

**Item 1 - Cover Page**

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**Part 2A of Form ADV: Firm Brochure**  
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This brochure provides information about the qualifications and business practices of UBS O'Connor LLC. If you have any questions about the contents of this brochure, please contact Sal DiGangi at 212-821-6206 or email him at [sal.digangi@ubs.com](mailto:sal.digangi@ubs.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about UBS O'Connor LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search the SEC's site by a unique identifying number known as a CRD number. O'Connor's CRD number is 108754.

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

## Item 2 - Material Changes

Since our last updating amendment, filed in June 2017, we have had no material changes:

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## Item 4 - Advisory Business

UBS O'Connor LLC ("O'Connor", or "we"), is a wholly-owned subsidiary of UBS Americas Holding LLC and is part of UBS's Asset Management Division. UBS Americas Holding LLC is a wholly owned subsidiary of UBS AG ("UBS"). O'Connor was established in January 2000 when a proprietary trading group within UBS' Investment Bank was transferred to the Asset Management Division and established as a newly formed investment management entity. O'Connor has been registered with the U.S. Securities and Exchange Commission ("SEC") since January 2000.

O'Connor's principal office is located in Chicago, Illinois with another office located New York, New York. O'Connor has a sub-advisory agreement in place with each of the following affiliated entities: (1) UBS O'Connor Limited, which maintains an office in London and is authorized and regulated in the UK by the Financial Conduct Authority, (2) UBS Asset Management (Hong Kong) Limited, regulated by the Securities and Futures Commission of Hong Kong, (3) UBS Asset Management (Singapore) Ltd, regulated by the Monetary Authority of Singapore and (4) UBS Asset Management (Americas) Inc., an investment adviser registered with the SEC. In addition to these relationships, O'Connor has an arrangement with Stelliam Management LP, a non-affiliated investment adviser to provide research and discretionary advice to one or more of O'Connor's clients. For additional information see Item 10 below.

O'Connor primarily provides discretionary and non-discretionary investment advisory services to various types of pooled investment vehicles, (which may, or may not be exempt from registration), pension or profit sharing plans, and institutional separately managed accounts ("SMAs") (together "Clients"). Specific investment objectives, strategies, risks, fees and expenses are described in detail in each Client's investment management agreement, confidential offering memorandum and/or other governing documents (each as applicable, and collectively, "Governing Documents"). Generally speaking, O'Connor has wide latitude in the investments in which it may offer advice on, including, but not limited to: (1) exchange-listed securities, securities traded over-the-counter, privately-placed securities and foreign issues; (2) warrants and rights; (3) debt securities issued by corporations, supranationals and financial institutions; (4) commercial paper and other money-market instruments; (5) certificates of deposit; (6) municipal securities; (7) mutual fund shares, including closed-end and exchange-traded funds ("ETF"); (8)

government and government sponsored enterprises securities; (9) time deposits maintained inside or outside the U.S., held in book-entry form by the custodian of the Client's assets; (10) foreign government and foreign government agency securities; (11) repurchase agreements; (12) bank loans and loan participations; (13) master notes; (14) mortgages (agency and non-agency mortgage-backed securities and real estate); (15) convertible securities, distressed debt, preferred stock, and pass-through participation certificates in pools of real estate mortgages, credit card receivables, and auto loan receivables (asset-backed securities); (16) loans; (17) collateralized debt obligations or collateralized loan obligations ("CLO"); (18) foreign exchange ("FX") commodities and currencies; (19) inflation protected securities; (20) depositary receipts; (21) various derivative instruments, including: options contracts on securities and commodities, futures contracts, forward and spot currency contracts, swaps (including, but not limited to interest rate swaps, contracts for difference, total return swaps, portfolio swaps, credit default swaps ("CDS") and swaps on indices), participation notes, structured notes and various types of agency and non-agency asset-backed securities, and; (22) other pooled investment vehicles.

