

Part 2A of Form ADV: Firm Brochure

## **CNH Partners, LLC**

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**March 30, 2016**

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**This Brochure provides information about the qualifications and business practices of CNH Partners, LLC (“CNH” or the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this Brochure, please contact us at 203-742-3600 or [info@agr.com](mailto:info@agr.com). The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.**

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

**Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

**PURSUANT TO AN EXEMPTION FROM THE COMMODITY FUTURES TRADING COMMISSION (“CFTC”) IN CONNECTION WITH ACCOUNTS OF QUALIFIED ELIGIBLE PERSONS, THIS BROCHURE OR ACCOUNT DOCUMENT IS NOT REQUIRED TO BE, AND HAS NOT BEEN, FILED WITH THE CFTC. THE CFTC DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A TRADING PROGRAM OR UPON THE ADEQUACY OR ACCURACY OF COMMODITY TRADING ADVISOR DISCLOSURE. CONSEQUENTLY, THE CFTC HAS NOT REVIEWED OR APPROVED THIS TRADING PROGRAM OR THIS BROCHURE OR ACCOUNT DOCUMENT.**

## **Item 2 – Material Changes**

Below is the list of material changes the Adviser has made to this Brochure since its last annual update on March 31, 2015. Because this section of the Brochure addresses only those material changes that have been incorporated since its last annual update, and because other amendments were made to this Brochure that are not discussed in this summary, please read the Brochure in its entirety.

- The Adviser has updated the amount of assets under management provided in Item 4;
- CNH has included clarifying language in Item 5 related to the timing and process of management and/or performance fee remittance, and in Item 6 regarding the process of implementing changes to, or modifications in, the investment strategies it employs on behalf of Clients;
- The Adviser also added in Item 8 risk factors describing cybersecurity and ERISA considerations, as well as distressed investment risk and risks relating to the use of quantitative and statistical methods of analysis;
- The Adviser has updated Item 10 to reflect the fact that RAIM CORP has assigned its interests in CNH Partners, LLC to CNH Capital Management, LLC;
- CNH also revised Item 11 to conform to its Business Conduct Manual, which also contains the firm's Code of Ethics;
- CNH added to Item 14 language detailing its relationships with consultants;
- Throughout this Brochure the Adviser has updated the manner in which information is presented (particularly in Item 5 and Item 8), though the Adviser does not believe that there have been material changes to the underlying facts or policies that are being described or summarized.

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## **Item 4 – Advisory Business**

Founded in 2001, CNH is an investment adviser with its principal place of business in Greenwich, CT. The Adviser commenced operations as an investment adviser in May 2001 and has been registered with the SEC since November 5, 2001. CNH is a joint venture between CNH Capital Management, LLC (“CNH CM”) and AQR Capital Management, LLC (“AQR”), a Delaware limited liability company and registered investment adviser (SEC Number 801-55543). CNH CM is co-owned by Mark Mitchell, Ph.D. and Todd Pulvino, Ph.D. Clifford S. Asness is the principal owner of AQR through intermediate entities.

CNH provides discretionary investment management services, specializing in global merger arbitrage, global convertible arbitrage and other event driven strategies. CNH recommends Client trades which include, but are not limited to, individual securities (including global convertible debt and preferred securities), credit default swaps, spot and forward currency contracts, futures, options and other derivative securities. CNH’s investment strategies are provided through separately managed accounts (“Managed Accounts”); collective investment vehicles, private investment partnerships, and foreign investment companies (collectively, “Sponsored Funds”); and sub-advisory relationships to certain commingled investment funds (included in the term “Sponsored Funds”), Managed Accounts, and registered investment companies (“RICs”) sponsored by AQR or AQR’s affiliates (Managed Accounts, Sponsored Funds, and RICs, collectively, “Clients”).

CNH provides advice to Clients based on specific investment objectives and strategies. Under certain circumstances, CNH may agree to tailor advisory services to the individual needs of a Client. For example, institutional investors may impose restrictions on their Managed Accounts, such as prohibiting certain securities or certain types of securities, or controlling sector and industry concentrations in their portfolios.

As of December 31, 2015, CNH had approximately \$5,222,700,000 Client net assets under management, all of which were managed on a discretionary basis.

## Item 5 – Fees and Compensation

The Adviser's compensation depends on the manner through which CNH provides its advisory services. As adviser or sub-adviser to its Clients, CNH is compensated by various combinations of fixed, asset-based fees and performance-based fees. As more fully described below, CNH may bill Clients in advance or in arrears, according to the terms of the pertinent investment management agreement. Under certain circumstances, the fees are negotiable.

CNH provides sub-advisory services to certain registered investment companies – commonly known as mutual funds – sponsored by AQR and unaffiliated third parties. CNH serves as the sub-adviser to certain series (the AQR Diversified Arbitrage Fund and the AQR Multi-Strategy Alternative Fund) of the AQR Funds, an open-end registered investment company organized as a Delaware statutory trust. Information concerning the AQR Diversified Arbitrage Fund and the AQR Multi-Strategy Alternative Fund, including a description of the services provided by the advisers and sub-advisers and the fees charged for those services, is contained in the pertinent AQR Funds prospectus. A copy of the prospectus may be downloaded from <https://funds.aqr.com>.

CNH also provides sub-advisory services to certain European collective investment schemes pursuant to the Undertakings for Collective Investment in Transferable Securities – commonly known as UCITS funds – sponsored by unaffiliated third parties. In particular, CNH serves as the sub-manager to the AQR Global Relative Value UCITS Fund.

The basic fee schedule for Sponsored Funds includes an annual fixed fee ranging from 0.20% to 0.50% of assets under management (including, but not limited to, cash balances, and cash invested in money market funds, closed end funds, and ETFs), typically payable either monthly or quarterly in advance. The fee schedule may also include a performance fee of up to 20%. A performance fee (or performance allocation, as the case may be) is a fee representing an asset manager's compensation for managing an account which is based upon a percentage of the net profits of the account being managed. When calculating net profits, performance fees may be based on absolute or benchmark relative returns and may be subject to high water marks. However, depending on the characteristics of the Sponsored Fund, fees may be higher or lower than the stated range. Investors in certain Sponsored Funds may be subject to initial "lock-up" periods with respect to withdrawals/redemptions and may incur withdrawal/redemption fees, in accordance with the provisions of the applicable fund documentation. CNH and its affiliates reserve the right to enter into written agreements with investors in Sponsored Funds to waive or modify the standard terms of such Sponsored Fund. Certain investors in the Sponsored Funds are not charged any management or performance fees, are charged in arrears rather than in advance, or may have a differing fee structure because of their affiliation or relationship with CNH or its affiliates or their investment approach.

Consequently, fees charged to individual investors in Sponsored Funds may deviate from the standard fees disclosed in a Sponsored Fund's offering documents.

Certain fee arrangements provide for the payment of monthly or quarterly advisory fees in advance. Accordingly, if termination of an advisory contract by the Client occurs during a month or quarter in which a fee is charged in advance, such circumstances will result in the refund of a *pro rata* portion of the fee to the investor or Client for the remaining portion of the monthly or quarterly period, as the case may be.

For its Sponsored Funds, CNH has the absolute discretion to agree with investors in the Sponsored Funds ("Subscribers"), particularly with respect to those Subscribers who may be large or strategic investors, to waive or modify the application of any provision of a Sponsored Fund agreement (including, but not limited to, those relating to liquidity, investment capacity, fees, and transparency) with respect to a Subscriber, in accordance with its duties under the Investment Advisers Act of 1940 ("Advisers Act") and through written agreements ("Side Letters"). In some instances, Side Letters may grant such Subscribers materially favorable terms relating to, among other things, liquidity, investment capacity, fees, and compensation transparency. In addition, CNH also reserves the right to waive or rebate all or a portion of its management fees and/or the performance fee allocation with respect to a Subscriber. Prospective investors should consider these possible conflicts of interest in making their decision to invest in a Sponsored Fund, as Side Letters may result in, but are not limited to, favoring certain investors over others and may affect an investor's expectations as to a Subscriber's future return and risk.

Generally, advisory fees for Managed Accounts are based upon a percentage of assets under management and may vary depending upon the nature of the portfolio to be managed (e.g., international equity, multi-strategy). Fees are based upon the fee methodology agreed to with each Managed Account. Managed Account advisory management fees generally range from 0.1% to 0.85% of assets under management (including, but not limited to, cash balances, and cash invested in money market funds, closed end funds, and ETFs), payable at the end of either the month or the quarter. In addition, CNH and the Managed Account may agree upon a performance fee generally ranging from 0% to 15% of all net profits. When calculating net profits, performance fees may be based on absolute or benchmark relative returns and may be subject to high water marks. Depending on the characteristics of the account, fees are generally negotiable and may be higher or lower than the stated range.

