



# Aurora Investment Management L.L.C.

Form ADV, Part 2A

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March 30, 2016

Form ADV, Part 2A (the "Brochure") provides information about the qualifications and business practices of Aurora Investment Management L.L.C. ("Aurora" or the "Firm"). If you have any questions about the contents of this Brochure, please contact us at 312-762-6700 or [InfoRequest@AuroraLLC.com](mailto:InfoRequest@AuroraLLC.com). The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Aurora is available on the SEC's public disclosure website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) ("IARD") (click on the "investment adviser search" link, select "investment adviser firm" and type in our firm name). Results will provide you with both Parts 1 and 2A of our Form ADV.

Registration of an investment adviser with the SEC does not imply any level of skill or training.

This Brochure is neither an offer to sell nor a solicitation of an offer to buy shares or limited partnership interests in any of the investment funds sponsored, managed, or advised by Aurora. An offer of such funds can only be made through the offering materials for the relevant investment fund and only in jurisdictions in which such an offer would be lawful.

## Item 2      Material Changes

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This Brochure, dated March 30, 2016, is an annual updating amendment. This section of the Brochure addresses the material changes that have been incorporated since the last annual update on March 31, 2015.

The Firm recently announced that it has agreed to sell its investment management business (the "Transaction") to 50 South Capital Advisors, LLC ("50 South Capital"), an investment advisory subsidiary of Northern Trust Corporation. The Transaction will result in a combined firm that will offer clients of both firms access to an expanded global alternative investment platform with the size and resources to deliver comprehensive hedge fund, private equity, and real asset solutions. The Firm believes that its investors will benefit from the strength, additional scale, resources, and product offerings that 50 South Capital brings. By combining the Firm's 28 years of hedge fund experience with 50 South Capital experience and resources, the Firm expects to provide investors long-term stability and demonstrate commitment to the alternatives business. The Transaction is subject to customary closing conditions and is anticipated to close in the third quarter of 2016.

Additionally, this Brochure has been updated to reflect the following changes:

- Updates to the description of the investment strategies pursued by the Firm's Clients; and
- Updates to the description of the Firm's allocation policy.

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC rules, we will at a minimum ensure that our advisory clients receive a summary of material changes to this and subsequent Brochures annually within 120 days of the close of our fiscal year.

A copy of the Brochure may be requested by contacting our Investor Administration team at [InvestorAdministration@AuroraLLC.com](mailto:InvestorAdministration@AuroraLLC.com) or at (312) 762-6710.

We may update this Brochure at any time.

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Form ADV, Part 2B

Privacy Notice

## Item 4      Advisory Business

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### HISTORY OF THE FIRM

The Firm's business was established in January 1988 with the launch of the multi-strategy fund, Aurora Limited Partnership. Since its inception, the Firm's sole focus has been on constructing multi-adviser, multi-strategy investment portfolios that invest with skilled hedge fund managers. In doing so, the Firm provides alternative investment solutions to its clients. The Firm's mission statement is: *Aurora Investment Management L.L.C. is committed to being a premier investment firm focused on delivering consistently superior investment results within a collegial environment that encourages a culture of excellence, respect, teamwork, and integrity.* The Firm's growth and success is the result of a consistent investment philosophy, a commitment to superior due diligence, and a disciplined investment process.

The Firm's investment professionals include an Investment Committee made up of Roxanne M. Martino, Chairperson, four Portfolio Managers, Scott C. Schweighauser, Justin D. Sheperd, Gregory D. Schneiderman and Patrick C. Sheedy, and four other investment professionals, supported by our Research team, and assisted by the Operational Due Diligence team and the Risk Management and Quantitative Research team. Roxanne M. Martino, the Firm's founder, has over 30 years of industry experience.

From inception until the end of 2003, the Firm was part of Harris Associates L.P., an asset management firm based in Chicago. At the end of 2003, the Firm became operationally independent of Harris Associates, operating as an indirect subsidiary of Natixis Global Asset Management, L.P., which is an indirect subsidiary of Natixis Global Asset Management ("NGAM"), an international asset management group based in Paris, France. NGAM is in turn owned by Natixis, a French investment banking and financial services firm. Natixis is principally owned by BPCE, France's second largest banking group. In March 2009, the Firm's name was changed to Aurora Investment Management L.L.C. to more closely align the Firm's name with the products it manages.

Under the NGAM multi-affiliate model, the Firm operates independently of the parent company, including with respect to hiring decisions, the investment process, and investment decisions.

See Item 2 – Material Changes regarding the pending sale of the Firm's asset management business to 50 South Capital.

### ADVISORY SERVICES

Aurora provides multi-adviser investment strategies to clients through several different investment products, including U.S. and non-U.S. commingled private investment funds (the "Aurora Funds"), investment companies registered under the Investment Company Act of 1940, as amended (the "Company Act"), for which the Firm serves as adviser or sub-adviser (the "Registered Funds"), and customized portfolio solutions for individual clients seeking a customized investment program ("Customized Portfolios", together with the Aurora Funds and the Registered Funds, the "Clients"). Aurora's Clients typically invest in portfolios of hedge funds.

As of March 1, 2016, Aurora managed on a discretionary basis approximately \$5.4 billion. This number represents the Firm's assets under management and differs from the Firm's regulatory assets under management reported on Form ADV Part 1 in a number of number of ways, for example by excluding uncalled capital commitments. Aurora does not currently manage any non-discretionary assets.

#### Aurora Funds

Each Aurora Fund is either a U.S. domiciled limited partnership generally available to taxable U.S. investors or Cayman Islands exempt company or limited partnership generally available to non-U.S. investors and U.S. non-taxable investors. Each Aurora Fund generally pursues one of the Firm's five

investment strategies which are described in detail below. Each Aurora Fund has different investment features which may include varying levels of management and performance fees, investment objectives and guidelines, investment minimums, investor qualification standards, and liquidity terms.

The Aurora Funds offer a combination of risk-adjusted return profiles, diversification, and cost-effectiveness for many investors including those who may not otherwise be able to access the underlying hedge funds directly. Each of the Aurora Funds is exempt from registration as an investment company under Section 3(c)(1) or 3(c)(7) of the Company Act.

#### Registered Funds

Aurora provides investment advisory services to Clients that are registered investment companies under the Company Act, including closed-end and open-end funds. Each Registered Fund pursues a distinct investment program that is set forth in its registration statement. Each Registered Fund has different investment features which may include varying levels of management fees, investment minimums, investor qualification standards, and liquidity terms.

#### Customized Portfolios

Aurora has been providing customized portfolio solutions since 1995. As part of its customized portfolio solutions platform, Aurora offers a comprehensive asset allocation, due diligence, and risk management solution, leveraging our research, due diligence, and portfolio management capabilities. Aurora will collaborate with the prospective client to identify goals and desired outcomes with respect to investment guidelines, costs, preferred strategy and factor exposures, risk tolerances, beta objectives, correlation objectives, liquidity, and knowledge transfer. The customized offerings follow the same rigorous portfolio construction analysis as the Aurora Funds and the Registered Funds. Aurora's key competitive advantages in providing customized portfolio solutions are Aurora's attention to the overall needs and objectives of the investor and its ability to propose a customized portfolio solution drawing on Aurora's proven skill and established process in assessing the talents and risks of individual hedge fund managers.

Customized Portfolios are offered to clients who desire to customize an investment mandate and/or isolate their investment from the decisions of other investors. Aurora generally requires a minimum of \$25 million for a Customized Portfolio. Aurora may set higher or lower standards for minimum account size, depending on circumstances believed by it to be relevant, such as historic relationships with Aurora, expectation of additions to the account in the future, the investment strategy and guidelines, and other circumstances.

As part of its customized portfolio solutions platform, in combination with a Customized Portfolio, Aurora also offers transition management services.

### **INVESTMENT STRATEGIES**

Aurora currently offers five different investment strategies for the Aurora Funds: Diversified Multi-Strategy, Global Diversified Multi-Strategy, Diversified Hedged Equity, Diversified Global Macro, and Diversified Credit. In addition, each Registered Fund follows a distinct investment program. Aurora also offers customized strategies or mandates as part of its customized portfolio solutions platform.

The Aurora Fund strategies can generally be described as follows:

<b>AURORA INVESTMENT STRATEGIES</b>	
Diversified Multi-Strategy	<p>The objective is to generate consistent long-term capital appreciation with low volatility and little correlation with the equity and bond markets.</p> <p>The underlying hedge fund managers selected for this strategy typically are segmented into seven strategies: Long/Short Equities, Long/Short Credit, Opportunistic, Macro, Event-Driven, Special Opportunities Investments, and Portfolio Hedge.</p>
Global Diversified Multi-Strategy	<p>The objective is to generate consistent long-term capital appreciation with diversification of risk through the use of a multi-manager, multi-strategy global investment philosophy. This strategy attempts to provide global diversification across markets which may include, but are not limited to, the U.S., Latin America, Eastern and Western Europe, and Asia.</p> <p>The underlying hedge fund managers selected for this strategy typically are segmented into six strategies: Long/Short Equities, Long/Short Credit, Opportunistic, Macro, Special Opportunities Investments, and Event-Driven.</p>
Diversified Hedged Equity	<p>The objective is to provide consistent long-term capital appreciation with moderate volatility and moderate correlation with the equity markets through the use of a multi-manager, single-strategy investment philosophy, focused primarily on hedged equity trading strategies.</p> <p>The underlying hedge fund managers selected for this strategy are segmented into three specialties: Generalists, Sector Specialists, and Geographic Specialists.</p>
Diversified Global Macro	<p>The objective is to generate consistent long-term capital appreciation with low correlation with the equity and bond markets through a portfolio having a diversified risk profile.</p> <p>The underlying hedge fund managers selected for this strategy are segmented into six strategies: Discretionary, Systematic, Commodities, Macro Equity, Emerging Markets, and Tail-Risk.</p>
Diversified Credit	<p>The objective is to generate long-term capital appreciation by investing with hedge fund managers that utilize a long/short credit investment strategy.</p>

Clients that utilize any of the foregoing strategies may also invest in Strategic Capital Investments and Market Opportunities Investments, as described below.

## OTHER ADVISORY SERVICES

In addition to the advisory services and investment strategies described above, Aurora may invest Client capital with hedge fund managers that (1) offer Clients “strategic capital” arrangements in exchange for their investment at an early stage of the hedge fund manager’s life cycle, (2) are considered “emerging managers” due to ownership and control by minorities or women, or due to the management of assets below a specified amount, and (3) offer special investment opportunities or manage investment portfolios that are highly concentrated (including a single trade idea).

### Strategic Capital Investments

Aurora may negotiate for its Clients the opportunity to invest on preferred terms in exchange for providing early stage capital to a new, or recently established, Underlying Fund managed by a recently established, or “emerging,” Manager (as defined in Item 8 below). With Strategic Capital Investments, in exchange for providing early-stage capital, Aurora portfolios receive the benefit of not only the investment return and shared revenue earned by the Manager over a specified period, but also one or more of the following: reduced management and/or performance fees, and reserved capacity. These types of investments are referred to herein as “Strategic Capital Investments.”

Typically, there is limited capacity for Strategic Capital Investments due to these Managers having a smaller amount of assets under management at the time the Strategic Capital Investments are made. Accordingly, not every Client may be given the opportunity to participate in all Strategic Capital Investments, and not all investments by a Client with such Manager will be Strategic Capital Investments.

The Firm currently manages an Aurora Fund with the investment objective to invest primarily in Strategic Capital Investments.

#### Emerging Managers

The typical attributes of emerging managers include ownership and control by minorities or women, or management of assets below a specified threshold. In some cases, emerging managers may have both attributes. Aurora may construct a portfolio of Underlying Funds that are managed by emerging managers. These portfolios may have an investment strategy to pursue one or more of the investment strategies described above or in Item 8 below, a customized strategy, or the investment strategy may be to invest with emerging managers.