O'Connor and UBS adhere to global policies that require compliance with relevant regulatory and legal requirements. An example of such a requirement would be sanctions, which are any measure or restriction (including those often referred to as embargoes), taken by one or more countries, their respective government agencies or by an international organization, which is aimed at restricting dealings of any kind with or involving another country, specific persons, legal entities, organizations or goods. O'Connor and UBS may restrict business activities with certain countries, governments, government controlled entities, territories or persons. In some cases, business activities are expressly prohibited, where other cases may require pre-approval from regional compliance personnel before any business activity can be considered. In addition, O'Connor and UBS have policies in place that prohibit securities of certain companies to be included in actively managed retail or institutional funds and in discretionary mandates. Such prohibitions include, but are not limited to, a ban on companies involved in the development, production or purchase of cluster munitions and anti-personnel mines, pursuant to the Swiss federal Act on War Materials.

O'Connor is a part of a global financial services firm and may be precluded from acquiring or selling certain securities or investments on behalf of itself and Clients as a result of inside information, conflicts of interests or other applicable laws or regulations. O'Connor is subject to certain provisions of the Bank Holding Company Act ("BHCA") by reason of being owned by a foreign bank, UBS. The BHCA may in certain circumstances limit our Client's ownership of stock issued by other U.S. companies and other bank holding companies that are subject to the BHCA. O'Connor Client accounts generally will not be able to invest in securities issued by UBS (except for accounts following a passive or quantitative strategy). Similarly, other state and federal laws may restrict our Client's aggregate ownership of stock issued by certain companies. As a result of these possible limitations, O'Connor may not be able to purchase securities that our model would otherwise indicate we should and therefore your account would not participate in the "upside" of such purchase (if any).

As of December 31, 2017, O'Connor's net assets under management were \$ 4,907,348,042, of which \$4,830,178,197 was managed on a discretionary basis and \$77,169,845 was managed on a non-discretionary basis.

## **Item 5 - Fees and Compensation**

O'Connor does not have a standard fee schedule. Fees and expenses are discussed in detail within each Client account's respective Governing Documents. However, as compensation for its services, O'Connor commonly receives a management fee from a Client in an amount equal to a percentage of the net assets managed by O'Connor as determined at the end of the month or the quarter, respectively. Fees may be calculated based upon the aggregated market value of all assets under management and may include allocations to cash. In the event of termination during a monthly or quarterly period, prorated adjustments in management fees are made, as appropriate.

O'Connor may also receive a performance based fee or allocation, based on a percentage of profits earned within the applicable determination period. The term "profits" refers to an increase in the value of the net asset value of an account during the calculation period which is attributable to the net realized and unrealized gains arising from the account's investment activities. Any performance based fees or allocations are structured in accordance with the provisions under the Investment Advisers Act of 1940, as amended ("Advisers Act"). Such performance based compensation is calculated and paid either quarterly or annually and is usually subject to a "high water mark" such that a performance based fee or allocation may only be paid after recoupment of all prior investment losses. Generally, management fees and performance based fees are paid at the frequency and rate disclosed in the Client's applicable Governing Documents. Management fees and performance based fees and allocations may be reduced, waived, or calculated differently for different Clients of O'Connor.

To the extent utilized, sub-advisers do not receive any compensation directly from a Client for the investment services/advice they provide. Rather, O'Connor compensates the sub-advisers for the advice rendered. Although O'Connor's currently offered funds do not layer fees, the reader should be aware that we have in the past, and may under certain circumstances layer fees again in the future. Any layering of fees would be disclosed in the relevant Governing Documents.

Management fees and performance based fees payable to O'Connor are separate, distinct, and in addition to other expenses that may be charged to Clients and disclosed in their applicable Governing Documents. Unless otherwise negotiated, Clients will pay transaction related costs including, without limitation; brokerage commissions and/or spreads, exchange, regulatory and user fees, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, bank service fees, withholding and transfer fees, fees and expenses relating to investments in ETFs, expenses related to currency exchanges, and currency hedging, professional fees (including, without limitation, expenses of consultants and experts) relating to portfolio instruments, legal fees, travel expenses, , expenses incurred in connection with trade execution, clearance, settlement, confirmation and/or reconciliation, research expenses paid through "Research Payment Accounts" (RPA's), research expenses paid through soft dollar arrangements, fees and expenses related to prime brokerage, transaction counterparties and/or other service providers, and other expenses related to the purchase, sale or transmittal of securities and other instruments .