Advisory fees are negotiable for some Clients or investors in certain circumstances, and CNH may enter into individual agreements with particular Clients or investors with respect to the timing of accruing any management fee. CNH may deduct the management and/or performance fee from a Sponsored Fund by instructing the Sponsored Fund's administrator and/or custodian. Managed Accounts may be invoiced for advisory fees or they may self-remit payment for those fees.

CNH's fees are exclusive of brokerage commissions, transaction fees, service provider fees, and other related costs and expenses which will be incurred by Clients. Execution of Client transactions typically requires payment of brokerage commissions by Clients. Please see Item 12 – Brokerage Practices below for a description of the factors that CNH considers in selecting counterparties for the execution of transactions and determining the reasonableness of their compensation. Investment activity may also involve other transaction fees payable by Clients, such as sales charges, odd-lot differentials, transfer taxes, financial transaction taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, Clients may incur certain charges imposed by custodians, prime brokers, counterparties, third-party investment consultants, attorneys and other third parties, such as custodial fees, consulting fees, administrative fees, auditing fees, insurance fees, and transfer agency fees. Clients may also pay certain fees and/or expenses relating to governmental, regulatory, licensing, filing, or registration filings and their preparation, incurred in compliance with the applicable rules of any self-regulatory organization or any foreign, U.S. federal, state or local laws; to the extent permitted by applicable law, and subject to applicable client documentation, legal fees and costs arising in connection with litigation or a regulatory investigation; and extraordinary expenses or costs that the Client may incur. Please see Item 12 – Brokerage Practices below for more information on brokerage practices.

At times, CNH may invest Clients' assets in pooled investment vehicles sponsored by CNH or affiliated investment managers. CNH will waive or rebate to a Client its portion of any fees CNH or an affiliated investment manager would earn from the management of a Client's assets in such an investment vehicle. CNH may also invest a Client's assets in other funds managed by CNH or its affiliates on a fee-free basis to facilitate a fund's investment in certain trading strategies pursued by CNH. Please see Item 10 – Other Financial Industry Activities and Affiliations for more information on fees related to investments in affiliated funds.

In addition, CNH may agree to provide certain Subscribers enhanced disclosure with respect to specific security positions, risk information and/or portfolio characteristics of Sponsored Funds. Accordingly, not all Subscribers will have the same degree of access to the type and/or frequency of individual position listings in connection with Sponsored Funds in which they invest and transparency of portfolio characteristics may differ based on Side Letters with Subscribers.

## **Item 6 – Performance Fees and Side-by-Side Management**

### **Performance-Based Fees**

A performance fee (or performance allocation, as the case may be) is a fee paid to CNH based upon a percentage of the net profits of the account or fund over a particular time period. When calculating net profits, performance fees may be based on absolute or benchmark relative returns and may be subject to high water marks. For some Clients managed in accordance with certain investment strategies, a performance fee represents all or a portion of CNH's standard fee arrangement, and CNH reserves the right to negotiate the rate of that performance fee with individual Clients. For other Clients managed in accordance with certain investment strategies, CNH is compensated solely through a fixed asset-based fee (*i.e.*, fees based simply on the amount of assets under management in an account).

With respect to CNH's management of assets, performance fees may give rise to certain conflicts of interest. Specifically, our entitlement to a performance fee in managing one or more accounts may create an incentive for us to take risks in managing assets that we would not otherwise take in the absence of such arrangements. Additionally, since performance fees reward us for performance in accounts which are subject to such fees, we may have an incentive to favor these accounts over those that have only fixed asset-based fees with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities.

### **Side-by-Side Management**

CNH's investment professionals may simultaneously manage multiple types of investment vehicles, including RICs, the AQR Funds, Sponsored Funds, and Managed Accounts, according to the same or a similar investment strategy (*i.e.*, side-by-side management). The simultaneous management of these different investment vehicles gives rise to the types of conflicts described above, as the fees for the management of certain types of investment vehicles are higher than for others. Nevertheless, when managing the assets of such accounts, CNH has an affirmative duty to treat all such Clients fairly and equitably over time.

Side-by-side management of various types of portfolios raises the possibility of favorable or preferential treatment of a portfolio or a group of portfolios arising from differences in fee arrangements. As a registered investment adviser and a fiduciary, CNH exercises due care to ensure that investment opportunities are allocated equitably among all Clients, regardless of their corresponding fee structure. CNH has procedures designed and implemented in furtherance of its efforts to treat all Clients fairly and equitably over time. By utilizing these procedures, CNH believes that Clients that are subject to side-by-side management alongside other portfolios are receiving fair and equitable treatment over



time. Please see Item 12 – Brokerage Practices below for a more detailed discussion of CNH’s trade allocation and aggregation policy and procedures.

Although CNH has a duty to treat all Clients fairly and equitably over time, such portfolios will not necessarily be managed the same at all times. Specifically, there is no requirement that CNH use the same investment practices consistently across all portfolios. In general, investment decisions for each Client will be made independently from those of other Clients, and will be made with specific reference to the individual needs and objectives of each Client. In fact, different account guidelines and/or differences within particular investment strategies may lead to the use of different investment practices for portfolios within a similar investment strategy. CNH will not necessarily purchase or sell the same securities at the same time, in the same direction, or in the same proportionate amounts for all eligible portfolios, particularly if different portfolios have different amounts of investable cash available, different strategies, or different risk tolerances. In addition, some portfolios may purchase long positions in certain securities while other portfolios simultaneously sell short those same securities. As a result, although CNH manages numerous portfolios with similar or identical investment objectives, or may manage accounts with different objectives that trade in the same securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, may differ from portfolio to portfolio and, accordingly, Client to Client. Changes to, or modifications in, the investment strategies employed by the Adviser may be implemented incrementally, rather than simultaneously, across Clients pursuing similar or identical investment objectives.

## **Item 7 – Types of Clients**

CNH provides investment management services to institutional investors, including, but not limited to, banks or thrift institutions; pension and profit sharing plans; trusts, estates, and charitable organizations; individuals; and corporations and other business entities, through separately managed accounts and collective investment vehicles, including, but not limited to, registered investment companies, private investment partnerships, collective investment trusts, and UCITS funds.

CNH's investment minimums vary according to product and strategy. Generally, CNH's Managed Account minimums range from \$50 million to \$100 million depending on the strategy. The minimum investment required to invest in a Sponsored Fund is described in each Sponsored Fund's offering memorandum.

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

### **Methods of Analysis and Investment Strategies**

CNH is a discretionary asset management firm specializing in arbitrage investments. CNH's core investment strategies include convertible arbitrage and merger arbitrage; however, we manage other arbitrage strategies that include when-issued arbitrage, stub-trading arbitrage, dual-class arbitrage, and price-pressure arbitrage. CNH also manages a limited number of alternative investment strategies, including special purpose acquisition companies ("SPACs"), closed-end fund arbitrage, distressed securities, and private investment in public equity ("PIPEs"). Each of these strategies is summarized below.

Arbitrage investment analysis involves the use of an optimizer – or set of algorithms – designed to analyze various risk and return characteristics of an investment. Such characteristics include, but are not limited to, the probability that an investment will decline in value, and the extent of such decline, taking into account the total range of factors effecting market price; and the expected return of an investment, based upon similar investments in our proprietary databases. After an investment has been run through the optimizer, it is evaluated by the portfolio managers and, if approved, included in a portfolio.

CNH also employs fundamental securities analysis to implement its arbitrage strategies and other alternative investment strategies. Fundamental analysis is a method of evaluating an investment in which the adviser attempts to determine the intrinsic value of the investment by examining certain economic, financial, and other qualitative and quantitative factors, including both macroeconomic factors, such as the overall economy and industry conditions, as well as company-specific factors, such as management.

CNH manages the following investment strategies:

*Convertible Arbitrage:* CNH pursues a convertible arbitrage strategy by investing in convertible securities trading at discounts to their fundamental values. A convertible security is a debenture or a preferred security that the holder may exchange into the common stock of a company at a pre-specified rate of conversion under certain circumstances. The Adviser may attempt to mitigate the various risks associated with investing in convertible securities through the implementation of appropriate hedges.

*Closed-End Funds:* Closed-end fund arbitrage is the practice of buying (selling) closed-end funds which trade at abnormally wide discounts (or premiums) relative to the underlying net asset values and unwinding the position when the discount (or premium) converges to expected levels.

*Distressed Investments:* Distressed investments are made in securities, equities, convertibles and straight debt of firms which are in or near financial distress and which trade at substantial discounts to fundamental values.