#### Market Opportunities Investments

Aurora may pursue investment opportunities for its Clients that add exposure to a particular trade idea or investment theme that the Manager believes presents a unique source of investment return. These types of market investment opportunities may represent a diverse group of investments, such as an investment in a single company that the Manager is an activist for change or a basket of investments (stocks, bonds or derivatives) that are expected to be impacted by economic or regulatory developments. Typically structured as a co-investment with a manager to address a time-sensitive opportunity, a Market Opportunity Investment can be either risk-contributing (called "Special Opportunities") or risk-mitigating (called "Tail-Risk Opportunities"). The investment may be structured in a variety of ways, such as the following:

- Contributing capital to a special class of interests offered by the Underlying Fund in which Clients are already invested,
- Contributing capital to a new investment vehicle created by a Manager to pursue the investment opportunity,
- Entering an investment management agreement with the Manager to make the investment for the Client's account, or
- Creating a special purpose fund in which Clients invest and through which the investment is made.

## Item 5 Fees and Compensation

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Aurora may charge its Clients a management and/or performance fee. The fees may differ depending on the type of Client, as described below. Clients generally pay a management fee of between 0.5% to 2.0% of assets per annum. Where Aurora serves as a sub-adviser to a Client or where Aurora shares its management fee with a selling agent, Aurora may receive less than the amount set forth above. In addition to the management fee, certain Clients may pay a performance fee, generally equal to 10% of net new profits with a high water mark, although the performance fee may be higher or lower (or none) depending on the Client and may include a hurdle rate. Any performance fee arrangements comply with Section 205 of the Investment Advisers Act of 1940, as amended (the "Advisers Act") and the rules thereunder. Aurora may invoice a Client for its fees, but more typically fees are deducted directly from the Client's custodial account by the Client's third party administrator. In the event of the termination of the relationship between a Client and Aurora, the management and performance fees typically will be allocated according to the date of termination or through the specified terms in the applicable agreement. Any prepaid but unearned fees will be refunded. In certain circumstances, Aurora may pay a selling agent a portion of the fee paid by a Client. Research related expenses may be charged to Clients.

Aurora has made, and may make in the future, exceptions to its general fee schedule for a Client or an investor in Client in its sole discretion based on various circumstances, such as the relationship Aurora has with the Client or investor, expectations of significant capital additions in the future, product, share class, or composition of portfolio, among other reasons. In such cases, different and reduced fee arrangements have been and may be negotiated with individual Clients or investors in a Client. Neither the Client nor Aurora is generally obligated to disclose such investor arrangements to all of the investors or obtain the approval of any investor.

While Clients generally delegate the determination of their net asset value to a third party administrator, to the extent Aurora makes a fair valuation recommendation with regards to an investment, Aurora has a conflict of interest as its management and performance fee will be based on such valuation.

### Aurora Funds

The fees and expenses for each Aurora Fund are described in the offering materials. The management fee is generally payable monthly in arrears, and performance-based fees, if any, are payable either quarterly or annually and at the time of withdrawal, depending on the Aurora Fund. In addition to Aurora's fees, the Aurora Funds may be subject to various costs and expenses in connection with the conduct of the business of the Aurora Funds, including, but not limited to, organizational, custodial, brokerage, audit, line of credit, legal, risk management, consulting, third party administration, and research related fees and expenses. Additionally, as investors in Underlying Funds (as defined below), each Aurora Fund bears its pro rata share of the fees and expenses of the Underlying Funds. Please see Item 12 for more information on Aurora's brokerage practices.

### Registered Funds

The fees and expenses for each Registered Fund are set forth in the corresponding prospectus for the fund. Aurora may act as the investment adviser or a sub-adviser for the Registered Funds. When it acts as investment adviser, it pays a portion of its fees to the sub-advisers that manage a portion of the Registered Fund's assets. Conversely, when it acts as a sub-adviser to a Registered Fund, Aurora receives a portion of the investment adviser's fees.

### Customized Portfolios

Each Customized Portfolio has a specific fee structure set forth in the corresponding agreement for the account. Fees for Customized Portfolios are negotiated on a case-by-case basis and may vary depending upon the level of service the Firm provides to the Client. In addition to Aurora's fees, each Customized Portfolio may be subject to various costs and expenses in connection with the conduct of the



business of the Customized Portfolio, including, but not limited to, organizational, custodial, brokerage, audit, line of credit, legal, risk management, consulting, third party administration, and research related fees and expenses. Additionally, as investors in Underlying Funds (as defined below), each Customized Portfolio bears its pro rata share of the fees and expenses of the Underlying Funds.

## Item 6 Performance-Based Fees and Side-by-Side Management

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**While reviewing the disclosure in this section, it is important to note the following:** It is Aurora's policy to allocate, to the extent operationally and otherwise practicable, investment opportunities to each Client over a period of time on a fair and equitable basis. However, allocations typically are not made on a *pro rata* basis among Clients but rather on the basis of numerous other considerations, including, without limitation: a Client's cash flows, investment objectives and restrictions, desired liquidity characteristics, participation in other opportunities, compliance with applicable laws and tax concerns, and the relative size of different Clients' same or comparable portfolio holdings. The Firm has implemented special rules regarding the allocation of Strategic Capital Investments and Market Opportunities Investments. A more detailed description of the Firm's allocation policies is available to investors upon request.

### PERFORMANCE-BASED FEES

As set forth in Item 5, Aurora has entered into performance fee arrangements with many but not all of its Clients. For example, the Registered Funds do not charge a performance fee. Performance-based fee arrangements create an incentive for Aurora to recommend investments that may be riskier or more speculative than those that might be recommended under a different fee arrangement, such as a management fee only arrangement. Such fee arrangements also create the incentive to favor higher paying Clients over other Clients in the allocation of investment opportunities.

### SIDE-BY-SIDE MANAGEMENT

Certain Clients are subject to significant potential and actual conflicts of interest with respect to side-by-side management. Side-by-side management is the simultaneous management of multiple accounts that follow the same or similar investment strategies. With respect to certain Clients, the conflicts with respect to side-by-side management present themselves both at the fund level and at the investor level.

Aurora advises, and may advise in the future, investment vehicles that may invest in similar or different investments. Aurora's Investment Committee makes the investment decisions for all Clients. In managing multiple Clients, Aurora may determine that an investment opportunity is appropriate for a particular Client, or for itself, but not for another Client. To the extent that certain Clients invest in a limited investment opportunity, such as a Strategic Capital Investment, or where an underlying hedge fund is closing to new or additional investments, the ability of other current or future Clients to invest in that same investment opportunity may be adversely affected. In allocating such limited investment opportunities, not all Clients may end up participating in an opportunity.

The Firm and its employees may invest in or along side with certain Clients, although they are not required to do so and/or may be ineligible to do so. In addition, a Client may be under the control of the employees or affiliates of Aurora by virtue of the fact that employees or affiliates own a controlling percentage of the Client's voting rights. For all of these reasons, Aurora may have an incentive to favor one Client over another when making investment decisions.

## Item 7      Types of Clients

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Aurora provides multi-adviser investment strategies to a broad investor base through private funds sponsored by Aurora, registered investment companies advised or sub-advised by Aurora, and customized portfolio solutions, including single investor or commingled funds through advisory or sub-advisory agreements.

### Aurora Funds

- For taxable U.S. investors, limited liability pass-through vehicles domiciled in the U.S.
- For non-taxable U.S. investors and non-U.S. investors, limited partnerships and corporations organized in the Cayman Islands or other non-U.S. jurisdictions

In order to invest in the Aurora Funds, investors must have a certain financial level of sophistication and investment experience. Examples of some of the types of investors that may be interested in the Aurora Funds include high net worth individuals, domestic and foreign pension plans, government entities, insurance companies, endowments and foundations, Church Plans, banks, and other institutions.

The Aurora Funds generally require a minimum investment of \$250,000, although certain Aurora Funds have required a higher minimum investment in the past and may do so in the future. The minimum investment amounts may be waived or reduced at the discretion of Aurora.

### Registered Funds

- For U.S. taxable and non-taxable investors
  - Includes closed-end and open-end funds registered as investment companies with the SEC
  - Aurora serves as adviser or sub-adviser

Registered Funds may be available to the public at large or a more restricted group of investors that are eligible to invest in privately offered securities. Minimum investment requirements vary by Registered Fund and are set forth in the applicable prospectus.

### Customized Portfolios

- For U.S. and non-U.S., taxable and non-taxable investors
  - May involve U.S. or non-U.S. domiciled limited liability entities
  - May involve advisory or sub-advisory relationship directly with the investor rather than through a legal entity

Examples of some of the types of investors that may be interested in a customized portfolio solution include domestic and foreign pension plans, government entities, insurance companies, endowments and foundations, banks, and other institutions. Aurora generally requires a minimum of \$25 million for a Customized Portfolio.

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

Aurora offers multi-adviser portfolio investment solutions that are either multi-manager, multi-strategy, or multi-manager, single-strategy as well as more customized portfolio solutions. Aurora will generally allocate each Client's capital among a select group of experienced portfolio managers ("Managers") selected for their expertise implementing a strategy, generally through investments in collective investment vehicles including vehicles organized specifically for investments by one or more Clients ("Portfolio Entities") and/or discretionary managed accounts ("Advisory Accounts", and collectively with Portfolio Entities, "Underlying Funds").

On behalf of certain of its Clients, Aurora may also engage in direct trading. While not generally restricted in its ability to make direct investments, Aurora typically makes direct investments only to achieve specific investment exposure, for hedging and portfolio reallocation purposes, or in connection with the liquidation of securities that have been distributed in-kind to a Client. Aurora may invest a Client's cash balances in any instruments it deems appropriate including, stocks, options, futures, money market instruments, mutual funds, and other investment companies. In addition to directly investing in an Underlying Fund, Aurora may buy or sell interests of an Underlying Fund in secondary market transactions.

### INVESTMENT STRATEGIES

As detailed in Item 4, the primary objective of each Aurora Fund investment strategy is to generate consistent long-term capital appreciation with diversification of risk through use of a multi-adviser investment philosophy. The investment strategies pursued by the Aurora Funds are described in further detail below. Each Registered Fund follows a distinct investment program. Aurora also offers customized portfolio solutions whereby a client and Aurora agree to a customized investment objective and strategy as well as define the portfolio's investment restrictions and/or guidelines. The Registered Funds and Customized Portfolios may utilize the strategies below or other investment strategies in combination or separately. It is possible that Aurora's determination of a Manager's strategy for one Client may differ from Aurora's determination of the Manager's strategy for a different Client (typically due to the Client's definition of investment strategies), or from how others classify such Manager's strategy. Aurora's determination of a Manager's strategy may change over time. Aurora may create new strategies and may change or rename any of the strategies below at any time. Except as otherwise required by a Client's investment guidelines, a Client's assets may be allocated among whatever investment strategies Aurora considers appropriate under prevailing economic and market conditions.

*Diversified Multi-Strategy.* Diversified Multi-Strategy seeks low volatility and little correlation with the equity and bond markets. Diversified Multi-Strategy invests currently in the following seven investment strategies and may invest in other investment strategies in the future.