In addition, Clients will likely pay many other expenses. Such expenses unrelated to investments, including, but not limited to, fees for data and software providers, technology expenses related to research and development, legal, accounting, audit and tax preparation expenses, entity-level taxes, governmental fees, regulatory expenses and fees (including, but not limited to, expenses incurred in connection with complying with regulatory reporting obligations, as well as out-of-pocket costs of preparing regulatory filings related to the Client or O'Connor as it relates to the Client), expenses related to the maintenance of a fund's registered office, expenses related to the establishment and operation of fund subsidiaries, expenses related to obtaining any licenses or permits, corporate licensing fees, the Management Board's liability insurance premiums or fees and expenses (including travel), expenses incurred in connection with the offer and sale of shares of a fund (including any expenses and fees associated with the creation of additional classes and series of shares such as fees and expenses associated with the preparation or amendment of Governing Documents and amendments or supplements to offering documents), administration fees, expenses incurred in providing information to shareholders (including any fees associated with translation of fund documents and reports). In addition to these items, expenses of O'Connor, including, without limitation; personnel costs relating to finance, control, operational, legal, technology (research and development), trading and investment, logistical services, market data, premises, information technology, hardware, applications and software that will not be obtained through the use of soft dollars also fall within items in this category.

O'Connor may enter into "most favored nations" clauses wherein we agree that the fees charged to a Client shall not be more than the most favorable rates we offer to any other comparable Client for similar services (i.e., a Client for whom O'Connor manages a portfolio of similar size and type, under similar terms and conditions, and with similar commercial expectations).

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

Fees are described in detail within each Client's respective Governing Documents; however, Clients should be aware generally that performance-based fee arrangements may create an incentive to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. In addition, since the performance compensation will be calculated on a basis that includes unrealized appreciation of a Client's net asset value, such compensation may be greater than if it were based solely on realized gains. Investment decisions are typically made at the business unit level (described more fully in Item 12 below); and in many cases the same investment opportunity is allocated to multiple Clients. Performance based fees may create an incentive to favor accounts with higher performance fees over accounts with lower performance fees in the allocation of investment opportunities. As described in Item 5 above, some Clients may not be charged performance-based fees.

## **Item 7 - Types of Clients**

O'Connor primarily provides investment advisory services to various types of pooled investment vehicles, pension or profit sharing plans, and institutional SMAs. Clients are required to enter into an investment management agreement prior to the establishment of an advisory relationship. O'Connor generally requires minimum account sizes, although this may be waived under certain circumstances. For certain types of investment strategies or pooled vehicles offered or managed by O'Connor, U.S. Clients must generally satisfy certain investor sophistication requirements, including that the Client is an "accredited investor under Rule 501(a) of Regulation D under the Securities Act of 1933, as amended, a "qualified purchaser" within the meaning of section 2(a)(51) of the Investment Company Act of 1940, as amended, a "qualified institutional buyer" under Rule 144A under the Securities Act of 1933, as amended and/or a "qualified eligible person" under Rule 4.7 of the Commodity Exchange Act.

When offering investment advice to a client who is subject to the Retirement Income Security Act of 1974, as amended, ("ERISA") O'Connor may rely on Prohibited Transaction Exemption 84-14 (the "QPAM exemption"). To the extent O'Connor relies on the QPAM exemption, it must also comply with individual Prohibited Transaction Exemption 2017-07 and ERISA plan clients have a right to obtain a copy of the written policies developed in connection with PTE 2017-07.

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

### **Methods of Analysis**

Investment objectives, strategies and risks are described within each Client's respective Governing Documents, however, O'Connor generally uses a combination of fundamental and/or quantitative analysis when formulating its investment advice or managing Client assets. Despite the foregoing, nothing limits O'Connor from utilizing other methods of analysis as it sees fit.