*Diversified Opportunities:* CNH pursues a diversified opportunities strategy by purchasing securities whose prices are trading at discounts to their fundamental values due to an excess supply of sellers and a limited supply of capital providers. These opportunities arise around security issues, cash and stock distributions, mergers, and other corporate events. For example, shareholders that receive equity securities in a spun-off subsidiary may sell the newly trading subsidiary shares shortly after the spin-off. If this concentrated selling exceeds available liquidity, subsidiary shares can trade at a discount to the fundamental value of the subsidiary's cash flows due to an imbalance of supply and demand (i.e., shareholders interested in selling their shares exceed available capital). CNH may implement the investment program with, but is not limited to, PIPEs (described below), global corporate securities, total return equity swaps, credit default swaps, high-yield debt portfolios, high-yield debt portfolio indices, interest rate futures, stock index futures, currency forwards, exchange traded funds, mutual funds, options, financial and commodity futures and options, and over-the-counter ("OTC") swaps on all of the above.

*Dual-Class Arbitrage:* CNH pursues a dual-class arbitrage strategy by taking advantage of inefficiencies in the prices at which different classes of a publicly traded company's stock are trading.

*Merger Arbitrage:* CNH pursues a merger arbitrage strategy by investing in shares of a "target" company in a proposed merger, takeover or other reorganization between two companies. If the transaction is for the stock of the acquirer, CNH may seek to hedge the exposure to the acquirer by shorting the stock of the acquiring company in an amount determined with reference to the exchange ratio specified in the agreement between the acquirer and the target company.

*PIPEs:* PIPEs involve the direct purchase of a security from a publicly-traded firm in a private placement. The securities include equities, convertibles, debentures, and warrants and are generally restricted for a set period before they can be resold in the secondary markets.

*Price Pressure Arbitrage:* CNH pursues a "price pressure" strategy by seeking to take advantage of situations in which concentrated buying or selling of securities by a particular group of investors overwhelms the regular trading for the security and affects the price at which the security trades.

*SPACs:* SPACs, often called "blank check" companies, are publicly traded companies whose primary asset is a trust invested in short-term high-grade securities. The fund seeks to capture a liquidity premium when these securities, which are typically lightly traded, are selling at a discount.

Stub-Trading Arbitrage: CNH pursues a stub-trading arbitrage strategy that takes advantage of inefficiencies in the prices at which a stock of a publicly traded parent corporation and its publicly traded subsidiary are trading.

When-Issued Arbitrage: CNH pursues this strategy by taking advantage of inefficiencies in the prices at which a parent's and a subsidiary's stock is trading on a "when-issued" basis immediately prior to the spin-off of the subsidiary.

CNH implements its strategies primarily through the use of the following investment techniques and investment tools.

Hedging: Certain of CNH's strategies utilize a variety of financial instruments, including options, interest rate swaps, and futures and forward contracts for risk management purposes.

Leverage: Certain of CNH's strategies utilize varying amounts of leverage, which may involve the borrowing of funds from brokerage firms, banks, and other institutions in order to be able to increase the amount of capital available for securities investments. Leverage may also be embedded in financial instruments, including futures and short sales, as well as OTC derivatives like options, swaps, and forwards, which enable investors to gain exposure to assets whose value exceeds the amount of capital necessary to obtain such exposure.

Options Trading: Options are investments whose ultimate value is determined from the value of the underlying investment. CNH may direct Clients to purchase or sell exchange-traded or privately negotiated call and put options, either on a single asset or a basket of assets. CNH may also direct Clients to purchase or sell options on futures contracts and options on forward contracts

Repurchase Agreements: Certain of CNH's strategies require the Adviser to utilize repurchase transactions. In a repurchase transaction, a Client acquires a security from an approved counterparty and simultaneously agrees to resell it to the approved counterparty, at a price exceeding the purchase price by an amount that reflects an agreed-upon interest rate effective for the period during which the repurchase agreement is in effect.

Reverse Repurchase Agreements: Certain of CNH's strategies require the Adviser to utilize reverse repurchase transactions. In a reverse repurchase transaction, a Client sells a security to an approved counterparty and simultaneously agrees to repurchase it from the counterparty, at a price less than the sale price by an amount that reflects an agreed-upon interest rate effective for the period during which the reverse repurchase agreement is in effect.

Securities Lending: Some of CNH's Clients may lend their portfolio securities to certain types of eligible borrowers in an attempt to increase their income or total return. Each loan will be secured continuously by collateral in the form of cash, high quality money market instruments, or securities issues by the U.S. government or its agencies or instrumentalities. Securities lending may be conducted by a securities

lending agent, who maintains a list of broker-dealers, banks, or other institutions that it has determined to be creditworthy. CNH has the ability to request that a borrower be removed from the securities lending agent's "approved list." A Client will only enter into loan arrangements with borrowers on the approved list.

**Short Selling:** In a short sale transaction, a Client sells a security it does not own in anticipation that the market price of that security will decline. CNH utilizes short sales as a form of hedging to offset potential declines in long positions in similar securities, in order to maintain flexibility, and also to attempt to earn a profit.

***There can be no assurance that the objectives associated with any strategies described above will be met. At any time, CNH may add, remove, or modify any of the strategies it employs, and this includes any of the strategies discussed above. These methods, strategies, and investments involve risk of loss to Clients and Clients must be prepared to bear the loss of their entire investment.***

### **Investment Risks**

Some of the risks associated with CNH's investment strategies, and the securities and other assets utilized to implement those strategies, include, but are not limited to, those listed below.

**Arbitrage Transaction Risks:** If the requisite elements of an arbitrage strategy are not properly analyzed or unexpected events or price movements intervene, losses can occur which can be magnified to the extent CNH is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable "spreads," which can also be identified, reduced, or eliminated by other market participants.

**Borrowing and Embedded Leverage:** Some Clients allow secured and unsecured borrowing to the maximum extent allowable under applicable credit regulations. Like other forms of leverage, the use of borrowing can enhance the risk of capital loss in the event of adverse changes in the level of market prices of the assets being financed with the borrowings. Leverage may also take the form of financial instruments, including OTC derivative instruments which are inherently leveraged, and products with embedded leverage such as futures, options, short sales, swaps, and forwards, in which an investor can lose more money than the initial cost of the investment. The use of leverage allows the Clients to increase their exposure to assets, such that total assets may be greater than capital invested. However, the use of leverage may also magnify the volatility – or the likelihood of short-term changes in value – of any portfolio. The effect of the use of leverage in a portfolio may result in losses to the portfolio that exceed losses to the portfolio if such portfolio did not utilize leverage.

**Cash and Forward Trading:** Cash and forward contracts for the trading of certain commodities, such as foreign currencies, may be entered into with banks and market makers. Although the banks and market makers may be subject to regulatory oversight by the CFTC, the SEC, FINRA, the National Futures Association ("NFA"),

the Federal Reserve Board, the Comptroller of the Currency, foreign regulators, and other Federal and state authorities, these regulatory agencies do not regulate the trading of cash commodities or forward contracts. In addition, such contracts are not traded on exchanges. As a result, there is no limitation on daily price movements of cash or forward contracts, and market makers are not required to make markets in any cash commodities. Also, certain customer protections will not be available to Clients in connection with any such trading. There have been periods during which certain market makers have refused to quote prices for cash commodities or forward contracts or have quoted prices with an unusually wide spread between the price at which the market maker is prepared to buy and the price at which it is prepared to sell. If this should occur, CNH might not be able to utilize effectively its cash and forward trading programs. This could result in significant losses to a Client.

*Commodities:* Commodity investments are affected by business, financial market or legal uncertainties. There can be no assurance that CNH will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on its commodity investments. Prices of commodity investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of a Client's portfolio and the value of its investments. In addition, the value of the Client's portfolio may fluctuate as the general level of interest rates fluctuates.

*Commodity Futures and Options:* Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a pooled investment vehicle engaging in commodity futures trading. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to such a pooled investment vehicle. Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted, and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

*Counterparty Risk:* Counterparty risk is the risk to each party of a contract that the counterparty will not live up to its contractual obligations. Clients could potentially incur a significant loss as a result of counterparty credit exposure should the counterparty fail to fulfill its obligations.

*Currency Risk:* Currency risk is the risk that changes in currency exchange rates will negatively affect securities denominated in, and/or receiving revenues in, foreign currencies. The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments and central banks. Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or

reverse any potential gains from investments in securities denominated in a foreign currency or may widen existing losses.

