- b. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for client referrals.**

AO recognizes that it may have an incentive to favor broker-dealers that provide capital introduction services to AO or refer investors. AO receives asset-based fees and accordingly would receive a financial benefit from the increase in assets under management that result from capital introduction services and investor referrals. Similarly, AO receives a performance-based fee and accordingly could receive a larger performance-based fee in any given profit period as a result of an increase in assets under management that results from capital introduction services and investor referrals. The potential for higher fees presents a potential conflict in that AO has an incentive to favor broker-dealers that provide services that have a direct impact on fees even if those broker-dealers rate unfavorably in other categories.

AO addresses this potential conflict by periodically reviewing its broker-dealer arrangements and evaluating each broker-dealer's performance in a variety of categories, including but not limited to the broker or dealer's execution capabilities, reputation and access to the markets for the securities being traded. Other considerations include, among other things, the amount of transaction costs, the quality of execution, the expertise in particular markets, the experience and financial stability of the firm, the availability of stock loans, the breadth of investment products made available, the quality of service, the familiarity both with investment practices generally and the techniques employed by AO, the research and analytic services and clearing and settlement capabilities, the capability to facilitate transfers and payments to and from accounts, and the availability of other products and services, subject at all times to principles of best execution. Such reviews are expected to enable AO to determine when broker-dealers that outperform in capital introduction and investor referrals also underperform in other areas. In such situations, AO may provide heightened scrutiny to its relationship with such a broker-dealer.

JP Morgan and Morgan Stanley have been appointed as the prime brokers and custodians for AO Clients and these prime brokers and custodians clear the Master Fund and Managed Accounts' securities transactions that are effected through other brokerage firms.

**3. Directed Brokerage.**

- a. If you routinely recommend, request or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of client transactions, and that this practice may cost clients more money.
- b. If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

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

**B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.**

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

## **ITEM 13 REVIEW OF ACCOUNTS**

**A. 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.**

Michael Neiberg, our Chief Compliance Officer, conducts periodic reviews of the portfolios to

determine if they are consistent with applicable investment objectives and restrictions. We also consider whether the portfolio should change investments based on various factors, including but not limited to, changes in company fundamentals, advisers, key industry personnel, analysts, news and press releases, general market conditions and assessment of the financial consequences of world events derived from general information or such other material as is appropriate under the particular circumstances. Mr. Neiberg also reviews records of Client accounts to ensure that AO is trading in conformity with all applicable guidelines.

In addition, the Mr. Neiberg reviews records of trades placed for the Funds and Managed Accounts on a regular basis. The portfolio accounts are also reviewed on a regular basis by a third party administrator to price the portfolio based on independent third party pricing sources or methodologies approved by AO. The third party administrator also ensures that our records are in agreement with those of its custodian. JPMorgan Hedge Fund Services serves as the third party administrator for the Funds.

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

Please see Item 13.A.

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

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

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

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

**A. 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.**



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

**B. 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.**

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

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

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

## **ITEM 15 CUSTODY**

**If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.**

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

We are required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which we have custody with a “qualified

custodian.” Qualified custodians include banks, brokers, futures commission merchants and certain foreign financial institutions.

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

AO or the General Partner is deemed, under federal securities laws, to have custody over its clients' funds by virtue of their status of investment manager and general partner and having the ability to deduct fees from the Funds' accounts. The Funds are audited annually by Ernst & Young. We deliver to the Funds and their limited partners/shareholders a copy of the annual audited financial statements within 120 days of the fiscal year end. Investors in the Funds should carefully review such financial statements.

We do not take physical possession of Client money or securities; called capital is directly sent or wired into AO's custodial accounts that are listed in its Form ADV Part 1. The Firm receives monthly statements from all of its custodians.

We do not have custody of Managed Account client assets.

## **ITEM 16 INVESTMENT DISCRETION**

**If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

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

When selecting securities and assessing potential investments, we observe the investment policies, limitations and restrictions of the clients we advise, as stated in the applicable investment advisory agreement or other applicable agreements or offering documents. Our clients may

place limitations on our investment authority, including, without limitation, designating types of permitted investments, prohibiting certain types of investments or imposing certain limitations with respect to the value of certain trades placed on their behalf.

## **ITEM 17 VOTING CLIENT SECURITIES**

**A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.**

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

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

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

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

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

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

We will keep required records regarding its proxy voting activities.

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

**B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.**

Not Applicable.

## **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.**
1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.
  2. Show parenthetically the market or fair value of securities included at cost.
  3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation S-X.

We are not required to attach a balance sheet because we do not require or solicit the payment

of fees 6 months or more in advance.

- B. 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.**

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

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