*Fundamental:* O'Connor will attempt to measure the intrinsic value of a company by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced, or overpriced. This type of analysis is conducted primarily from a bottom-up view. This bottom-up analysis typically involves continually monitoring companies looking for change or fundamental trends within them. Views are also taken as a result of various macroeconomic factors such including, without limitation yield curve, credit spreads, consumer and commercial credit trends, security issuance and fund flows. Typically, target prices are maintained, which are driven by O'Connor's view of the relative fundamental valuation metrics that each company should trade at given the quality of management, company positioning in the marketplace, the effect of changes in the macroeconomic or regulatory environment on the company or the sector to which it belongs. While O'Connor will also look to identify markets and sectors that may be benefited or harmed by the current macroeconomic environment, generally, O'Connor does not attempt to use fundamental analysis to anticipate market movements. This

type of analysis presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating such security.

*Quantitative:* O'Connor attempts to analyze a variety of factors to make long and short investments designed to capture systemic price anomalies. These factors include, but are not limited to, technical, valuation, profitability and macroeconomic indicators such as measures of price appreciation, dividend payments, forward earnings forecasts and long-term interest rates. O'Connor uses various sources of information, including, but not limited to; financial newspapers and magazines, inspections of corporate activities, sell-side research materials, buy-side research materials, corporate rating services, timing services, annual reports, prospectuses and other filings with the SEC, company press releases, industry publications, industry conferences, and industry consultants.

### Investment Strategies

O'Connor employs a number of investment strategies in connection with its investment management services. Clients should carefully read the relevant Governing Documents for specific information applicable to that particular account and to ensure that the investment is appropriate considering, among other considerations, their own investment objectives, risk tolerance, and time horizons. When managing Client assets, O'Connor will generally use one or more of the following strategies.

*Fundamental Equity Market Neutral Long/Short:* Fundamental equity market neutral long/short is an equity-based long/short market neutral strategy that seeks to capture relative value discrepancies on a global basis by investing in primarily stocks. Investment decisions are generally based on fundamental, technical and statistical analysis. The strategy aims to be long a portfolio of single company stocks and be neutral on the short side on a beta adjusted basis. To maintain a beta neutral portfolio any residual beta may be hedged daily with futures on the S&P, Eurostoxx, Nikkei, NASDAQ and other indices to minimize directional exposure. Several levels of analysis are conducted to ensure that portfolio exposure to unwanted systematic risk is reduced or eliminated. First, we set internal limits of net exposure to any sector to maintain general sector neutrality. Such limits may, on occasion, be exceeded at our discretion. Second, the portfolio's exposure to the overall market is regularly reviewed. We expect to trade liquid equities and equity linked products in a sector-neutral fashion to minimize overall market risk. Finally, we utilize both a statistical and fundamental inspection of the portfolio's exposure to other market driving phenomena (e.g., capitalization, growth/value, etc.) to reduce the influence of market-moving themes on the portfolio. Investment decisions are conducted through both bottom-up and top-down analysis. Bottom-up sector portfolios are constructed by sector specialists who use fundamental comparisons. Stocks of companies that are expected to outperform their peers are held long, while stocks of companies expected to underperform their peers are held short. The investment goal is to generate alpha through individual stock selection regardless of market direction. O'Connor seeks to optimize the weighting of the various sectors' sub-portfolios to achieve this investment goal.

*Fundamental Long/Short Equity:* The fundamental long/short equity strategy seeks to generate strong risk adjusted returns by trading in stocks, derivatives, indices and other securities of companies. The investment strategy may take directional views and therefore has a net long or short exposure in the covered sectors and sub-sectors. Investment decisions are primarily based on fundamental comparisons. Such "bottom-up" analysis is combined with a "top-down" view of opportunities across the various sectors. We believe that the combination of bottom-up and top-down analysis will allow it to identify the most attractive long and short opportunities both across and within sectors and geographies.