*Cybersecurity Risk:* With the increased use of technologies such as the Internet to conduct business, the Adviser and its Clients are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through “hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the Adviser, sub-adviser(s) and other service providers (including, but not limited to, accountants, custodians, transfer agents and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, impediments to trading, the inability of Clients and/or investors to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which a Client invests, counterparties with which a Client engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and other service providers for Clients) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While a Client’s service providers may have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Adviser cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect a Client. As a result, Clients could be negatively impacted.

*Distressed Investments Risk:* The Adviser may utilize investments in distressed investments, which are issued by companies that are, or might be, involved in reorganizations or financial restructurings, either out of court or in bankruptcy. A Client’s investments in distressed securities typically may involve the purchase of high-yield bonds, bank debt, corporate loans or other indebtedness of such companies. These investments may present a substantial risk of default or may be in default at the time of investment. The Client may incur additional expenses to the extent it is required to seek recovery upon a default in the payment of principal or interest on its portfolio holdings. In any reorganization or liquidation proceeding relating to an investment, the Client may lose its entire investment or may be required to accept cash or securities with a value less than its original investment. Among the risks inherent in investments in a troubled issuer is that it frequently may be difficult to obtain information as to the true financial condition of the issuer. The Adviser’s



judgments about the credit quality of a financially distressed issuer and the relative value of its securities may prove to be wrong.

*Emerging Markets Investments:* Investing in the securities or other instruments of issuers located in non-U.S. countries may involve certain risks not typically associated with investing in established economies or securities markets. Such risks may include (i) the risk of nationalization or expropriation of assets and confiscatory or other taxation; (ii) social, economic and political instability, including war; (iii) dependence on exports; (iv) less liquidity of securities markets; (v) significant currency exchange rate devaluations, fluctuations, and declines against the U.S. dollar; (vi) potentially higher rates of inflation (including hyper-inflation) and rapid fluctuations in inflation; (vii) controls on foreign investment and limitations on repatriation of invested capital and the Client's ability to exchange local currencies for U.S. dollars; (viii) a higher degree of governmental involvement in and control over the economies; (ix) government decisions to discontinue support for economic reform programs and imposition of centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about economies and issuers; (xi) less extensive regulatory oversight of securities markets; (xii) longer settlement periods for securities transactions; (xiii) less stringent laws regarding the protection of investors; (xiv) certain consequences regarding the maintenance of a Client's portfolio securities and cash with sub-custodians and securities depositories in such countries; (xv) difficulty in enforcing contractual obligations; (xvi) inexperience of financial intermediaries, lack of modern technology, and the lack of a sufficient capital base to expand business operations; and (xvii) less available information than is generally the case in the United States. All of the foregoing factors lead to greater market volatility.

*Equity Securities:* Equity securities fluctuate in value in response to many factors, including the activities, results of operations, and financial condition of individual companies; the business market in which individual companies compete; industry market conditions; interest rates; and general economic environments. In addition, events such as domestic and international political instability, terrorism and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by a Client.

*ERISA Considerations:* Certain Client assets may, at various times, be considered "plan assets" for the purposes of Title I of the U.S. Employee Retirement Income Security Act of 1974 ("ERISA") or Section 4975 of the Internal Revenue Code. Accordingly, during such periods, the administration and operation of any such Client would, among other things, become subject to ERISA's fiduciary duty and prohibited transaction rules. In such a case, the investment strategies employed by the Adviser for the Client will be subject to investment limitations and restrictions that would not otherwise be applicable and may materially impact the Client's performance

*Fixed-Income and Debt Securities:* Investment in fixed-income and debt securities, such as bonds, notes, and asset-backed securities, subject a Client to the risk that the value of these securities overall will decline because of rising interest rates.

Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

*Foreign Investments Risk:* Foreign investments often involve special risks not present in U.S. investments that can increase the chances that an investment will lose money. For example, a Client may hold its foreign securities and cash in foreign banks and securities depositories, which may be recently organized or new to the foreign custody business and subject to only limited or no regulatory oversight. Changes in foreign currency exchange rates can affect the value of a portfolio. The economies of certain foreign markets may not compare favorably with the economy of the United States, and the governments of certain countries may prohibit or impose substantial restrictions on foreign investments in their capital markets or in certain industries. Many foreign governments do not supervise and regulate stock exchanges, brokers, and the sale of securities to the same extent as does the United States and may not have laws to protect investors that are comparable to U.S. securities laws. Settlement and clearance procedures in certain foreign markets may result in delays in payment for or delivery of securities not typically associated with settlement and clearance of U.S. investments.

*Futures Contracts Risks:* Futures prices are highly volatile. An extremely high degree of leverage is typical of a futures trading account; as a result, a relatively small price movement in a futures contract price may result in substantial losses to a portfolio. Like other leveraged investments, any purchase or sale of a futures contract may result in losses in excess of the amount invested. Futures exchanges and trading facilities limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day no trades may be executed at prices beyond the daily limit. Futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the prompt liquidation of unfavorable positions and subject a portfolio to substantial losses. The CFTC and certain futures exchanges and trading facilities have established limits referred to as "speculative position limits" on the maximum net long or net short positions that any person may hold or control in particular commodities. All of the futures positions held by all accounts owned or controlled by AQR, CNH, and their principals may be aggregated with positions of each Client portfolio for the purpose of determining compliance with position limits. Trading instructions may have to be modified and positions held by a Client may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could adversely affect the operations and profitability of a portfolio.

General Risks of Derivatives Use: Derivatives trading can be highly speculative. Price movements of derivative contracts are influenced by, among other things, changing supply and demand relationships, governmental agricultural and trade programs and policies, and national and international political and economic events. Foreign currency forward prices are influenced by, among other things, changes in balances of payments and trade, domestic and international rates of inflation, international trade restrictions and currency devaluations and revaluations. In addition, unless a portfolio is hedged against fluctuations in the exchange rate between the U.S. dollar and the currencies in which trading is done on some foreign exchanges, any profits that such a portfolio realizes in trading on such exchanges could be eliminated by adverse changes in the exchange rate, or such a portfolio could incur losses as a result of any such changes. Due to the low margin deposits normally required in derivatives trading, an extremely high degree of leverage is typical of a derivatives trading account. As a result, a relatively small price movement in a derivatives contract price may result in substantial losses to a portfolio. Like other leveraged investments, any purchase or sale of a derivatives contract may result in losses in excess of the amount invested. Accordingly, relatively small derivatives positions have the potential to erode significantly or erase gains in other investments held by a portfolio.

Hedging: There can be no assurances that a particular hedge is appropriate or that certain risk is measured properly. Further, while CNH may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Client portfolios than if CNH did not engage in any such hedging transactions.

Illiquid Instruments: Certain instruments, such as derivatives and other types of unregistered financial instruments, may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price, and the Adviser might only be able to liquidate these positions at highly disadvantageous prices, if at all. The market prices, if any, for such illiquid financial instruments tend to change rather quickly, and the Adviser may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Even those markets which the Adviser expects to be liquid can experience periods, possibly extended periods, of illiquidity. For some investments, the Adviser may be unable to predict with confidence what the exit strategy will ultimately be for any given core position or that one will definitely be available. Exit strategies, which appear to be viable when an investment is initiated, may be precluded by the time the investment is ready to be realized due to economic, legal, political, or other factors.

Interest Rate Risk: Portfolios may be subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. CNH may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures, and/or

interest rate options. However, there can be no guarantee that CNH will be successful in fully mitigating the impact of interest rate changes on the portfolios.

*Investment and Trading Risk Generally:* Investments in securities and other financial instruments and products that are subject to market forces risk the permanent loss of capital as a result of adverse market developments, which can be unpredictable. To the extent that a portfolio is concentrated in any one particular strategy, the risk of any incorrect investment decision is increased. Each strategy exposes the Client's capital to the risk of an extremely rapid and severe decline in value in the event of a sudden change in the level of volatility (e.g., a market crash) that is not anticipated by CNH.

*Liquidity Risk Generally:* Liquidity – or the ability to quickly sell an asset at its fair market value – is important to the Adviser's businesses. Under certain market conditions, such as during volatile markets or when trading in a financial instrument or market is otherwise impaired, the liquidity of the Adviser's portfolio positions may be reduced. In addition, the Adviser may, from time to time, hold large positions in a particular portfolio with respect to a specific type of financial instrument, which may reduce the portfolio's liquidity. During such times, CNH may be unable to dispose of certain financial instruments, including longer-term financial instruments, which would adversely affect its ability to rebalance a portfolio or meet redemption requests. Under these circumstances the Adviser may be forced to dispose of financial instruments at reduced prices, thereby adversely affecting its performance. If there are other market participants seeking to dispose of similar financial instruments at the same time, the Adviser may be unable to sell such financial instruments or prevent losses relating to such financial instruments. Furthermore, if the Adviser incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. Finally, in conjunction with a market downturn, the Adviser's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Adviser's credit risk to those counterparties.