Long/Short Equities	Long/Short Equities strategies generally involve taking both long and short positions in equity securities that are deemed to be under or overvalued. Although the combination of long and short investing can provide an element of protection against (but not eliminate) directional market exposure. Long/Short Equities Managers generally do not attempt to neutralize the amount of long and short positions ( <i>i.e.</i> , they will be net long or net short). Managers may specialize in a particular industry or geographic region, or they may diversify holdings across industries or geographic regions. Managers in this strategy usually employ a low to moderate degree of leverage.
Opportunistic	Opportunistic strategies generally involve Managers exercising discretion in allocating capital among several types of arbitrage, event-driven, and directional strategies ( <i>e.g.</i> , long/short equities, relative value, long/short credit, activist, volatility trading, and capital structure arbitrage). Capital is opportunistically allocated as such Managers perceive each strategy's opportunity set changing with market conditions.

Long/Short Credit	Managers implementing Long/Short Credit strategies generally take both long and short positions in credit related instruments, such as corporate bonds, bank loans, trade claims, emerging market debt, and credit derivatives (e.g., credit default swaps). Managers utilizing this strategy usually invest in companies in financial difficulty, reorganization, or bankruptcy and their portfolios often are concentrated in debt instruments. The use of leverage varies considerably. Managers differ in their preference for actively participating in the workout and restructuring process and the extent to which they use leverage. Although Long/Short Credit strategies typically involve positions in debt instruments and credit derivatives, the Managers implementing this strategy perform extensive research on companies and may use this information to invest both long and short in the equity securities of such companies.
Macro	Macro strategies generally involve fundamental, discretionary, or systematic, directional trading in currencies, fixed income, commodities, credit, and equities. Managers invest in a wide variety of strategies and instruments, often assuming an aggressive risk posture. Most Managers rely on macro-economic analyses to invest across countries, markets, sectors, and companies, and have the flexibility to invest in numerous financial instruments. Futures, options, and other derivative instruments are often used for hedging and speculation and the use of leverage varies considerably.
Event-Driven	Event-Driven strategies generally include investments in securities of firms involved in identifiable corporate actions, such as mergers, acquisitions, restructurings, spin-offs, shareholder activism, or other special situations which alter a company's financial structure or operating strategy. Risk management and hedging techniques may be employed to protect the portfolio from events that fail to materialize. In addition, accurately forecasting the timing of an event is an important element impacting the realized return. The use of leverage varies considerably.
Special Opportunities Investments	Special Opportunities Investments are concentrated investments in opportunities identified by managers as "high conviction" investment opportunities with potential for outsized returns. Special Opportunities Investments are often time-sensitive and catalyst-driven opportunities that result from market dislocations, illiquidity, or that otherwise seek to capitalize on a favorable dynamic affecting a particular company, industry, sector, asset class, or region. Special Opportunities Investments may fit into one or more of the other strategies described above and typically are unhedged and long biased.
Portfolio Hedge	<p>Portfolio Hedge strategies generally seek to profit from declining security prices through short positions in the equity or debt (or similar-functioning derivatives) of companies with unfavorable prospects. The strategy is intended to perform best in declining markets or in times of market disruption and therefore is attractive in a multi-manager portfolio of hedge funds that seeks to reduce the portfolio's total exposure to general stock market movements and from other market disruptions. Managers use a range of fundamental and technical investment methodologies to identify potential positions, may or may not remain fully invested, and use varying degrees of leverage. Some Managers assume modest long positions while remaining net short.</p> <p>The Portfolio Hedge strategies serve three primary functions in the Diversified Multi-Strategy portfolio: (1) to generate alpha; (2) to hedge equity market risk created by the trading activities of Managers using other investment strategies; and (3) to hedge against the risk of a significant event (e.g., war, terrorism, act of God, etc.) that impacts financial markets generally. In allocating Client capital to the Portfolio Hedge strategy, the Investment Committee may tactically purchase instruments or financial derivatives, such as equity index put options, rather than allocate additional capital to Managers, to hedge overall equity market and event-risk when it determines that doing so is beneficial. The Investment Committee may also allocate a Client's capital to Managers that implement strategies beyond traditional market hedge strategies (i.e., strategies other than short selling strategies). Such allocations are intended to expand a Client's downside protection during periods of market disruptions and/or declines.</p>

*Global Diversified Multi-Strategy.* This strategy employs six of the seven strategies noted above for the Diversified Multi-Strategy and excludes Portfolio Hedge. The strategy attempts to provide global diversification across markets that may include the U.S. and North America, Latin America, Eastern and Western Europe, and Asia. In addition to no Portfolio Hedge allocation, Global Diversified Multi-Strategy generally makes larger investments in fewer managers for a higher degree of concentration.

*Diversified Hedged Equity.* This strategy is the Long/Short Equities component of the Diversified Multi-Strategy. This strategy seeks moderate volatility and moderate correlation with the equity markets. The Long/Short Equities Managers selected for this strategy are segmented into three specialties: Generalists, Sector Specialists, and Geographic Specialists. Each Manager attempts to generate alpha in a chosen market segment by taking a fundamental long/short approach.

*Diversified Global Macro.* Diversified Global Macro seeks low correlation with the equity and bond markets through a portfolio having a diversified risk profile. Diversified Global Macro invests currently in the following six investment strategies and may invest in other investment strategies in the future.

Discretionary	Discretionary strategies rely on fundamental macroeconomic views and analysis, technical market indicators, and asset/security specific valuation techniques to identify attractive risk-adjusted trading opportunities. Managers then use their judgment to make trading decisions regarding such opportunities. Managers may utilize relative value or directional trading strategies to express both short-term (days to weeks) or long-term (months to years) investment themes. Discretionary trading strategies involve a broad range of fixed income instruments and equities, commodities, currencies, and their related derivatives.
Systematic	Systematic Managers seek to exploit market inefficiencies by quantitatively analyzing technical (e.g., trend-following) and fundamental market data across multiple time frames. Utilizing systematic algorithms and trading systems, Managers invest in a variety of instruments across currency, fixed income, equity, and commodity markets. Investment decisions are highly disciplined and based on quantitative models, with a significant focus on risk management.
Commodities	Managers implementing Commodities strategies focus predominantly on commodities and commodity-related securities. These managers may invest in both physical commodities and derivative instruments, as well as equity and debt instruments of corporations related to commodities industries. Conducting extensive fundamental research of supply and demand dynamics across energy, metals, and agriculture markets, Managers structure long and short positions across multiple time frames.
Macro Equity	Equity trading strategies are expressed primarily through single name equities, equity indices, and equity derivatives. Managers employ both bottom-up, security-specific and top-down, thematic research processes to construct portfolios of attractive risk/reward opportunities. Active exposure management is used to mitigate risk and attempt to profit from market trends. Overlay strategies in non-equity asset classes may also be used to express various macroeconomic views.
Emerging Markets	Emerging Markets strategies involve investments in emerging market currencies, sovereign debt, and equity and credit issued by corporations based in, or generating significant percentage of revenues from, emerging markets. Managers rely on macroeconomic and country-specific analysis to develop directional and relative value trading strategies in emerging markets.
Tail-Risk	Managers implementing Tail-Risk strategies employ directional, convexity, and volatility trading strategies across asset classes and instruments in an attempt to generate positive returns during periods of market stress, and thus are often utilized to hedge portfolio risks. Investments may be made in equity, credit, currency, commodity, and fixed income markets. Tail-Risk Managers may also make thematic investments designed to expand the Fund's downside protection during periods of market disruptions and/or declines.

*Diversified Credit.* This strategy is the Long/Short Credit component of the Diversified Multi-Strategy. The types of investments made by Managers utilizing this strategy are often longer duration than other strategies and, as a result, the liquidity available to investors is often less for this strategy.

#### Direct Investments by Aurora Clients and Investments of Underlying Funds

Generally, each Client and the Underlying Funds may invest in, hold, sell, and trade a wide range of investment instruments in worldwide markets. Investments in which a Client and the Underlying Funds may invest include, but are not limited to: stocks, bonds, bank loans, warrants, notes, debentures (whether subordinated, convertible, or otherwise), money market funds, commercial paper, certificates of deposit, and governmental obligations (or the obligations of any instrumentality thereof), whether offered publicly or pursuant to private placement. Each Client and the Underlying Funds also may invest in options, futures contracts, forward contracts, swaps, and other exchange traded and over-the-counter ("OTC") derivatives of any kind. In particular, a Client may utilize options, futures, options on futures, or other derivatives for hedging or portfolio reallocation purposes.

Aurora may attempt to hedge all or a portion of the currency exchange rate exposure of a non-U.S. Dollar investment for non-U.S. investors in a Client. Aurora may choose not to enter into, or to terminate, any such hedging activities if a Client is unable to obtain appropriate foreign exchange and rates, credit lines, or determines that it is in the best interests of a Client not to hedge. There can be no guarantee that such hedging transactions (if any) will be successful or beneficial or that such hedging transactions will not themselves generate losses. At all times, non-U.S. Dollar investors will remain subject to substantial exchange rate risk.

If a Client allocates a portion of its capital to the Portfolio Hedge strategy described above, Aurora may tactically purchase instruments or financial derivatives, such as equity index put options, rather than allocate additional capital to Managers, to hedge overall equity market and event-risk when it determines that doing so is beneficial.

Aurora expects that certain of the Underlying Funds in which its Clients invest may engage in speculative investment practices, such as using a high degree of leverage, short selling, trading regulated or unregulated commodities contracts, currency speculation, trading listed and OTC options, writing uncovered options, trading complex derivative instruments, participating in workouts and startups, trading distressed and illiquid investments, obtaining control positions, trading foreign securities, and taking concentrated positions, among others. As part of the investment process, the Firm monitors each Manager closely, however, it must ultimately rely on the reporting provided by the Managers.

In the event a Client holds cash, Aurora may invest all or any portion of the cash in high quality fixed-income securities, money market instruments, shares of money market funds, or overnight repurchase agreements. Such investments may be for temporary purposes, such as maintaining adequate liquidity for Client redemptions, or for any other purpose, including, but not limited to, defensive investments in times of market volatility.

#### **METHODS OF ANALYSIS**

Aurora manages its portfolios using both bottom-up (manager-focused) and top-down (strategy-focused) approaches.

All of the Firm's investment decisions, including constructing portfolios of investments in hedge funds, assessing market conditions and setting strategy and Manager targets for each portfolio, finding and selecting Managers, performing ongoing Manager due diligence, and risk management, are made by the Firm's nine-person Investment Committee.

The committee consists of Roxanne Martino, CEO and Investment Committee Chairperson; Scott Schweighauser, President and Portfolio Manager; Justin Sheperd, Chief Investment Officer and Portfolio Manager; Gregory Schneiderman and Patrick Sheedy, Portfolio Managers; David Kuenzi, Managing Director of Risk Management and Quantitative Research; Anne Marie Morley, Managing Director of

Operations; Lynne Kostakis, Director of Allocations and Business Strategy, and Daniel Harris, Head of Research. Members of the Investment Committee also manage, and the Investment Committee is assisted by, our Research team, Operational Due Diligence team, and Risk Management and Quantitative Research team, which perform rigorous quantitative and qualitative analyses.

The Firm's most senior investment professionals both serve on the front line of Manager due diligence and make the critical judgments in terms of portfolio construction and Manager approval. In both the initial and the ongoing due diligence process, the direct contact between our senior professionals and the principals of the Managers allows for the most accurate and timely flow of information, reducing the risk that important information will be misinterpreted or overlooked.

As a voting member, each Portfolio Manager has equal say in all investment decisions and without consensus, there is no investment. Likewise, if any one Portfolio Manager becomes uncomfortable with a current Manager, only one vote is required to redeem from the Manager. As Chairperson, Ms. Martino has oversight of the investment process and has the right to veto investment in any prospective or existing Manager. Ms. Morley also has the right to veto investment in any prospective or existing Manager based on operational concerns resulting from the work of the Operational Due Diligence team.