*Convertible Arbitrage:* O'Connor employs a screening process to identify areas of inefficiency in the global convertibles market through its proprietary and third party valuation and hedging models which include convertible bond, option, and bond and swap pricing models. O'Connor expects to purchase or sell convertible bonds, convertible preferred stock, warrants or options that we determine are inexpensive or expensive relative to their component parts, including, but not limited to, underlying equity securities. These typically are hedged by buying or selling the underlying securities or derivative instruments in accordance with model and experience driven ratios. O'Connor seeks to profit from these positions

through receipt of coupon interest or net dividend payments, rebates on short transactions with the issuer and changes in the relative market value of the instruments. Convertible arbitrage positions may have to be held for a significant period of time to realize the expected profit and at times may be susceptible to liquidity gaps. O'Connor attempts to minimize the negative impact of price movements in the underlying securities with a general goal of being equity and rate neutral. The investment management process involves identifying and exploiting situations where the opportunity for convergence between theoretical value and the market price exists. The general investment process includes: (1) researching prospective securities and the issuing companies; (2) selecting convertible securities that offer superior potential returns relative to their underlying securities; and (3) determining how best to hedge some of the risks associated with investments.

*Merger Arbitrage:* Generally, in merger arbitrage, the goal is to lock in or otherwise trade in the spread by purchasing or selling securities of the target or subject of an announced merger, acquisition or contest for control and shorting or buying the deal consideration. The consideration to be received by shareholders of the target company upon completion of a transaction is typically greater than the market price of the target company throughout the period prior to a deal closing. This price differential reflects the discount the market has assigned to the deal consideration given the time value of money and the uncertainty as to whether the transaction will ultimately be completed. In order to capture the spread, generally, O'Connor purchases shares of the target which, as a result of the merger agreement or other event, have effectively become a proxy for the receipt of the deal consideration upon the completion of the transaction. In certain instances, we may invest in other instruments, including bank debt, bonds, CDS and equity swaps. Deal consideration can come in the form of cash, shares of the bidder, or a combination of both. In transactions where all or a portion of the deal consideration includes the shares of the bidder, a short position is often established in these shares. In transactions where all of the deal consideration is cash, generally a long position is taken in shares of the target. By establishing a short position, we seek to protect from reductions in the deal consideration resulting from fluctuations in the shares of the bidder. Spreads will be purchased when the O'Connor determines that the market has overestimated the risks inherent in a deal resulting in an excessively wide spread. O'Connor employs a research-driven approach to its merger arbitrage activities. In each situation, we evaluate the profit potential and potential obstacles to a successful conclusion of the deal. This analysis is performed by considering various legal, tax and regulatory factors which will ultimately affect the transaction. In addition, a fundamental analysis of the parties to the transaction will be performed by drawing upon various resources, typically including prior company releases and filings, as well as industry and company-specific reports published by the various major brokerage firms. The analysis with respect to each existing and potential merger arbitrage position will be regularly scrutinized through continued monitoring of the regulatory process, company fundamentals and general movements in the capital markets. O'Connor expects that such ongoing analysis will enable it to identify opportunities where taking profits or attempting to minimize losses by liquidating certain long positions, or covering short positions, is appropriate. O'Connor expects to use both stock and options in both equities and indices to minimize deal-specific and market risk where and when possible.

*Credit:* O'Connor generally expects to employ fundamental and technical based credit opportunity trading strategies utilizing long and short risk. O'Connor will, among other factors, assess its macro views on the global credit markets to identify which debt securities and credit instruments contain the most attractive risk-adjusted investment opportunities. Generally, we will use fundamental "bottom up" analysis to analyze the credit profile and relative value of selected credit instruments. In addition to fundamental factors, O'Connor will also rely on certain technical factors (e.g., market liquidity) to determine the weighting of portfolio positions. O'Connor may express its credit views by taking long risk, short risk and other positions on a company's capital structure to seek to exploit perceived mispricings based on company specific valuation matrices, which examine several metrics such as enterprise value, debt to equity ratios, return on equity and asset coverage. At times, we may seek protection through short exposure in major credit and equity indices as well as cash and derivative instruments; however, O'Connor does not seek to maintain market neutrality within this portfolio. The investment goal is to generate alpha through position selection regardless of market direction. At times, the credit trading strategies may also be opportunistic to take advantage of short term market opportunities and dislocation

as well as other catalyst driven arbitrage opportunities.