*Off-Balance Sheet Risk:* In the normal course of business, CNH may invest in financial instruments with off-balance sheet risk. These instruments include futures contracts, forward contracts, swaps, and securities and options contracts sold short. An off-balance sheet risk is associated with a financial instrument if such instrument exposes the investor to an accounting and economic loss in excess of the investor's recognized asset carrying value in such financial instrument, if any, or if the ultimate liability associated with the financial instrument has the potential to exceed the amount that the investor recognizes as a liability in the investor's statement of assets and liabilities. Additionally, in the normal course of business, CNH may purchase long positions in option contracts that do not have off-balance sheet risk. The risk that these financial instruments expose the investor to is not in excess of the investor's recognized asset carrying value in the statement of assets and liabilities.

*Options:* There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying

security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (paid to establish the short position) of the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

*Short Sales:* A short sale involves the sale of a security that a portfolio does not own in the expectation of purchasing the same security (or a security exchangeable therefore) at a later date at a lower price. To make delivery to the buyer, the portfolio must borrow the security, and the portfolio is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the portfolio. In some cases, the lender may rescind the loan of securities and cause the borrower to repurchase shares at inflated prices, resulting in a loss. When a portfolio makes a short sale in the United States, it must leave the proceeds thereof with the broker, and it must also deposit with the broker an amount of cash or marketable securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. The extent to which a portfolio will engage in short sales depends upon CNH's investment strategy and perception of market direction. In addition, global regulatory prohibitions on short sales may impair CNH's ability to implement its investment process. Bans may add additional constraints to a strategy, which may increase transaction costs as well as the time required to monitor compliance with the restrictions.

*Use of Swaps and Other Derivatives:* CNH may make use of swaps and other forms of derivative contracts. In general, a derivative contract (including options, as described above) typically involves leverage, *i.e.*, it provides exposure to potential gain or loss from a change in the level of the market price of a security, currency or commodity (or a basket or index) in a notional amount that exceeds the amount of cash or assets required to establish or maintain the derivative contract. Consequently, an adverse change in the relevant price level can result in a loss of capital that is more exaggerated than would have resulted from an investment that did not involve the use of leverage inherent in the derivative contract. Depending on the strategy, many of the derivative contracts used by CNH may be privately negotiated in the OTC market.

These contracts also involve exposure to credit risk, since contract performance depends in part on the financial condition of the counterparty or the counterparty's guarantor. These transactions may also involve significant transaction costs.

The following risks relate to the Adviser's quantitative and statistical methods of analysis.

*Operational Risk:* CNH has developed systems and procedures to manage operational risk. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked or accounted for, or other similar disruption in the Adviser's operations may cause the Adviser to suffer financial loss, the disruption of its business, liability to Clients or third parties, regulatory intervention, or reputational damage. CNH relies heavily on its financial, accounting, and other data processing systems. The ability of its systems to accommodate an increasing volume of transactions could also constrain the Adviser's ability to properly manage a Client's portfolio.

*Trading Judgment:* The success of the proprietary valuation techniques and trading strategies employed by CNH is subject to the judgment and skills of the portfolio managers and research teams. Additionally, the trading abilities of the portfolio management team with regard to execution and discipline are important to a Client's performance. There can be no assurance that the investment decisions or actions of the portfolio managers or the firm's researchers will be correct. Incorrect decisions or poor judgment may result in substantial losses to a Client.

*Trading Decisions Based on Quantitative and Other Analysis:* CNH's portfolio management and trading decisions are based on quantitative models, signals, and other analyses. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisors' trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated. No assurance can be given that the Adviser's strategies will be successful under all or any market conditions.

*Model and Data Risk:* Given the complexity of CNH's investment strategies, the Adviser relies heavily on quantitative models (both proprietary models developed by the Adviser, and those supplied by third parties) and information and data supplied by third parties ("Models and Data"). Models and Data are used to construct sets of transactions and investments, to value investments or potential investments (whether for trading purposes, or for the purpose of determining the net asset value of a Client),

to provide risk management insights, and to assist in hedging the Clients' investments. When Models and Data prove to be incorrect or incomplete, any decisions made in reliance thereon expose Clients to potential risks. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful.

Some of the models used by CNH are predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses on a cash flow and/or a mark-to-market basis. In addition, in unforeseen or certain low-probability scenarios (often involving a market disruption of some kind; for instance, major earthquakes or terrorist attacks), such models may produce unexpected results, which can result in losses to a Client's portfolio. Furthermore, because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the historical data. All models rely on correct market data inputs. If incorrect market data is entered into even a well-founded model, the resulting valuations will be incorrect. However, even if market data is input correctly, "model prices" will often differ substantially from market prices, especially for securities with complex characteristics, such as derivative instruments.

*Obsolescence Risk:* CNH's strategies are unlikely to be successful unless the assumptions underlying the models used to implement those strategies are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that profitable trading signals will not be generated. If and to the extent that the models do not reflect certain factors, and CNH does not successfully address such omission through its testing and evaluation and modify the models accordingly, major losses may result. CNH will continue to test, evaluate, and add new models, as a result of which the existing models may be modified from time to time. There can be no assurance as to the effects (positive or negative) of any modification on a Client's portfolio.

*Crowding/Convergence:* There is significant competition among quantitatively-focused managers. To the extent that CNH's models come to resemble those employed by other managers, the risk that a market disruption that negatively affects predictive models will adversely affect a Client is increased, as such a disruption could accelerate reductions in liquidity or rapid repricing due to simultaneous trading across a number of funds in the marketplace.

*Risk of Programming and Modeling Errors:* CNH's research and modeling process is extremely complex and involves financial, economic, econometric and statistical theories, research and modeling; the results of that process must then be translated into computer code. Although CNH seeks to hire individuals skilled in these functions and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product raises the chances that the finished model may contain an error. One or more of such errors could adversely affect a

Client's portfolio and would generally not constitute a trade error subject to reimbursement under CNH's policies.

*Involuntary Disclosure:* As described above under "Model and Data Risk" and "Crowding/Convergence," CNH's ability to achieve its Client's investment objective is dependent in large part on its ability to develop and protect its models and proprietary research. The proprietary research and the Models and Data are largely protected by CNH through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, extensive position-level public disclosure obligations (or disclosure obligations to Clients, exchanges, or regulators with insufficient privacy safeguards) could lead to opportunities for competitors to reverse-engineer strategies, and thereby impair the relative or absolute performance of a Client's portfolio.

*Proprietary Trading Methods:* Because CNH's trading methods are proprietary, a Client will not be able to determine any details of such methods or whether they are being followed.



## **Item 9 – Disciplinary Information**

This item is inapplicable.

## Item 10 – Other Financial Industry Activities and Affiliations

CFTC Registration Status: CNH is registered with the CFTC as a commodity pool operator and commodity trading adviser and is a member of NFA.

Material Relationships or Arrangements with Industry Participants: CNH is a Delaware limited liability company whose members are AQR and CNH CM.

AQR is an SEC-registered investment adviser, is registered with the CFTC as a CPO and a CTA, and is a member of NFA. AQR specializes in quantitative investment analysis which relies on proprietary models, utilizing a set of valuation, momentum, and other factors, to generate views on securities and applying them in a disciplined and systematic process. AQR sponsors and manages a number of private investment funds, separate institutional accounts and proprietary accounts in which CNH principals may be invested, which may make certain of the same investments as Client accounts managed by CNH. CNH serves as sub-adviser to certain AQR clients. AQR, where appropriate, may invest the assets of certain of its clients in funds managed by CNH. AQR waives its portion of fees on the value of a client's investment in funds managed by CNH, but CNH CM does not waive its portion of fees. CNH utilizes the infrastructure of AQR for non-portfolio management functions.

CNH CM is not a registered investment adviser and does not have investment management agreements or discretionary authority over CNH or AQR Clients.

Mark L. Mitchell, a Principal of CNH CM, is on the Board of Directors of TD Ameritrade Holding Corp., a publicly traded company. Mr. Mitchell's Board membership is independent of AQR and CNH. However, AQR and CNH restrict transactions with TD Ameritrade Holding Corp.

CNH or affiliated entities may from time-to-time serve as the investment adviser for separate offshore master funds ("Master Funds") that are generally formed as limited partnerships or Cayman Islands exempted companies. Each such Master Fund is a "master" fund in a "master-feeder" structure through which qualified investors invest. The general partners of such Master Funds are CNH-affiliated entities. Generally, one or more feeder funds ("Feeder Funds") invest in a Master Fund or in several Master Funds. The Master Funds and each of the Feeder Funds, which are both Sponsored Funds, are organized as separate legal entities.