The Investment Committee selects Managers on the basis of various criteria, which may include, among other things, an analysis of the Manager's performance during various time periods and market cycles and/or the Manager's reputation, experience, investment philosophy, and policies and training of its principals and key personnel. The Investment Committee may also consider, among other things, whether a prospective Manager has an identifiable track record, recognizable prospects, and a substantial personal investment in the Underlying Fund or such Manager's investment program. In addition, the Manager's ability to provide timely and accurate reporting will be considered. Aurora is not limited to selecting Managers with past investment histories and may invest with a Manager based on the assessment of its future prospects.

Due to the generally wide dispersion of returns among Managers in each sector, Manager selection is of key importance. We expect a Manager, in addition to contributing to portfolio diversification, to bring an identifiable, sustainable edge in its strategy that offers both positive alpha generation and attractive correlation characteristics in relation to the portfolio's other Managers. Because we are looking for a sustainable edge, we seek to assess whether a Manager can maintain performance over time and multiple market cycles.

The differentiating element of our investment process is our retention of critical judgments (i.e., inclusion/termination of a Manager, on-site due diligence of Managers and portfolio construction) at the most senior level. In both the initial and ongoing due diligence process, we believe that the direct contact between members of our Investment Committee and the principals of the underlying Managers allows for the most accurate and timely flow of information, establishes valuable long-term relationships, and reduces the risk that important information will be misinterpreted or overlooked. This practice also gives the Firm an advantage in getting consistent access not only to the best hedge funds but also to the principals of those hedge funds.

Operational due diligence is a critical part of the investment process. Prior to investing with a new Manager, Aurora performs operational due diligence on the back and middle offices of the Manager. Members of the Operational Due Diligence team travel on-site to interview the key operational professionals. We ask a series of questions and may request examples of the processes in place for operational infrastructure, not only within the Manager, but also within the Manager's third party administrator, prime broker(s), and independent auditor. In addition to the on-site visit, the Operational Due Diligence team with the support of the Research team conducts an operational review, addressing such facets as:

- Service provider relationships
- Financial statement review



- Pricing policy review
- Pricing mechanisms for hard-to-value securities
- Trade error resolution process
- Disaster recovery plan

After we have invested with a Manager, our Operational Due Diligence team attempts to meet with each Manager at least once every twelve to eighteen months.

Aurora's investment process also includes a risk management and quantitative research component. The Risk Management and Quantitative Research team conducts thorough quantitative risk analyses prior to investment on each prospective Manager and on an on-going basis for existing Managers. The quantitative reporting aims to highlight respective risk exposures and sensitivities. The following is a sample of factors examined:

- Historical returns and performance in up and down markets
- Correlation to relevant indices, other Managers, and to the Clients
- Exposure
- Tail risk/outlier events
- Serial correlation
- Omega
- Volatility as measured by standard deviation and downside deviation
- Sharpe Ratio
- Leverage
- Liquidity of instruments traded

This reporting allows the Investment Committee to perform Manager level analysis from numerous perspectives. Performance attribution of profits and losses is a key assessment tool used during both initial and ongoing due diligence. For each Manager the Investment Committee reviews a detailed risk report that sets forth a thorough quantitative analysis of the Manager's performance and risk, including moments of return distribution, drawdown analysis, rolling betas, alphas, and volatilities. Additionally, the Investment Committee reviews reports that compare a Manager's return, risk, and correlation statistics to those of industry peers (including Managers that we may not be invested with) and relevant market indices (including both standard market indices and various hedge fund benchmarks). These reports are evaluated periodically to determine the Manager's ability to generate alpha and manage risk in various market environments.

Aurora also assesses risk at the portfolio level, analyzing strategy and Manager diversification and the appropriate allocations to these strategies and Managers within each Client. The analysis goes to our Clients' risk exposures and sensitivities, including risk allocations, correlation clusters, beta exposures, and risk concentrations. In this process, risk is assessed with regard to:

- Attribution within and across the Firm's Clients, identifying drivers of returns
- Risk allocation allotted to each Manager and the diversification profile of each Manager within the Client's portfolio, assisting in consideration whether position sizing is appropriate given expected alpha and overall conviction levels
- Correlation and analysis of the extent to which certain Managers cluster together (regardless of stated strategy) and whether the relative sizing of highly-correlated Managers is optimal

- Pro forma beta analysis, combined with an examination of detailed exposure data with regard to each Client, to assess the level of directional market risk
- Position holdings information in reports filed publicly by individual Managers is aggregated to the portfolio level, providing one estimate of concentrations to individual stocks, sectors, and market capitalization buckets
- Analysis of historical strategy level correlations, betas, and alphas to identify trends within these strategies

## MATERIAL RISKS

Set forth below is a summary of certain material risk factors applicable to the advisory services provided by Aurora. Certain of the risk factors discussed in the summary below may pertain only to certain of the Firm's Clients while other risk factors may be applicable to all of the Firm's Clients generally. The summary is qualified in its entirety by the risk factors set forth in each Client's offering materials, prospectus, or similar account opening documents, as applicable. The investment strategies employed by Aurora and the Managers involve substantial risk. Only persons who understand, and are willing and financially able to assume, the risks of such an investment, including the risk of losing all or substantially all of their investment, should consider investing.

### Overview of Risks

Aurora's multi-manager, multi-strategy or multi-manager, single-strategy investment approach is generally subject to three basic investment-related types of risk: market risk, strategy risk, and manager risk.

Market risk reflects the fact that there are certain general market conditions in which any given investment strategy is unlikely to be profitable. Neither the Managers nor Aurora has any ability to control or predict such market conditions. With respect to market risk, the Investment Committee's approach (unless otherwise instructed by a Client) is designed to achieve broad diversification across global capital markets in an attempt to reduce a Client's exposure to any single market. However, from time to time multiple markets could move in tandem against a Client's positions and the Client could suffer substantial losses.

Strategy risk is associated with the failure or deterioration of an entire strategy such that most or all Managers employing that strategy suffer significant losses. Strategy specific losses may result from excessive concentration by multiple Managers in the same investment or general economic events that adversely affect particular strategies (e.g., the disruption of historical pricing relationships). The strategies employed by the Managers are speculative in nature and involve substantial risk of loss in the event of such failure or deterioration.

Manager risk encompasses the possibility of loss due to Manager fraud (at the trader or principal level), intentional or inadvertent deviations from a predefined investment strategy (including excessive concentration, directional investing outside of predefined ranges, excessive leverage, or new capital markets) or simply poor judgment.

### Structural and General Risks

*Liquidity and Transferability of Interests.* Certain Clients offer their investors only limited liquidity and interests are generally not freely transferable. In addition to other liquidity restrictions, the Aurora Funds generally offer only quarterly liquidity following prior notice for investors. Customized Portfolios and certain Registered Funds may offer more or less liquidity depending upon the structure and investment objectives. Investments in Underlying Funds may offer liquidity at infrequent times (i.e., monthly, quarterly, annually or less frequently). Accordingly, investors in such Clients should understand that they may not be able to liquidate their investment in the event of an emergency or for any other reason. *Limitations on Withdrawal of Capital.* Certain Clients and the Underlying Funds in which they invest have broad rights to defer, suspend, side pocket, or otherwise delay all or a portion of a withdrawal request, as well as to delay payment of all or a portion of withdrawal proceeds. In periods of market disruption, when

a Client may have the most need for the withdrawal proceeds, a Client or an investor in such Client may be unable to withdraw its capital.

Certain Clients and Underlying Funds impose fees on withdrawals made on short notice or prior to the expiration of "lock-up" periods. In certain circumstances, including periods of extreme illiquidity, a Client may be required to withdraw from Underlying Funds at disadvantageous times and such withdrawals may be subject to withdrawal fees.

No assurances can be made that a Client will be able or willing to liquidate investments sufficient to satisfy all or any portion of withdrawal requests, and Clients and investors therein must be prepared to bear the financial risks of an investment for an indefinite period of time materially increasing the risk of investment.

*Market Opportunities Investments.* These investments are intended to add exposure to a particular trade idea or investment theme that the Manager believes presents a unique source of investment return. Consequently, Market Opportunities Investment are intended to be concentrated and lack diversification. Clients that make these investments will be subject to greater market risk and potential volatility as a result. Typically, these investments require Clients to invest capital that may not be withdrawable for a specified period of time (which may be three years or more).

*Risks of Investing in Underlying Funds.* The Clients and the Underlying Funds, when organized as independent legal entities, may be subject to lawsuits or proceedings by government entities or private parties, and Underlying Funds pursuing certain strategies may be more prone to lawsuits in connection with their investment activities than Underlying Funds pursuing strategies where the likelihood of engaging in hostile investment activities is lower. Expenses or liabilities of a Client or an Underlying Fund arising from any such suit would be borne by the Client or the Underlying Fund.

*Separate Account Allocations.* A Client may place assets with a Manager through opening a separately managed account rather than investing in commingled funds. Such accounts have the potential to expose the Client to theoretically unlimited liability, so that if a Manager uses leverage, the Client could lose more in an account directed by a particular Manager than the Client had allocated to an Underlying Fund managed by such Manager. Aurora may attempt to insulate a Client from such risk by allocating assets through a limited liability entity or other special purpose vehicle, but it will not always be possible to do so and the Client may elect not to do so.

*Structured Investments.* A Client may access Managers indirectly by purchasing structured notes linked to the performance of an Underlying Fund or by entering a swap or other contract paying a return equal to the total return of the Underlying Fund ("Structured Investments"). The value of Structured Investments will depend largely upon price movements in the Underlying Funds to which such Structured Investments are linked. Structured Investments expose a Client to the additional risks associated with derivatives markets, including the risk of counterparty default and liquidity risks.

*Strategic Capital Investments.* From time to time, Aurora may make Strategic Capital Investments on behalf of its Clients with newly-emerging Managers. In addition to the general risks associated with an investment in an Underlying Fund, an investment as an early stage capital provider seeking a share of an emerging Manager's revenues entails certain additional risks, including: (1) emerging Managers may have less operational infrastructure and administrative controls than more established Managers, (2) while their principals will have experience in investing, their principals may have very limited experience managing asset management firms and the organization may not be able to develop an appropriate trading discipline, (3) while Aurora will have reviewed any available performance history of the principals, the Underlying Funds they manage have short, or non-existent, performance records upon which Aurora can evaluate anticipated performance, (4) a Client's investment may be committed for a longer period of time than the liquidity offered by the Underlying Fund to other investors and may be locked-up when other investors in the Underlying Fund are able to withdraw their investments in response to poor performance, (5) Aurora may be unsuccessful at identifying Managers who succeed in establishing and developing their own investment management businesses capable of generating revenues in which Clients can share,

potentially resulting in foregone opportunities, (6) senior personnel of a successful Manager may — over time — resent sharing revenues with Clients leading certain of such senior personnel to leave the Manager, potentially impairing its trading and investment capabilities and its ability to generate revenues in which Clients can share, (7) Clients will bear their pro rata share of the costs of negotiating these types of arrangements with emerging Managers, which may be significant, even if an agreement is not reached, and (8) Clients will bear their pro rata share of the costs (including costs of Aurora) of any legal action brought by, or against, an emerging Manager related to such arrangement.

*Substantial Withdrawals.* A Client which experiences the need for cash (for example, substantial investor withdrawals from an Aurora Fund) within a limited period of time could require the Client to liquidate its investments more rapidly than would otherwise be desirable. This may impact Aurora's ability to execute the investment strategy chosen by the Client.

*Side Letters.* Certain Clients have entered or may enter into agreements with underlying investors which have the effect of altering or supplementing the terms of the offering to the investor. Such agreements may grant certain investors fees, reporting, or liquidity, as well as other matters, that are more favorable than the terms given to other investors and are not generally subject to the approval of or specific disclosure to any investor or any other person.