*Capital Solutions:* As part of O'Connor's credit strategy, we may make customized secured loans and other types of loans structured to meet the individual needs of each borrower while seeking to control O'Connor's risks. Through this sub-strategy, O'Connor seeks to provide equity-like returns while benefiting from structural protections of debt and low correlation to the market through customized secured loans, other types of loans, structured transactions, preferred equity and other equity instruments and other credit instruments. We will focus these investments on tactical situations (including event-driven, storied credits, pre-initial public offering loans, holding company loans, hybrid loans, transitional lending, investments in various asset classes, CLO tranches and loans to distressed companies), high-yield asset backed securities (including mezzanine tranches, whole business securitization loans and collateralized loan obligations), contract monetization (including project finance, hard asset lease finance and credit tenant lease financing) and middle market loans (including direct lending, business development company finance, small business investment company finance and broadly syndicated loans). We may also seed specific business lines within these asset classes. O'Connor may enter into other types of structured transactions in order to implement these capital solutions investments.

We will conduct due diligence and risk analysis prior to investing. Such due diligence measures include meetings with owners, financial due diligence, legal review of key operating documents and obtaining third-party expert reports. To analyze risk, O'Connor will conduct downside, bankruptcy and tax analysis and will consider efficient exit options for each investment. O'Connor will also conduct a periodic credit review of its investment portfolio, and restructure investments as necessary. In certain cases, we will hold investments for their full term. In other cases, however, we may sell all or part of an investment prior to maturity, seeking to capitalize on advantageous market conditions.

*Opportunistic:* This strategy is among other things used as a tool to implement, in O'Connor's discretion, a hedge against unwanted exposures that exist at the aggregate portfolio level on the overall portfolio as well as to capitalize, from time to time, on opportunities that arise in the markets. Opportunities that would be included in this strategy include the origination of and participation in customized secured loans. The nature of these investments is opportunistic and may employ a wide variety of trades and security types. With respect to overlay trades, O'Connor in its discretion may place market hedges with either long or short exposure if the rest of O'Connor's sub-strategies within the portfolio in aggregate produce unintended market exposures. We may make tactical investments which seek to take advantage of investment opportunities not generally available to other market participants. Such investments may be expressed in a variety of ways and include, but are not limited to, direct investments in private companies, or investments with/in third-party managers that follow unique or specialized investment strategies such as private equity type investments. O'Connor will evaluate each of these opportunities and only make investments when we believes the benefits associated with the given opportunities are in line with the Client's overall investment objective.

The description set forth in this brochure of services offered as well as strategies or securities us by O'Connor on behalf of its Clients and should not be understood to limit or constrain O'Connor's investment activities. O'Connor remains free to offer any advisory services, engage in any investment strategy and make any investment, including anything not described in this brochure that O'Connor considers appropriate, subject to the objectives and guidelines of each Client. The investment strategies O'Connor pursues are speculative and entail substantial risk.



## Material Risks

All investments carry a certain amount of risk and a Client may lose money by investing in any of our strategies. Clients should understand that all investment strategies and the investments made pursuant to such strategies involve risk of loss, including the potential loss of the entire investment, which Clients should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a Client's investments will fluctuate due to market conditions and other factors. Below is a summary of certain risks that may be associated with our strategies. This list of risk factors is not a complete enumeration or explanation of the risks involved in a strategy, as the particular risks applicable to a Client account will depend on the nature of the account, its investment strategy or strategies and the types of securities or other investments held. While O'Connor seeks to manage accounts so that risks are appropriate to the strategy or objective, it is often not possible or desirable to fully mitigate risks. Prospective Clients should read this entire brochure, as well as their respective Governing Documents, and consult with their own legal, financial, and tax advisors before deciding whether to invest. If there is a conflict between this brochure and any Governing Document, then the respective Governing Document will prevail.