Information regarding other affiliates of AQR is included in AQR's Form ADV Part 2A brochure, available upon request.

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

*Code of Ethics:* CNH’s officers, principals, and employees (including members of their households) (collectively “Covered Persons”) must abide by CNH’s Code of Ethics (the “Code”). The Code is divided into sections which include: the General Standards, the Personal Trading Policies, and the Policy to Prevent Trading on Material Nonpublic Information.

Covered Persons are permitted to invest in their personal trading accounts, subject to certain restrictions, and may in certain circumstances invest in the same or related securities as CNH or an affiliate invests in for CNH Clients, including in some instances doing so at or about the same time as a Client transaction is effected. CNH has implemented the Personal Securities Transactions and Private Investments section of the Code in order to reduce conflicts of interest that may arise between trading for Clients and the personal trading activities of Covered Persons. Covered Persons must adhere to CNH’s anti-front running requirements. These policies, among other things, also prohibit certain personal transactions, impose restrictions on other personal trades, require Covered Persons to pre-clear certain personal trades, and require Covered Persons to make certain reports regarding their personal trading and private investments.

CNH’s Policy to Prevent the Trading on Material Nonpublic Information prohibits employees from purchasing or selling securities while in possession of material nonpublic information (“MNPI”) and prohibits employees from disclosing MNPI to any person, including, but not limited to, family members.

CNH is firmly committed to making our employees (both current and prospective) aware of the requirements within CNH’s Business Conduct Manual, which also contains the firm’s Code. All CNH’s employees are provided with a copy of the Business Conduct Manual at the time of hire and annually thereafter, and each employee must certify that he or she has received a copy of the Business Conduct Manual and has read and understands its provisions. Additionally, CNH conducts periodic compliance training that addresses the requirements of the Business Conduct Manual and the other policies described in this Item.

Clients or prospective Clients may obtain a copy of the Business Conduct Manual upon request.

*Client Transactions in Securities Where Adviser has a Material Financial Interest:* CNH or its related persons act as a general partner, sponsor, or investment adviser to partnerships, trusts, or other entities for which CNH solicits investments. These practices create a conflict of interest because CNH or a related person has an incentive to recommend its products to Clients based on its own financial interests, rather than solely the interests of a Client.

*Investing in Securities Recommended to Clients:* When CNH determines that it would be appropriate for one or more Sponsored Funds, the AQR Funds series, or other Clients, including its own proprietary accounts, to participate in an investment opportunity, CNH will seek to execute orders for all of the participating accounts, including its own account, on an equitable basis.

Subject to applicable laws and/or Client restrictions, CNH may instruct on the purchase, sale or holding of a certain security or securities for a Client or proprietary account while also instructing other Client or proprietary accounts to enter into a different or opposite investment decision regarding the same security or securities. Hence, CNH may direct the purchase or sell the same securities for more than one advisory Client (or proprietary account) account on the same day (including at the same time) in the same direction, the opposite direction, or a combination of the two directions. There may be potential disadvantages when more than one Client simultaneously seeks to buy or sell commonly held securities and other investment positions. Additionally, certain Clients may take an opposite investment position (*i.e.*, a long position versus a short position) in the same security held by other Clients.

CNH will allocate investment opportunities and trades fairly. “Fair” treatment does not mean identical treatment of all Clients. Rather, it means that CNH does not discriminate on an impermissible basis against one Client or group of Clients. When CNH transacts in securities for more than one account, the investment opportunities and trades must be allocated in a manner consistent with CNH’s fiduciary duties. Please refer to Item 12 – Brokerage Practices for a description of CNH’s trade aggregation and allocation procedures.

*Conflict of Interest Created by Contemporaneous Trading:* Certain qualified employees have invested their own monies in proprietary accounts and Sponsored Funds managed by investment personnel of CNH and/or AQR. From time to time, CNH or a related person may buy or sell securities for Clients at or about the same time that CNH or a related person buys or sells the same securities for its own accounts. These proprietary accounts and Sponsored Funds may hold, purchase, sell or short the same investments in which Clients have interests. In order to minimize the conflicts stemming from situations where this type of contemporaneous trading might result in an economic benefit for CNH or its related persons to the detriment of a Client, CNH has adopted the trade aggregation and allocation policies and procedures discussed in Item 12 – Brokerage Practices below.

*Insider Trading/Material Nonpublic Information:* All CNH employees are subject to CNH’s Policy to Prevent Trading on Material Nonpublic Information, included as part of CNH’s Code. The policy broadly prohibits the use of MNPI, and includes policies and procedures prohibiting the use of MNPI that are designed to prevent insider trading by an officer or employee of the Adviser.

In accordance with these policies, to prevent trading of public securities based on MNPI, CNH maintains a “restricted list” that identifies any securities that cannot be purchased

for employee, Client, or firm-owned accounts because MNPI may have been received by an employee. The issuers named on this restricted list are coded as prohibited in CNH's trading and portfolio compliance system, thus blocking the Adviser from trading in these securities without the consent of the Adviser's Chief Compliance Officer.

## Item 12 – Brokerage Practices

CNH is responsible for the placement of portfolio transactions for Clients and the negotiation of any commissions or spreads paid on such transactions. Securities transactions normally will be purchased through brokers selected by CNH in its sole discretion without the consent of the Clients. Each counterparty is first reviewed by the Adviser's Counterparty Credit Committee, which was established to assess the creditworthiness of these counterparties on an ongoing basis. Only after due diligence is complete will the Counterparty Committee vote to approve a counterparty.

***Brokerage Relationships:*** CNH's relationships with counterparties, particularly those affiliated with large financial services organizations, are complex. CNH uses various counterparties to execute trades on behalf of Clients, but we may also have many other relationships with such firms. For example:

- CNH may invest Client assets in securities issued by counterparties or their affiliates;
- CNH may provide investment management services to certain counterparties or their affiliates;
- Certain counterparties may provide both internally-generated and third-party research to CNH, as part of a bundled service;
- Certain counterparties may refer prospective clients to CNH or may invest themselves in CNH's products.

Notwithstanding such relationships or business dealings with these counterparties, CNH has a fiduciary duty to Clients to seek best execution when trading with these firms and has implemented policies and procedures to monitor its efforts in this regard.

### ***Selection Factors for Counterparties:***

**Best Execution.** Clients often grant CNH or its affiliates the authority to select the counterparty to be used for the purchase or sale of securities and investments. Consequently, CNH has a duty to seek best execution of transactions for Clients. "Best execution" is generally understood to mean the most favorable cost or net proceeds reasonably obtainable under the circumstances. In seeking best execution, CNH takes into account factors including but not limited to the following: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity, and stability of the broker; the firm's risk in positioning a block of securities; the quality, comprehensiveness, and frequency of

available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying CNH's other selection criteria.

Commission Rates: Recognizing the value of these factors, CNH may select counterparties that charge a commission in excess of that which another counterparty might have charged for effecting the same transaction. CNH is not obligated to choose the counterparty offering the lowest available commission rate if, in CNH's reasonable judgment, the total cost or proceeds from the transaction may be less favorable than what may be obtained elsewhere or if a higher commission is justified by the service and/or research provided by another counterparty.

Consequently, CNH is authorized to pay higher prices for the purchase of securities from, or accept lower prices for the sale of securities to, brokerage firms that provide it with investment and research information or to pay higher commissions to such firms if CNH determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial, and economic studies and forecasts; statistics and pricing or appraisal services; discussion with research personnel; and invitations to attend conferences or meetings with management or industry consultants. CNH is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by CNH, and CNH's fee is not reduced as a consequence of the receipt of such supplemental research information. Research services provided by counterparties used by a particular Client may be utilized by CNH or its affiliates in connection with its investment services for other accounts, and, likewise, research services provided by counterparties used for transactions of other accounts may be utilized by CNH in performing its services for the Client. Since commission rates in the United States are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

CNH may also engage in agency transactions in OTC equity and debt securities. In these situations, the Client may pay an agency commission in addition to the mark-up or markdown assessed by the market maker.

Review of Counterparty Execution: CNH has implemented internal controls and procedures to address the conflicts of interest associated with its brokerage practices. To determine that it is receiving best execution for its transactions over time, CNH will obtain information as to the general level of commission rates being charged by the brokerage community, from time to time, and will periodically evaluate the overall reasonableness of brokerage commissions paid on Client transactions by reference to such data. To the extent CNH has been paying higher commission rates for its transactions, CNH will determine if the quality of execution and the services provided by the counterparty justify these higher commissions.