A Client may also enter into side letter agreements with Managers for the benefit of a Client. Due to various factors including the date of contribution, there can be no guarantee that multiple Clients investing with the same Manager will invest on the same terms.

*Trade Errors.* Unintended errors in the communication or administration of trading instructions, which may be due to a mistake of fact, processing error, human error, or other similar reason, are an intrinsic factor in any complex investment process, and will occur, notwithstanding the execution of due care and special procedures designed to prevent such errors. In general, if trading errors and/or order errors occur at the Client level, any losses (or gains) will be borne by such Client to the extent permitted by law, unless they are the result of conduct inconsistent with the standard of care. Trading errors and/or order errors that occur at the Underlying Fund level will be allocated or resolved according to each Underlying Fund's governing documents. Notwithstanding the foregoing, certain Clients are prohibited by law from incurring any loss resulting from trading errors and/or order errors, regardless of whether they are the result of conduct inconsistent with the standard of care. Losses resulting from trading errors and/or order errors associated with such Clients will be borne by the Firm, the Manager, or the relevant service provider depending on the circumstances.

*Concentration and Lack of Diversification.* A number of Managers might accumulate substantial positions in the same or related instruments at the same time. In addition, the Underlying Funds may hold a few relatively large investments (in relation to their capital) and a loss in any such position could have a material adverse impact on their capital. A Client's investment program may not constitute a balanced investment plan.

*Use of Leverage.* The Managers may use leverage by purchasing instruments with the use of borrowed funds, by trading options or futures contracts, or through other means. The amount of leverage used by a Manager may be large in relation to an Underlying Fund's capital. Although such techniques increase the opportunity for a higher return on investment, they also increase the risk of loss.

*Credit Facilities.* Aurora recommends that certain Clients have the power to borrow and do so when deemed appropriate by Aurora. Aurora anticipates the Clients may borrow (1) to allow a Client, in connection with reallocations among Managers, to make one or more investments while waiting to receive redemption proceeds from another Manager or Managers; (2) to meet redemptions which would otherwise result in the premature liquidation of investments; (3) to margin or settle hedging contracts; (4) in anticipation of subscription proceeds to be received from investors; or (5) to make investments with Managers that accept new investments on an intermittent or limited basis, although it is not obligated to do so in any case. Each Client is under no obligation to enter into or utilize credit facilities to meet withdrawal requests or for portfolio management purposes. However, when such credit facilities are

utilized, the Client is subject to greater risk than if it did not utilize such credit facilities due to the resultant leverage of the portfolio. Moreover, a Client incurs expenses, such as interest, set-up fees, and commitment fees with respect to such facilities, and lenders are often able to change the terms to such credit facilities, including fee and collateral terms, on short notice.

*Reliance on Management.* If Aurora lost the services of the Chairperson of the Investment Committee or any of its Portfolio Managers, it might adversely impact its Clients.

*Manager/Underlying Fund Restrictions.* There are a number of Managers whose services are not generally available to the investing public. These Managers generally place stringent restrictions on the number of investors whose money they will manage or their aggregate assets under management. As a result, certain Managers and Underlying Funds to which Aurora would like to allocate Client assets may limit, or be unable or unwilling to accept, an allocation of Client assets. This could adversely affect a Client's investment strategy and, consequently, its returns.

Moreover, there may be times when one Client allocates assets to a particular Manager in a different manner than another Client. For instance, to satisfy withdrawal requests, Aurora may withdraw Client assets from one Manager while another Client may be allocating additional assets to that same Manager. Consequently, a Client could incur losses or lose out on certain gains from which other affiliated funds or accounts may benefit.

*Substantial Fees, Expenses and Significant Trading Expenses.* A Client's fees and expenses include not only Aurora's fees, but also the compensation and fees paid to the Managers of the Underlying Funds, as well as the *pro rata* share of the costs and expenses of the Underlying Funds in which it invests. Due to this double layer of fees and expenses, a Client's expenses will likely constitute a higher percentage of net assets than expenses of other investment entities which do not use a multi-manager approach.

The investment strategies employed by certain Managers may involve a high volume and frequency of trading activity. Portfolio turnover and brokerage commission expenses may therefore significantly exceed those of other investment entities of comparable size.

*Possibility of Fraud and Other Misconduct.* When a Client invests in an Underlying Fund, the Client does not have custody of the Underlying Fund's assets. Therefore, there is the risk that the Underlying Fund or its custodian could divert or abscond with those assets, fail to follow agreed upon investment strategies, provide false reports of operations, or engage in other misconduct. Moreover, there can be no assurances that all Underlying Funds will be operated in accordance with all applicable laws and that assets entrusted to Underlying Funds will be protected.

In the past there have been a number of widely reported instances of violations of the securities laws through the misuse of confidential information, misappropriation of assets, or other activities. Such violations may result in substantial liabilities for damages caused to others, for the disgorgement of profits realized, and for penalties. If a Manager or Underlying Fund commits any such violation, a Client could be exposed to significant losses or reputational harm.

*Counterparty Risk.* The institutions (such as banks) and prime brokers with which a Client or Manager do business, or to which securities have been entrusted for custodial purposes, could encounter financial difficulties. This could impair the operational capabilities or the capital position of a Client or a Manager or create unanticipated trading risks.

*Sole Principal Managers.* Some of the Managers to whom a Client may allocate capital may be dependent on the services of only one principal. If that individual died or became incapacitated, a Client could sustain losses.

*Performance Fees.* With respect to certain Clients, Aurora and the Managers may charge performance fees which may create an incentive for Aurora and the Managers to make investments that are riskier or

more speculative than would be the case in the absence of a performance fee. Aurora and the Managers are generally not financially responsible for losses in accounts under their management and are not required to reimburse such accounts for prior fees received by them in the event of subsequent losses. Aurora and the Managers may take greater risks when their compensation is based solely upon profits and they do not bear any financial responsibility for losses.

*Use of Estimates by Certain Clients.* The value of certain Client's assets may be based on estimated valuations received from the Managers and Underlying Funds. There can be no assurance that such estimates will be accurate. In the event that a Manager or Underlying Fund revises a valuation after a Client has calculated its net asset value based on an earlier estimate, Aurora generally will not attempt to make any retroactive adjustments with respect to the payment of withdrawal proceeds or fees, and the remaining investors shall bear, *pro rata*, the increase or decrease in net asset value resulting from any such changed valuations. The process of calculating net asset value may vary by Client.

*Affiliated Transactions.* To the extent permitted by law, including, but not limited to, ERISA, a Client may, from time to time, engage in transactions with entities affiliated with Aurora and its affiliates. These transactions may involve actual or potential conflicts of interest.

*Buying and Selling Underlying Fund Interests.* Certain Clients may buy or sell an interest in an Underlying Fund in a secondary market transaction, rather than redeeming from or subscribing to such Underlying Fund. Any purchase or sale may be at a premium or discount to the net asset value of the Underlying Fund. Buying and selling Underlying Fund interests in secondary markets may also result in increased costs and risks to a Client, as it requires negotiating with counterparties and could result in claims later being made by or against such counterparties that could adversely affect the Client.

*Tax Risks.* There are certain tax risks associated with an investment in a portfolio of hedge funds, including without limitation, with respect to tax positions taken by and tax estimates made by certain Clients and the Underlying Funds.

*Employee Benefit Plan Matters.* Most pension and profit sharing plans are subject to provisions of the Internal Revenue Code of 1986, as amended, Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or both, which may be relevant to a decision as to whether such a prospective investor should invest in a Client. There may, for example, be issues as to whether such an investment is "prudent" or whether it results in "prohibited transactions." Counsel should be consulted by such a prospective investor before investing in a Client.

*Changes in Law.* Changes in non-U.S. or U.S. state and federal laws applicable to a Client, Aurora, the Managers, the Underlying Funds, or securities or instruments in which a Client may invest may negatively affect a Client's returns. The global financial markets continue to be subject to pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an "emergency" basis with little or no notice, with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions has been suddenly and/or substantially eliminated or otherwise negatively implicated. Given the complexities of the global financial markets and the limited time frame within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty, which in itself has been materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

*Geo-Political Risks.* Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility, and may have adverse long-term effects on world economies and markets generally.

### Direct Investments and Underlying Investment Risks

Below is a summary of certain key risk factors applicable to the direct investments of the Clients and the underlying instruments traded by the Managers. The risk factors below apply to the trading activities of the Managers, the Underlying Funds, and the direct investments made by the Clients. While it is anticipated that the direct trading of certain Clients will be relatively limited, such Clients are not generally prohibited from investing in any instruments.

*No Limitation on Investment Instruments.* There is no limitation on the investment instruments in which a Manager may invest. New investment instruments are continually developing and investment in such instruments may involve material and as of yet unanticipated risks.

*Equity Securities and Equity Derivatives.* Managers may invest in equity securities and equity derivatives. The value of equity securities and equity derivatives vary based upon the company's performance and movements in the broader equity markets. Numerous economic factors, as well as market sentiment, political, and market-related factors, among others, influence the value of equities. An Underlying Fund may suffer losses if an equity instrument's performance diverges from expectations or if equity markets generally move in a single direction and Aurora or a Manager has not hedged against such a move.

*Short Selling.* Short selling exposes the seller to theoretically unlimited risk due to the lack of an upper limit on the price to which a security may rise and there can be no assurance that the securities necessary to cover a short position will be available for purchase at such times. However, to the extent a Client's assets are invested in limited liability entities, its losses are limited to its investment in the particular entity.

Short selling is a main component of the Portfolio Hedge strategy and an important component of other strategies implemented by Managers on behalf of the Clients. If additional regulation is imposed in the future, such Managers may not be able to effectively implement their investment strategies or their investment strategies may become uneconomical, which in either case could adversely affect a Client's performance.

*Smaller Company Risk.* Certain Managers and Clients may invest in micro-cap and small-cap companies. While these smaller companies may have significant potential for growth, they may also be higher risk investments. Small, start-up companies often lack the capability to diversify, a wide customer base, extensive manufacturing capability or experience, and access to capital markets, factors which may severely limit their ability to grow.

*Debt Securities.* A Client and the Managers may invest in U.S. and non-U.S. corporate and sovereign debt securities and instruments. Debt securities may be subject to price volatility due to various factors including changes in interest rates, market perceptions of the creditworthiness of an issuer, and general market liquidity. Such instruments involve the fundamental credit risk that an issuer will be unable to make principal and interest payments. Debt securities may be rated or unrated, and whether or not rated may have speculative characteristics. To the extent a Manager or Client invests in non-U.S. sovereign debt, such investments may involve a higher degree of risk and governmental entities may default on or restructure their obligations.

*Distressed and High-Yield Securities.* A Manager or Client may invest in securities of issuers in weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems, or issuers that are involved in bankruptcy or reorganization proceedings. Investments of this type involve substantial financial business risks that can result in substantial or total losses. Among the problems involved in investments in troubled issuers is the fact that it frequently may be difficult to obtain information as to the conditions of such issuers. The market prices of such securities are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and ask prices of such securities may be greater than normally expected. It may take a number of years for the market price of such securities to reflect their intrinsic value. It is anticipated that some of the portfolio securities held by

the Underlying Funds may not be widely traded, and that an Underlying Fund's position in such securities may be substantial in relation to the market for the securities.

*Use of Derivatives.* The Managers and Clients may use derivative instruments, which may include, without limitation, warrants, options, swaps, convertible securities, notional principal contracts, contracts for differences, forward contracts, and futures contracts and options, both for hedging and speculative purposes. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage often embedded in such instruments and the possibility of counterparty non-performance as well as of material and prolonged deviations between the actual and the theoretical value of a derivative (*i.e.*, due to nonconformance to anticipated or historical correlation patterns). In addition, the markets for certain derivatives are frequently characterized by limited liquidity, which may make it difficult as well as costly to the Managers and Clients to close out positions in order either to realize gains or to limit losses.