The Best Execution Committee monitors best execution. The Best Execution Committee reviews commission rates by broker, country, and investment type and per Client as part of its overall responsibility. When employing direct market access trading methods, counterparty effectiveness is based primarily on cost, connectivity, and operational performance. Moreover, the Counterparty Committee reviews credit quality and operational viability of the Adviser's clearing and execution counterparties.

*Directed Brokerage:* CNH generally does not recommend, request, or require that Clients direct CNH to execute transactions through a specified counterparty. However, from time to time a Client may direct CNH to use a particular counterparty for all or a percentage of trades (a "directed brokerage arrangement"). The Client should consider the costs and disadvantages that may occur if a directed brokerage arrangement is employed, such as higher commissions, less than favorable execution, and/or exclusion from trade opportunities. It is CNH's practice not to negotiate commission rates with directed counterparties unless expressly requested by the Client.

Clients with directed brokerage arrangements thus should consider the following: they may pay higher commissions on some transactions than might be attained by CNH or receive less favorable execution on some transactions, or both; they may not be able to participate in the allocation of initial public offerings; CNH may not begin to execute transactions with directed counterparties until non-directed brokerage orders are completed; and they may not generate returns equal to those Clients that do not have directed brokerage arrangements. Further, Clients who designate the use of particular counterparties should understand that they may lose the possible advantage which non-designating Clients derive from aggregation of orders for several Clients as a single transaction for the purchase or sale of a particular security. Accordingly, a Client with a directed brokerage arrangement should determine whether or not the specified counterparty could provide adequate price and execution for its transactions.

*Prime Brokerage:* Many Clients have one or more prime brokers through which the Client's trade clearance and financing is coordinated. Prime brokers may also provide CNH with research, reporting, and analysis tools as part of their services. In addition, a prime broker may host conferences and events through which CNH may identify potential investors.

*Step-Outs:* CNH may use "step-out trades" when CNH determines that it may facilitate better execution for certain Client trades. Step-out trades are transactions which are placed at one counterparty and then "given up" or "stepped out" by that counterparty to another counterparty. Step-out trades may benefit the Client by finding a natural buyer or seller of a particular security so that CNH can trade a larger block of shares more efficiently. Unless directed otherwise by the Client, CNH may use step-out trades for any Clients.

*Soft Dollar Arrangements:* The term "soft dollars" refers generally to the practice by investment advisers of paying for research and brokerage services using brokerage



commissions generated by the execution of trades for their clients' accounts. Under no circumstances shall any CNH employee enter into any oral or written agreement providing for the specific allocation of brokerage or other execution activity in exchange for soft dollar benefits without prior approval from the Best Execution Committee.

Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)") requires that a person exercising discretion with respect to an account must make a good-faith determination that the rate paid for brokerage services is reasonable in relation to the value of the research services provided, viewed either in terms of the particular transaction or in terms of overall responsibility with respect to accounts for which the money manager exercises investment discretion. If such determination is made, it is considered compliant for the money manager to "pay up" for research services.

Although CNH does not anticipate using soft dollars, if CNH decides to do so in the future, CNH would utilize only those services that would be within the safe harbor afforded by Section 28(e), such that credits generated by CNH's Clients would only be used to obtain investment research and brokerage services that provide lawful and appropriate assistance to CNH in the performance of its investment decision-making responsibilities.

Although CNH does communicate trades to brokers through broker-provided interfaces, it currently does not have soft dollar arrangements. However, CNH may receive proprietary research and brokerage services, within the meaning of Section 28(e), from certain counterparties that execute trades for Clients. Proprietary research generally includes access to company executives, conferences, analysis, forecasts, and in-house research. This type of research does not have an identifiable value and is provided based on CNH's total client trading activity or by simply opening an account. CNH does not view such services and research as soft dollar arrangements.

Receipt of such services and research may create an incentive for CNH to select or recommend counterparties based on CNH's interest in receiving the research or other products or services, may result in the selection of counterparties on the basis of considerations that are not limited to the lowest commission rates, and may result in higher transaction costs than would otherwise be obtainable by CNH on behalf of its Clients. However, as discussed above, CNH has a duty to seek overall best execution of transactions for Clients and has instituted internal controls and procedures designed to ensure that CNH is receiving best execution for Client transactions over time, taking into account all pertinent factors.

#### Trade Aggregation and Allocation:

As discussed in Item 6 – Performance Fees and Side-By-Side Management above, side-by-side management of various types of portfolios raises the possibility of favorable or preferential treatment of a portfolio or a group of portfolios arising from differences in fee arrangements. As a registered investment adviser and a fiduciary, CNH exercises due care to ensure that investment opportunities are allocated equitably among all Clients,

regardless of their corresponding fee-structure. Towards this end, CNH has implemented specific controls built on two general principles: fair allocation of a trade opportunity and fair allocation of price. The trade opportunities for which a Client will participate are determined by CNH's investment models, as they prescribe the specific appetites for individual securities. The modeling process tempers the Client's investment objectives with its specified account restrictions. Upon completion of the modeling process, the defined investment objectives translate into a set of transactions that are either traded in aggregate with other accounts with similar objectives or are traded individually. If CNH has determined to invest at the same time for more than one of the accounts, CNH may (but is not obligated to) aggregate or "bunch" orders to obtain best execution, negotiate more favorable commission rates, or allocate equitably among CNH's Clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this aggregation procedure, transactions will generally be averaged as to price and allocated among CNH's Clients *pro rata*, based on original allocation to the purchase and sale orders placed for each Client on any given day. To the extent that CNH determines to aggregate Client orders for the purchase or sale of investments, including investments in which CNH's principal(s) and/or associated person(s) may invest, CNH shall do so in a fair and equitable manner. CNH shall not receive any additional compensation or remuneration as a result of the aggregation.

If an aggregate order on behalf of more than one account cannot be fully executed under prevailing market conditions, CNH may allocate the securities traded among the different accounts on the basis in which it considers equitable. In these circumstances, each account would generally pay, in connection with the purchase (sale) of securities by more than one account, the average price per unit acquired (sold), which may be higher (lower) than if it had acted alone, and it may otherwise not be able to execute an investment decision as effectively as it could have if it had acted alone.

In the event that CNH determines that a *pro rata* allocation for partially executed aggregate orders is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) an allocation may be given to an account when the account has limitations in its investment guidelines which prohibit it from purchasing other securities that are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a *pro rata* allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, CNH may exclude the account(s) from the allocation and the transactions may be executed on a *pro rata* basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

The Compliance Department monitors the allocation of investment opportunities by utilizing reports, produced daily or on an as-needed basis. CNH believes that these activities, along with other controls existing in our organization, provide an environment that fosters the fair and equitable treatment of all accounts managed by CNH.

*Cross Trades:* Cross trades occur when CNH arranges for the purchase and sale of a security between certain types of Clients at a CNH specified price. Under certain conditions, CNH may enter into cross trades provided they are executed in compliance with the Advisers Act and, if pertinent, the Investment Company Act of 1940.

*Opposing Orders in the Same Security ("Netting Trades"):* Netting trades occur when CNH submits simultaneous buy and sell orders for two or more Clients to a counterparty for execution. The counterparty executes the portion that cannot be offset amongst the buy and sell orders and assigns the buy and sell orders the same execution price for the entire transaction. CNH believes such netting trades reduce the market impact of the trades and therefore provide best execution for the Clients.

*Incident Handling Policy:* CNH classifies trade errors pursuant to its own standardized error correction policies and procedures as those orders executed by AQR's Global Trading Strategies group without instructions or not in accordance with AQR portfolio management team's instructions that may affect a Client's account. Discernible net realized losses incurred by a Client due to CNH's breach of a Client guideline or a regulatory requirement (subject to the applicable terms of the investment management agreement) also are generally reimbursable by CNH. However, process enhancements, errors or other incidents that occur in connection with CNH's use of models and/or data sources in the investment management process and may impact a Client's portfolio are deemed "process incidents" and are not considered trade errors subject to reimbursement under CNH's policies. Errors caused by brokers or other third parties are not covered by this particular policy.

While CNH will attempt to correct the error promptly, correction of trade errors may be delayed in certain cases where investigation of the error is necessary or where consultation with a particular Client is sought. CNH will not use another Client's account to correct a trade error, nor will commission or "soft dollars" be used to correct adviser trade errors.

CNH may agree to comply with a specific Client's policies regarding the handling of trade errors that may be different from the policies set forth above.