*Credit Derivatives.* The Managers and Clients may purchase and sell credit derivatives. Credit derivatives trading is subject not only to the credit risk of the issuer of the underlying obligations to which such derivatives are referenced, but also to the credit risk of the counterparty to the credit derivative transaction itself.

*Options.* The Managers and Clients may buy and sell options. The purchase or sale of an option by a Client or Underlying Fund involves the payment or receipt of a premium payment and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security or other instrument in excess of the premium payment received.

*Futures.* The Managers and Clients may trade futures. Because of the low margin deposits normally required in futures trading (typically between 2.0% and 15% of the value of the contract purchased or sold), a high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses and, like other leveraged investments, any trade may result in losses in excess of the amount invested.

*Forward Contracts.* The Managers and Clients may trade forward contracts in currencies. Such forward contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. Forward trading is subject to the risk of the failure of, or the inability to perform with respect to its forward contracts by, the counterparties with which an Underlying Fund or a Client may trade. Assets on deposit with such counterparties are also generally not protected by the same segregation requirements imposed on futures brokers regulated by the Commodity Futures Trading Commission (the "CFTC") in respect of customer funds on deposit with them. With respect to any forward trading, a Client will be subject to the risk of the failure of, or the inability or refusal to perform by, the counterparties with which a Client or the Managers trade.

*Investment in Non-U.S. Securities and Emerging Markets.* The Managers and Clients may invest, directly or indirectly, in securities of non-U.S. issuers. Non-U.S. investments — and in particular those in emerging markets — involve certain special risks, including (1) political or economic instability, (2) the unpredictability of international trade patterns, (3) the possibility of non-U.S. governmental actions such as expropriation, nationalization, or confiscatory taxation, (4) the imposition or modification of currency controls, (5) price volatility, (6) the imposition of withholding taxes on dividends, interest, and gains, (7) different bankruptcy laws and practice, (8) the fluctuation of currency exchange rates, and (9) the lack of, or different, regulations applicable to such investments as compared to U.S. investments.

*Investment in Non-Marketable Securities.* While many Underlying Funds or Managers will invest only in marketable securities, others may invest capital in non-marketable securities as provided in each of their governing instruments. For example, Managers may purchase restricted stock in private placements,



take large positions in public companies that they seek to control or influence, or invest in private equity-like transactions. In addition, securities for which active markets previously existed may become non-marketable during times of market disruption or dislocation. As a result of these and other investments, the Underlying Fund or Manager may have to hold certain securities despite an adverse price movement.

*Liquidity Crises and Correlation of Returns.* Adverse market conditions can lead to a “liquidity crisis” in which credit is less available and financial institutions and market participants sell assets to raise cash. During these periods, the prices of different asset classes tend to become correlated and the benefit of diversification among investment strategies and Underlying Funds is mitigated.

*Increase in Amount of Assets Under Management.* Generally, Aurora does not limit the amount of capital that a Client may invest. As a Client’s assets increase, more capital will be allocated to Managers. The Managers may or may not have restrictions on their level of assets under management. It is not known what effect, if any, an increase in the amount of assets under management will have on the trading strategies utilized by the Managers or their investment results. However, there appears to be a tendency for the rates of return achieved by investment managers to degrade as assets under management increase, and there can be no assurance that this will not occur in the case of Aurora or any Manager, or that a Client’s or Underlying Fund’s returns will be similar to that achieved in the past.

The foregoing list of risk factors does not purport to be a complete explanation of the risks involved in Aurora’s advisory services. Prospective investors should read the applicable offering materials, prospectus, or similar account opening documents for such Client, if any, before determining whether to engage Aurora to provide advisory services, in addition to consulting with their own financial and tax advisers. Prospective investors in a commingled vehicle should also be aware that they will have no role in the management of the Client and will be required to rely on the expertise of Aurora in dealing with the foregoing (and other) risks on a day-to-day basis.

## Item 9      Disciplinary Information

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As of the date of this filing, Aurora does not have any legal, financial, or other “disciplinary” items to report. Should this information change, Aurora will promptly update this statement.

This statement applies to the Firm and its employees.

## Item 10 Other Financial Industry Activities and Affiliations

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### REGISTRATION

- The Firm is registered with the CFTC as a “commodity pool operator” and a “commodity trading advisor.”
- The Firm is a member of the National Futures Association, which is the self-regulatory organization for the futures industry.
- The Firm and certain Clients have also claimed registration exemptions from certain non-U.S. jurisdictions.

### MATERIAL RELATIONSHIPS

Aurora is an indirect subsidiary of NGAM, which owns, in addition to Aurora, a number of other asset management, distribution, and service entities (each, together with any advisory affiliates of Aurora, a “related person”). As noted under Item 4, NGAM is owned by Natixis, which is principally owned by BPCE, France's second largest banking group. BPCE is owned by banks comprising two autonomous and complementary retail banking networks consisting of the Caisse d'Epargne regional savings banks and the Banque Populaire regional cooperative banks. There are several intermediate holding companies and general partnership entities in the ownership chain between BPCE and Aurora. In addition, NGAM's parent companies, Natixis and BPCE, each own, directly or indirectly, other investment advisers and securities and financial services firms which also engage in securities transactions.

Aurora does not presently enter into transactions with related persons on behalf of Clients. Because Aurora is affiliated with a number of asset management, distribution, and service entities, Aurora occasionally may engage in business activities with some of these entities, subject to Aurora's policies and procedures governing conflicts of interest. For example, Aurora may enter into relationships with related persons, including advisory and sub-advisory arrangements, however, this is not currently the case and Aurora does not intend to enter into these agreements. Given that related persons are equipped to provide a number of services and investment products to the Clients, subject to applicable law, the Clients may engage a related person to provide any number of such services, including advisory, custodial, or banking services, or may invest in the investment products provided or sponsored by a related person of Aurora. The relationships described herein could give rise to potential conflicts of interest or otherwise may have an adverse effect on the Clients. For example, when acting in a commercial capacity, related persons of Aurora may take commercial steps in their own interests, which may be adverse to those of the Clients.

Given the interrelationships among Aurora and its related persons and the changing nature of Aurora's related persons' businesses and affiliations, there may be other or different potential conflicts of interest that arise in the future or that are not covered by this discussion. Additional information regarding potential conflicts of interest arising from Aurora's relationships and activities with its related persons is provided under Item 11.

For Aurora Funds organized as limited partnerships or limited liability companies, Aurora typically serves as the general partner or managing member of such funds. For Aurora Funds organized as corporations, an employee of Aurora generally holds a position on the board of directors of such funds. For its Registered Funds, Aurora serves as adviser or sub-adviser. Aurora may also serve in similar roles for its Customized Portfolios.

Some of the principals (and their families) of the Managers to which the Clients or their affiliates have allocated their capital invest or may invest in a Client.

Former employees of Aurora may provide services to certain Managers in which a Client invests while receiving deferred compensation payments from Aurora.

Aurora and/or a Client may enter into a distribution relationship with a selling agent, such as a broker-dealer, for the solicitation of qualified investors for investment into a Client. The distribution agreements generally require either Aurora or the Client to pay a portion of the management fee to the distributor. The distributor may charge a separate asset-based distribution fee (*i.e.*, sales load). Related persons of Aurora serve as distributors for certain Clients, including one Registered Fund for which an NGAM affiliate acts as lead underwriter.

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

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### CODE OF ETHICS AND PERSONAL TRADING

Aurora's Code of Ethics (the "Code") is designed to detect and prevent improper activity by employees and address potential conflicts of interest. All employees of Aurora are subject to the Code and the provisions contained therein. All employees must affirm their understanding of the Code on an annual basis.

The Code was drafted to include various requirements under Rule 17j-1 of the Company Act and Rule 204A-1 of the Advisers Act. The Code sets forth standards of conduct for employees of Aurora, requires compliance with applicable law, including federal securities laws, requires employees of Aurora to report personal securities holdings and transactions, and sets forth policies on, among other things, the prevention of insider trading, market-manipulation, confidentiality of client information, outside activities, political contributions, gifts, and record retention with respect to the Code.

Aurora, its employees, and their families may trade certain securities (including interests in Underlying Funds) and other financial instruments for their own accounts. These investments may be purchased or liquidated independently of a Client's investment. Specifically in the case of Underlying Fund investments, such trading may be in competition with a Client. In addition, such investments may influence Aurora's allocation of a Client's capital among Underlying Funds and its decision to maintain, increase, or withdraw assets from any particular Underlying Fund, to the possible detriment of a Client. Aurora intends, however, to treat each Client fairly, acting in accordance with its fiduciary duty.

It is Aurora's policy that no trading activity by a person associated with Aurora in any security including interests in Underlying Funds may disadvantage a Client's interest or investment nor shall any associated person receive any improper benefit from such trading. To reasonably prevent this from occurring, Aurora's Code includes the following provisions:

- restricts employees from trading in many types of securities, such as individual company stocks and bonds,
- requires employees to obtain preapproval of initial and subsequent investments in private placements, and
- requires employees to have duplicate brokerage statements sent to Aurora.

Each employee's transactions in securities are reviewed, and they may be reversed if inconsistent with Aurora's Code.

If any client or prospective client would like a copy of Aurora's complete Code, a request should be sent to the Firm's Chief Compliance Officer (the "CCO") at Aurora Investment Management L.L.C., 300 North LaSalle Street, 52nd Floor, Chicago, IL 60654 or to [Compliance@AuroraLLC.com](mailto:Compliance@AuroraLLC.com).

### PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

In connection with providing investment management and advisory services to its Clients, Aurora acts independently of other affiliated investment advisers and manages the assets of each of its Clients in accordance with the investment mandate selected by such clients.

Related persons of Aurora engage in securities transactions. Aurora or its related persons may invest in the same securities that Aurora recommends for, purchases for, or sells to the Clients. Aurora and its related persons (to the extent they have independent relationships with the client) may give advice to and take action with their own accounts or with other client accounts that may compete or conflict with the advice Aurora may give to, or an investment action Aurora may take on behalf of, the Client or may

involve different timing than with respect to the Client. Since the trading activities of NGAM firms are not coordinated, each firm may trade the same security at about the same time, on the same or opposite side of the market, thereby possibly affecting the price, amount, or other terms of the trade execution, adversely affecting some or all Clients. Similarly, one or more clients of Aurora's related persons may dilute or otherwise disadvantage the price or investment strategies of another client through their own transactions in investments. Aurora's management on behalf of its Clients may benefit Aurora or its related persons. For example, Clients may, to the extent permitted by applicable law, invest directly or indirectly in the securities of companies in which Aurora or a related person, for itself or its Clients, has an economic interest, and Clients, or Aurora or a related person on behalf its client, may engage in investment transactions which could result in other clients being relieved of obligations, or which may cause other clients to divest certain investments. The results of the investment activities of a Client of Aurora may differ significantly from the results achieved by Aurora for other current or future Clients.

In addition, certain related persons of Aurora may engage in banking or other financial services, and in the course of conducting such business, such persons may take actions that adversely affect the Clients. For example, a related person engaged in lending may foreclose on an issuer or security in which the Clients have an interest. As noted above, Aurora typically will not have the ability to influence the actions of its related persons.

Aurora advises, and may organize or advise in the future, investment vehicles that invest in similar or different investments. As noted in Item 10, Aurora typically serves as the general partner or managing member for its Clients or is appointed as their sub-adviser or investment manager. Employees of Aurora may sit on the board of directors for its non-U.S. Aurora Funds. One Aurora Fund for which the Firm serves as the general partner currently effects its investment strategy by investing in Aurora's other Clients and other Clients may invest in one or more Aurora Funds. The management of these accounts by Aurora may conflict in some circumstances. For example, Aurora may determine that an investment opportunity in an Underlying Fund or with a Manager is appropriate for a particular Client, or for itself, but not for another Client. Aurora may have different types of Clients and its Clients may be subject to different regulations. Clients may have different investment strategies, objectives and restrictions, and may be subject to different terms. These terms include, but are not limited to the following: investor lock-up periods, gates, management and performance fees, liquidity terms, rights to receive information regarding the portfolio, and such other rights as may be negotiated by investors or other accounts. As a result, Aurora may have an incentive to favor one account over another when making investment decisions.

Subject to the requirements under applicable law, including ERISA, Aurora may engage in principal or cross trades for Clients when Aurora believes such transactions are appropriate and in the best interests of its Clients. When Aurora is the general partner or managing member of a Client, Aurora may be deemed to be acting as a principal that (1) buys securities for itself from a Client or (2) sells securities that it owns to a Client. In addition, employees of Aurora may invest in such vehicles and employees may be deemed to control such vehicles.

An example of a situation when Aurora would engage in a cross trade is as follows. Aurora may decide an Aurora Fund should reduce or increase its investment in an Underlying Fund and another Aurora Fund should increase or decrease its investment in such Underlying Fund. This is likely to occur when an Underlying Fund is closed to new investments. Aurora may effect such transactions by directing the transfer of the interests between the Aurora Funds. Any such transactions will be effected on the basis of the respective Underlying Fund's reported net asset value and Aurora will receive no compensation in connection with such transactions. Any incremental costs and expenses associated with any such investment will be borne by the Aurora Funds on a *pro rata* basis. In addition, Aurora may recommend that a Client purchase or sell an investment that is being sold or purchased, respectively, at the same time by Aurora or a related person. Aurora does not engage in agency cross transactions.

Situations may arise in which Clients managed by Aurora or its related persons have made investments that would have been suitable for investment by one Client but, for various reasons, were not pursued by, or available to, another Client. This could arise when Underlying Funds or Managers, for example, place

stringent restrictions on the number of investors whose money they will manage, their aggregate assets under management, or the frequency with which they will permit investors to redeem and liquidate their investment. As a result, certain Underlying Funds or Managers to which Aurora would like to allocate additional Client assets may limit, or be unable or unwilling to accept, an allocation of such Client's assets. To the extent that entities affiliated with Aurora invest in Underlying Funds or with Managers, the ability of a Client to invest in the same Underlying Funds and with the same Managers may be adversely affected by any limitation on availability of the investment. In addition, Aurora may have to allocate limited investment opportunities in Underlying Funds and Managers among Clients, to the possible detriment of another Client.

There may be instances when allocating investments among Clients where some Clients may participate in certain opportunities made available to Aurora while other Clients may not. For example, the opportunity to make Strategic Capital Investments is finite and often limited to the start up of the emerging Manager. As a result, not all Clients will be offered the opportunity to participate in a Strategic Capital Investment. Where accounts have competing interests in a limited investment opportunity, Aurora does not typically allocate investment opportunities *pro rata* among Clients but rather allocates investment opportunities on the basis of numerous other considerations, including, without limitation, a Client's cash flows, investment objectives and restrictions, desired liquidity characteristics, participation in other opportunities, compliance with applicable laws and tax concerns, and the relative size of different accounts' same or comparable portfolio holdings. Please refer to Item 6 for a more detailed description of the Firm's allocation policy.

Further, there may be instances where Aurora may not be able to take action that might benefit a Client(s) because of non-public information it acquires or obligations of confidentiality it incurs in connection with its management of a Client(s) or because an agent, officer, manager, member, or employee of Aurora or its related persons serves as an officer or director of, or a consultant to, a company in which a Client(s) has invested or might otherwise invest.

Aurora and its employees, officers, directors, and affiliates may be investors (sometimes significant investors) in an Aurora Fund or other Client. To the extent Aurora and its affiliates are investors in a Client, Aurora may have an incentive to manage the Client's portfolio for the benefit of Aurora and its affiliates rather than all investors in the Client or other Clients.

Clients that own Strategic Capital Investments may receive a portion of the revenues paid by all investors, including other Clients. To the extent that revenue paid by one Client is shared with another Client or Clients, Aurora has a conflict when it determines which Clients should invest in an emerging Manager's Underlying Fund and the amount of such investment.

Taking into consideration the conflicts of interest disclosed above, it is important to note, it is Aurora's policy to allocate, to the extent operationally and otherwise practical, investment opportunities to each Client over a period of time on a fair and equitable basis relative to its other Clients.

Aurora serves as the investment adviser or sub-adviser to accounts of entities registered under the Company Act. To address certain Company Act requirements regarding affiliated transactions, a Client may elect to own, together with all Clients, less than 5.0% of the voting securities of each Underlying Fund, although the aggregate economic investment in an Underlying Fund may exceed 5.0%. This limitation on owning voting securities is intended to ensure that an Underlying Fund is not deemed an "affiliated person" of a Client for purposes of the Company Act, which may, among other things, impose limits on transactions with the Underlying Fund by a Client. A Client may enter into contractual arrangements under which the Client irrevocably waives some portion or all of its rights (if any) to vote its interests in an Underlying Fund. Aurora will decide whether a Client will waive such voting rights and, in making these decisions, will consider the total size investment across all of the Clients in the particular Underlying Funds. These voting waiver arrangements may increase the ability of the Clients to invest in certain Underlying Funds. However, to the extent a Client contractually forgoes the right to vote the securities of an Underlying Fund, the Client will not be able to vote on, or may have more limited voting rights with respect to, matters that require the approval of the interest holders of the Underlying Fund,

including matters adverse to the Client's interests. Aurora has a conflict of interest in causing a Client's voting rights to be limited in this way in order to allow Aurora to advise a registered investment company and be compensated for doing so.

Aurora may, in its discretion, allow certain investors in a Client, including related persons of Aurora, to withdraw all or a portion of their investment at a time other than as set forth in a Client's offering materials or upon shorter notice. Such early withdrawals may have an adverse impact on the composition and liquidity of a Client's investments and limit a Client's ability to satisfy all withdrawal requests as of a given date.



## Item 12 Brokerage Practices

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### **BROKER SELECTION**

When Aurora has been granted the authority on behalf of a Client to determine the securities bought and sold for the Client's account, Aurora will determine the total amount to be bought and sold, if applicable, which broker and dealer will affect such transactions, and the commission rates, if any, at which the transactions will be effected. In the event Aurora chooses a broker to effect a transaction for a Client, which for most Clients occurs to liquidate "in-kind" distributions that are occasionally made by Underlying Funds or to purchase market hedges that are affected by certain Clients, the broker is chosen with regard to Aurora's ability to obtain the best execution for the Client after considering all relevant factors. These factors include, but are not limited to, particular expertise in the type of security or transaction, commission charge, willingness to maintain the account for extended periods without requiring activity charges, time frame to dispose of securities, frequency of trading activities, access to relevant markets, and prior experience with such broker or dealer. The brokers chosen by Aurora for a Client may also provide other services to a Client such as lending or custody. To the extent brokers are providing such additional services to a Client, there exists a potential conflict of interest which may result in the Client not receiving the most favorable execution.

Aurora may also consider the availability of research services from such broker or dealer. After considering all factors believed by Aurora to be relevant to the services of other broker-dealers, Aurora may determine to pay a broker commission or mark-up in excess of that which another broker-dealer might have charged for effecting the same transaction, in recognition of the value of the brokerage or research services provided by the broker-dealer. Currently, Aurora does not obtain research services from brokers or dealers.

### **CLIENT REFERRALS**

Aurora does not select or recommend brokers or dealers based on whether the broker or dealer refers clients to Aurora.

### **DIRECTED BROKERAGE**

Aurora does not routinely request, require, or recommend that its Clients direct brokerage transactions with a specific broker-dealer. As described above, Clients may specify the broker-dealers with which Aurora must trade. If a Client directs its brokerage activity to a specific broker-dealer, Aurora may be unable to obtain the most favorable execution or the lowest commission for the Clients.

### **TRADE AGGREGATION**

As further disclosed in Item 6, Aurora will at all times seek to allocate investment opportunities among Clients in a manner that is fair and equitable over a period of time taking into consideration the best interests and investment objectives and restrictions of the Clients, among other considerations. Aurora does not intentionally engage in the practice of favoring one Client over another or discriminating against any specific Client.

Orders in the same security for multiple Clients are generally placed on an aggregated basis and typically allocated proportionately to each participating Client taking into consideration the size of the order placed, investment restrictions (if any), and other relevant factors. Each Client will participate at the average price of the trade, and transaction costs are generally shared *pro rata*.

Aurora may not aggregate trade orders where Client investment restrictions do not permit aggregation. The decision of whether or not to aggregate trade orders may impact transaction costs.

## **SOFT DOLLARS**

While it is not Aurora's current practice, Aurora may in the future determine whether to effect brokerage transactions of a Client through broker-dealers who provide Aurora with "brokerage or research services" as that term is used in Section 28(e)(3) of the Securities Exchange Act of 1934. Those services, if provided, could benefit all of the Clients, and not only those having brokerage transactions. In the event that Aurora in the future should elect to do so, Aurora will determine in good faith that the amount of the commission mark-up/mark-down paid is reasonable in relation to the value of the products and brokerage and research services received from such broker-dealer, viewed in terms of either that particular transaction or Aurora's overall responsibilities to all of its Clients.

## Item 13      Review of Accounts

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### **REVIEW OF ACCOUNTS**

Each Client has stated investment objectives, guidelines, and restrictions. The Investment Committee is primarily responsible for ensuring that all portfolio decisions and allocations are consistent with those objectives, guidelines, and restrictions. The Investment Committee meets regularly to review the current composition of each Client's portfolio, to consider and make reallocation decisions among Managers and Underlying Funds, to consider and make allocation decisions regarding new Managers and Underlying Funds in light of general market conditions, to consider changes at the Manager and Underlying Fund level, and to consider cash flow at the portfolio level.

The CCO or his delegate reviews the Investment Committee's allocation decisions monthly. The CCO is the chair of Aurora's Investment Risk Management Committee, which is comprised of other senior principals. The Investment Risk Management Committee meets monthly to independently review Investment Committee decisions, among other things.

Aurora's Legal and Compliance team also provides an independent review of each Client's stated investment guidelines and restrictions. In doing so, a formal policy is maintained to monitor and review adherence to the stated investment guidelines and restrictions. On a monthly basis, a member of the Legal and Compliance team reviews portfolio information and prepares a report that is reviewed and approved by the CCO. Deviations from the investment guidelines and restrictions will be documented and reported to relevant parties.

### **CLIENT SERVICE AND REPORTING**

Investors in the Aurora Funds receive account statements directly from the Clients' third party administrator either monthly or quarterly depending on the Client. The account statements include the net asset value of the investors' holdings in the Aurora Funds and performance information for the covered time period. Finally, each Client is audited by an independent public accounting firm on an annual basis, reports of which are distributed to investors annually.

For each Aurora Fund, the Firm posts preliminary month-end estimates on its secure website on or around the fourth business day following month-end as well as mid-month estimates for the current month on or around the twentieth day following month-end.

Investors in the Aurora Funds receive written valuations of their account balances either monthly or quarterly depending on the Aurora Fund. These valuations include an analysis of the performance for each strategy group of Underlying Funds within the portfolio and a report on the Aurora Fund's rate of return. Each investor is able to access estimated, unaudited balances for its account based on the information reported by the Underlying Funds to Aurora via our secure website on or around the tenth of the month. Approximately 40 days after month-end, an exposure report is posted on our secure website providing aggregated risk reporting with respect to each Aurora Fund and the various strategies within the Fund.