## Item 13 – Review of Accounts

CNH's portfolio managers, client administration analysts, and the Compliance Department frequently communicate with the trading and portfolio management staff to review the status of, and to provide instructions or guidance concerning, pending transactions for, and overall performance of, each Client's account. The level of review and guidance provided by CNH's portfolio management personnel varies based upon facts and circumstances specific to individual Clients. Generally, a review of a Client's account includes specific securities held, adherence to investment guidelines, and account performance.

Although CNH reviews each Client's account on a regular basis, there are circumstances which prompt *ad hoc* reviews. Significant market events affecting the prices of one or more securities held by a Client, changes in investment objectives or guidelines of a particular Client, or specific arrangements with particular Clients or investors may trigger more frequent reviews of a particular Client's account.

In addition, various strategy-specific investment committees of the firm are responsible for monitoring investment strategies employed by the respective portfolios. These committees generally have an overall responsibility for monitoring the portfolios' investments and the efficacy of those investments.

Investors in Sponsored Funds are generally furnished (i) as soon as practicable after the end of each fiscal year, annual reports of the relevant Sponsored Fund(s) that include audited financial statements prepared in accordance with U.S. generally accepted accounting principles or other acceptable accounting principles; and (ii) on a basis no less frequently than quarterly, unaudited reports on the operations of the relevant Sponsored Fund(s) which may include a statement of the net asset value of the investor's interest in such Sponsored Fund(s). Investors in Sponsored Funds receive reports from CNH pursuant to the terms of each Client's offering memoranda or investor side letter.

Investors participating in Managed Accounts advised by CNH receive regular reports from their custodian and may receive operational reports from CNH upon request or as required in the investment management agreement.

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

### **Relationships with Consultants**

Many of our Clients and prospective Clients retain investment consultants to advise them on the selection and review of investment managers. CNH may have certain Clients that were introduced to us through consultants. These consultants or their affiliates may, in the ordinary course of their investment consulting business, recommend CNH's investment advisory services or otherwise place CNH into searches or other selection processes for a particular client.

CNH has extensive dealings with investment consultants, both in the consultants' role as adviser for their clients and through independent business relationships. Specifically, we provide consultants with information on portfolios we manage for our mutual clients, pursuant to our Clients' directions. CNH also provides information on our investment styles to consultants, who use that information in connection with searches they conduct for their clients. CNH may also respond to "Requests for Proposals" from prospective clients in connection with those searches.

- CNH may invite consultants to events or other entertainment hosted by CNH.
- CNH may pay registration or other fees for the opportunity to participate, along with other investment managers, in consultant-sponsored industry forums or conferences. These conferences or forums provide CNH with the opportunity to discuss a broad variety of business topics with consultants, clients, and prospective clients.
- In some cases, CNH may serve as investment adviser for the proprietary accounts of consultants or their affiliates or as adviser or sub-adviser for funds offered by consultants and/or their affiliates.

In general, CNH relies on each consultant to make appropriate disclosure to its clients of any conflict that the consultant may believe to exist due to its relationship with CNH.

### **Relationships with Brokers**

As discussed above, CNH currently does not have soft dollar arrangements. However, CNH may receive research and brokerage services from certain counterparties that execute trades for Clients and may take receipt of such services into account when selecting counterparties. CNH has a duty to seek overall best execution of transactions for Clients and has instituted internal controls and procedures designed to ensure that CNH is receiving best execution for Client transactions over time, taking into account all pertinent factors. Please see Item 12 – Brokerage Practices, above, for further information on CNH's soft dollar practices.

### **Other Relationships**

CNH may pay third parties cash compensation for investor referrals from CNH's own resources in amounts based upon a portion of the advisory or performance fees earned or assets under management with respect to investors introduced by the third party. The fact that CNH may share with third parties a portion of the compensation CNH receives for CNH's investment advisory services will not result in any Client being charged investment advisory fees at a rate in excess of the rate or level or advisory fee customarily charged by CNH to its investment advisory Clients for similar services to comparable accounts, nor will CNH charge any Client any other amount for the purpose of offsetting its cost of obtaining an account through a third party referral.

## **Item 15 – Custody**

CNH does not have physical custody of any Client assets.

Pursuant to Rule 206(4)-2 of the Advisers Act, CNH is deemed to have custody of Sponsored Funds' assets by virtue of its or its affiliates' role as general partner of private investment partnerships and/or sponsor of collective investment vehicles. CNH does not have actual physical custody of any client assets or securities invested in such funds; rather, all such assets are held in the name of each of the applicable funds by an independent qualified custodian. Such funds are audited annually, and investors receive annual financial statements within 120 days following such Sponsored Fund's fiscal year end, as required by applicable law.

Investors who have not received audited financial statements in a timely manner should contact CNH immediately.

CNH does not have custody of the assets of the Managed Accounts. Managed Accounts must make their own arrangements for custody of securities. Such custodians may be broker-dealers, prime brokers, banks, trust companies, or other qualified institutions. The qualified custodian will typically provide the Managed Account with at least quarterly account statements relating to the assets held within the account advised by CNH. Each Managed Account should carefully review the qualified custodian's statement upon receipt to determine that it completely and accurately states all holdings in the account and all account activity over the relevant period. Any discrepancies identified by a Managed Account should be immediately reported to CNH and the qualified custodian.

In addition to the account statements provided by qualified custodians to CNH's Managed Accounts, CNH also provides account statements to Managed Accounts on a periodic basis, as agreed upon between the Managed Accounts and the Adviser. As such, we encourage Managed Accounts to compare the statements provided to them by CNH against those provided to them by their qualified custodians who hold the assets of their accounts and to report any questions, concerns, or discrepancies to both the Adviser and the qualified custodian promptly. CNH's statements may vary from custodial statements based on accounting procedures, reporting dates, and/or valuation methodologies of certain securities. However, please note that custodian statements reflect the official books and records for the Managed Accounts.

## **Item 16 – Investment Discretion**

CNH provides investment advisory services on a discretionary basis to Clients.

Prior to assuming discretion in managing a Client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a Client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the Client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the Client account. Because of the differences in Client investment objectives and strategies, risk tolerances, tax status, and other criteria, there may be differences among Clients in invested positions and securities held.

From time to time and unless otherwise agreed to with a Client, CNH may receive notices regarding class action lawsuits involving securities that are or were held by Clients. For Sponsored Funds, CNH will participate in such class action lawsuits only where it believes, in its sole discretion, that such participation may result in a material benefit to the applicable Client, taking into considerations such factors as the anticipated costs and benefits.



## Item 17 – Voting Client Securities

CNH's authority to vote proxies for its Clients is established by its investment advisory agreements or comparable documents. CNH has established proxy voting policies and procedures, and the Compliance Department oversees the proxy voting process. The proxy voting procedures are designed to ensure that proxies are voted in the Clients' best interest. CNH will generally vote proxies according to the proxy voting guidelines developed by Institutional Shareholder Services Inc. Governance Services ("ISS") and adopted by CNH. ISS is an unaffiliated third party corporate governance research service that provides in-depth analyses of shareholder meeting agendas, vote recommendations, recordkeeping, and vote disclosure services. In addition, the proxy voting policy includes guidelines for the Chief Compliance Officer to follow if a material conflict of interest arises between CNH and/or its employees and its Clients, to ensure any material conflict is resolved in the best interest of its Clients.

In certain circumstances, Clients are permitted to direct their votes in a particular solicitation. A Client that wishes to direct its vote in a particular solicitation shall give reasonable prior written notice to CNH indicating such intention and provide written instructions directing CNH or ISS to vote in regard to the particular solicitation. Where such prior written notice is received, ISS will vote proxies in accordance with such written instructions received from the Client.

Upon request, CNH will provide a Client with a copy of its proxy voting policies and procedures and information on how the Client's proxies were voted.

CNH has the responsibility to process proxies and maintain proxy records pursuant to SEC rules and regulations. Therefore, CNH will attempt to process every vote it receives for all domestic and foreign proxies. However, there may be situations in which CNH cannot vote proxies. Examples may include:

- If the cost of voting a proxy outweighs the benefit of voting, CNH may refrain from processing that vote;
- CNH may not be given enough time to process the vote. For example, ISS, through no fault of its own, may receive a meeting notice from the company too late or may be unable to obtain a timely translation of the agenda;
- If CNH has outstanding sell orders or intends to sell, the proxies for those meetings may not be voted in order to facilitate the sale of those securities. Although CNH may hold shares on a company's record date, should it sell them prior to the company's meeting date, CNH ultimately may decide not to vote those shares;

- CNH will generally refrain from voting proxies on foreign securities that are subject to share blocking restrictions.

## **Item 18 – Financial Information**

This Item is not applicable.