Please see below with regard to client service and reporting with respect to the Aurora Funds.

Business Development & Client Service Team	Online Information and Reporting: <a href="http://www.AuroraLLC.com">www.AuroraLLC.com</a>	
<b>Isabelle Perrault</b> Partner, Managing Director and Head of Business Development  Email: ClientService@AuroraLLC.com  Tel No: 312.762.6710	Monthly Investment Information	<i>Available to investors and interested parties</i>
	•Balance and rate of return reporting	Generally posted by the 10 <sup>th</sup> of the following month
	Monthly Fund-Specific Information	
	•Monthly Reports (available for certain funds): - Strategy allocations and performance - Portfolio commentary	Generally posted by the 22 <sup>nd</sup> of the following month
	•Monthly rates of return estimates •Mid-month rates of return estimates •Detailed statistical summary •Exposure Report	Posted on the 4 <sup>th</sup> business day of the following month Generally posted by the 20 <sup>th</sup> of the month Generally posted by the 25 <sup>th</sup> of the following month Generally posted by the 10 <sup>th</sup> of the second month following
Onshore: Aurora Investment Management L.L.C. Client Service/Citco Fund Services		
Receipt of Documents/Funds Statement	Generally distributed approximately 5 business days after receipt of documents/funds	
Contract Note Confirming Investment	Distributed approximately 30 days after subscription	
Quarterly Letters with Account Balance	Generally distributed within 40 days after quarter-end	
Estimated Tax Information	Aim to distribute the first week in April	
Audited Annual Financials	Generally distributed in July	
Offshore: Aurora Investment Management L.L.C. Client Service/Citco Fund Services		
Receipt of Documents/Funds Statement	Generally distributed approximately 5 business days after receipt of documents/funds	
Contract Note confirming NAV/share allocation	Approximately 30 to 35 days after subscription	
Monthly NAV Statements	Distributed approximately 25 to 30 days after month-end	
Quarterly Letters	Generally distributed within 40 days after quarter-end	
Audited Annual Financials	Generally distributed in April	

Reporting for the Registered Funds is determined by the Registered Fund rather than Aurora.

Reporting for our Customized Portfolios varies by relationship, but generally each Customized Portfolio receives statements from either the third party administrator or custodian on a quarterly or more frequent basis.

## Item 14      Client Referrals and Other Compensation

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In certain circumstances, Aurora will compensate unaffiliated third parties who solicit clients, where such third parties believe that their clients would benefit from Aurora's investment management services. Any such arrangement with a third party is pursuant to a written solicitation agreement as required by Rule 206(4)-3(a)(1)(iii) under the Advisers Act. Rule 206(4)-3 requires that the solicitor provide potential clients with a current copy of Aurora's Form ADV, Part 2 and the written disclosure document required by Rule 206(4)-3(b).

In addition, Aurora has and may in the future compensate related persons of Aurora, who solicit investors for Clients. Aurora may modify its revenue sharing arrangement with its parent company to allow for compensation payment to its subsidiaries for client or investor referrals to Aurora. Aurora may enter into revenue sharing arrangements with related persons of Aurora to allow for distribution payments in exchange for client or investor referrals to Aurora.

An investor introduced to an Aurora Fund by a third party, which may or may not include related persons of Aurora, may be charged an asset-based distribution fee (*i.e.*, sales load) equal to a percentage of its gross subscription. Any such fee will be disclosed in advance either in the subscription agreement, in a separate disclosure statement provided by the third party or by other means. In addition to or in lieu of an assets-based distribution fee, Aurora may pay third parties a portion of the management fees and/or performance fees earned in respect of investors introduced by such third parties. Such fee sharing will not increase the fees charged by Aurora to an investor. The payment of fees may cause a solicitor to recommend Aurora over another adviser that does not pay solicitation fees.

The Registered Funds have entered into distribution arrangements with third parties, certain of which include related persons of Aurora.

## Item 15 Custody

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Investment advisers with custody or possession of advisory client funds or securities (collectively “assets”) must comply with Rule 206(4)-2 of the Advisers Act (the “Custody Rule”). Although Aurora may be deemed to have custody of the assets of certain of the Aurora Funds based on the Custody Rule, it is Aurora’s policy not to receive or have actual physical custody of the assets of any Client.

Aurora and the Aurora Funds have implemented the following controls to comply with the primary requirements under the Custody Rule:

- All Aurora Fund assets are held by a qualified custodian, as defined in the Custody Rule, designated by Aurora or the Aurora Fund. A formal custody agreement governs the relationship between the Aurora Fund and the custodian. The custodian is responsible for the safekeeping of all Aurora Fund assets.
- The custodian sends statements, no less frequent than quarterly, to Aurora with balance and holding information for each Aurora Fund. This information is carefully reviewed by Aurora personnel.
- The Aurora Funds are subject to an annual audit by an independent public accountant and the audited financial statements are distributed to investors in the Aurora Funds.

Registered Funds are subject to the requirements of the Company Act, which generally requires all assets to be held at the Registered Fund’s custodian.

Customized Portfolios may receive quarterly statements directly from the broker, dealer, bank, or other qualified custodian that holds and maintains such assets.

Additionally, as suggested in the guidance issued with the Custody Rule, Aurora periodically reviews the effectiveness of its custody controls.

## Item 16 Investment Discretion

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As of the date of this Brochure, Aurora has discretionary authority to manage the portfolio of all of its Clients. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client. Details of the relationship between Aurora and the Client, as well as investment objectives, guidelines, and restrictions, are outlined in each Client's respective offering materials, prospectus, or similar account opening documents.

When selecting Underlying Funds and securities, Aurora observes the investment objectives, guidelines, and restrictions for each Client. For more information on the review of accounts, see Item 13.

In the case of Registered Funds, Aurora's authority to trade securities will be subject to and may be limited by applicable laws.

In the case of Customized Portfolios, Aurora and the Client will agree upon investment objectives, guidelines, and restrictions for the portfolio at the outset of the relationship. Aurora generally will have full discretionary authority over the account, although Clients retain the authority to change the investment guidelines and certain Clients reserve the right to veto an investment in a particular Underlying Fund. Details of the relationship will be outlined in an agreement between Aurora and the client.

Aurora has in the past and may in the future provide its services on a non-discretionary basis.

## Item 17 Voting Client Securities

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Aurora has established procedures for exercising proxy voting rights. The Investment Committee implements Aurora's proxy voting procedures, and is supported by Aurora's Research and Legal and Compliance teams. Aurora's proxy voting procedures are designed to ensure that proxies voted by Aurora are voted in the best interests of its Clients.

### Portfolio Entity Proxy Voting

Multi-adviser portfolios created to invest in Portfolio Entities generally do not involve direct investing or trading in equities and the exercise of proxy voting rights typically involves limited partner or shareholder votes with regard to Portfolio Entity organizational and governance issues, as described in more detail below. Portfolio Entities typically are privately-held limited partnerships or offshore corporations.

The Managers or Portfolio Entities submit proxy proposals seeking investor approval on a variety of matters. Some types of proposals have little or no impact on investors, including proposals by issuers (1) to obtain authority to issue new classes of securities and (2) to amend documents to stay current with legal developments — for example, with respect to the FINRA new issues rule, anti-money laundering laws, and tax laws. Potentially more meaningful to an investor are proposals in the following categories: (1) proposals to increase the management fee (e.g., from 1.0% to 1.5%), (2) proposals to increase or otherwise change the performance fee (e.g., to make it possible for the Manager to earn a reduced performance fee (10% rather than 20%) while operating below the previous high water mark in exchange for charging a lower performance fee until the loss carryforward is eliminated or exceeded by a multiple (for example, 200% of the loss carryforward), and (3) proposals to place greater limits on the investors' ability to redeem (i.e., impose or increase lock-ups). Proposals to increase or otherwise change fees and to increase lock-ups typically are combined with an offer to the investor to redeem without penalty before the new, higher fee or longer lock-up applies.

In considering how to vote on a proposal that has a potential adverse impact on the Firm's Clients, the Investment Committee looks at the proposal as an invitation for Aurora to reexamine whether a Client should remain invested in the Portfolio Entity with the new terms. If the Investment Committee concludes that remaining invested in the Portfolio Entity with the new terms is in the best interest of the Client(s) invested, the Investment Committee typically will recommend a vote in favor of the proposal. This is true even if the proposal may result in a new fee structure that increases the costs of the investment. The Investment Committee makes these decisions in light of the fact that capacity at highly skilled Portfolio Entities often is scarce, and each Portfolio Entity has the ability to push through its proposals by mandatorily redeeming investors that do not consent to the changes. The Investment Committee's most effective "no" vote is to redeem from the Portfolio Entity before the new terms become effective.

Generally, the procedures provide for the Investment Committee to determine how to vote any proxy from a Portfolio Entity, with the benefit of a recommendation from the Aurora Research team. Prior to submission to the Investment Committee, Aurora's Legal and Compliance team reviews the proposal. The final decision on the proposal is made by a majority vote of the voting members of the Investment Committee (which for this purpose excludes members of the Investment Committee that only have a veto right). The procedures address the possibility of conflicts of interest. Also as part of Aurora's proxy voting procedures, the records of proxy statements and communications received, and records of the Investment Committee's proxy voting decisions are maintained.

To the extent a Client owns an investment other than a Portfolio Entity interest (e.g., securities distributed in-kind from a Portfolio Entity), Aurora will consider potential conflicts of interest and cast votes consistent with the best interests of the Client. In the absence of specific voting guidelines from the Client, it is generally Aurora's policy to support management of companies and Aurora will cast votes in accordance with management's proposals. However, Aurora reserves the right to depart from this policy if doing so is in a Client's best interest.



Advisory Account Proxy Voting

Multi-adviser portfolios created to invest in Advisory Accounts may engage in direct trading in equities through each Advisory Account. Aurora typically delegates the authority and responsibility to exercise proxy voting rights to the Manager of each Advisory Account pursuant to such Manager's proxy voting policies. It is possible that more than one Manager managing Advisory Accounts for the same Client may have positions in the same security that is subject to a proxy solicitation. In such circumstances, the Managers may vote such proxy in a conflicting manner; provided, that each Manager has determined that its particular vote is consistent with its proxy voting policies and in the best interests of its individual Advisory Account. In the event that a Manager elects to abstain or fails to exercise its right to vote a proxy with respect to an investment in a Client account, Aurora will consider potential conflicts of interest and cast votes consistent with the best interests of the Client. In the absence of specific voting guidelines from the Client, it is generally Aurora's policy to support management of companies and Aurora will cast votes in accordance with management's proposals. However, Aurora reserves the right to depart from this policy if doing so is in a Client's best interest. In the event of a conflict between the interests of Aurora and the interests of the board of directors or board of trustees of a Registered Fund, Aurora may disclose such conflict to the board of directors or board of trustees, who may provide direction to vote the proxies.

Aurora may be subject to the proxy voting policies of a Customized Portfolio and will follow such policies if required to do so.

If any investor would like a copy of Aurora's complete proxy voting procedures or information as to how Aurora voted one or more proxies with respect to a Client's securities, a written request should be sent to the Firm's CCO at Aurora Investment Management L.L.C., 300 North LaSalle Street, 52nd Floor, Chicago, IL 60654 or to [Compliance@AuroraLLC.com](mailto:Compliance@AuroraLLC.com).

## Item 18 Financial Information

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Aurora has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients. Aurora is not otherwise required to provide financial information about its financial position.

While Aurora's financial statements are not publicly available, financial statements of the Firm's parent company may be reviewed at [www.natixis.com](http://www.natixis.com).