*Management risk:* O'Connor's judgments about the fundamental value of securities or other factors showing the attractiveness of investments acquired for a portfolio may prove to be incorrect. In addition, O'Connor's judgments about asset allocations, exposure to foreign currencies, credits, rates and other macro-economic factors may prove to be incorrect.

*Risk of loss:* Investing in securities involves risk of loss that Clients should be prepared to bear. The investment decisions that O'Connor's makes for a Client are subject to various market, currency, economic, political and business risks, and our investment decisions based on such factors will not always be profitable.

*No guarantee of investment objectives:* O'Connor's does not guarantee or warranty that a Client's account will achieve its investment objectives, performance expectations, risk and/or return targets.

*No government guarantee:* An investment in an account managed by O'Connor's is not bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

*Personnel risk:* O'Connor's generally utilizes a team approach to managing investment portfolios. However, certain strategies may be dependent upon the expertise of certain key personnel, and any future unavailability of their services could have an adverse impact on the performance of Clients invested in such strategies.

*Diversification and liquidity risk:* Unless otherwise agreed upon by a Client and O'Connor, we will not be responsible for the Client's overall diversification, asset allocation or liquidity needs. In addition, certain of our strategies may be non-diversified and hold a low number of investments.

*Tax risk:* Clients should consult their tax advisors regarding the tax consequences of their investments. O'Connor's is not a tax advisor. Although certain of its investment strategies may consider the potential tax implications of investment decision, such implications are not generally the primary factors affecting investment decisions.

*Risks of real estate investments:* The value and marketability of real estate investments are subject to many factors beyond the control of O'Connor, including adverse changes in economic conditions, adverse local market conditions and risks associated with the acquisition, financing, ownership, operation and disposal of real estate. Real estate investment valuations are subjective analyses of the fair market value estimation of an asset. Similarly, certain liabilities may be valued on the basis of estimated value. Accordingly, there can be no assurance that the values of real estate investments held by a real estate fund will be accurate on any given date, nor can there be any assurance that the sale of any

property would be at a price equivalent to the last estimated value of such property.

*Regulatory Risk:* Following the 2008 financial crisis, many jurisdictions passed legislation and issued or proposed regulatory rules broadly affecting the financial services industry and markets. In the US, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), which includes the Volcker Rule, implemented extensive changes in the regulation of over-the-counter derivatives, regulatory capital requirements, bank proprietary trading and covered fund activities and compliance with consumer financial laws, among others. In the European Union, the Markets in Financial Instruments Directive II ("MiFID II") includes a number of significant changes to the financial markets in the EU, including changes to the regulation of financial instruments and the venues in which they are traded. These new rules, among many others changing tax and other regulatory matters, are affecting the financial services industry and markets in ways that are difficult to assess. The rules and the differences in them among various jurisdictions may make it more costly and time consuming to effect investment transactions in various markets around the world. The broader impacts of the sweeping regulatory reform on markets generally and pricing and liquidity of financial instruments are unknown. These changes may adversely affect the value of Client investments, the opportunities to pursue Client investment strategies and objectives, and may negatively impact the performance of Client accounts. The Volcker Rule restricts the ability of the investment manager to a pooled investment fund, meeting the definition of a "covered fund", from engaging in certain types of transactions on behalf of the covered fund with its affiliates. The types of transactions generally restricted are those involving credit risk between the fund and the affiliated counterparty. These restrictions could adversely impact covered funds by preventing them from obtaining seed capital, loans or other commercial benefits from UBS.

*Models: Risk of Programming and Modeling Errors:* O'Connor's research and modeling process is extremely complex and involves financial, economic, econometric and statistical theories, research and modeling. Although O'Connor seeks to hire individuals skilled in each of these functions and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product raises the chances that the finished model may contain an error; one or more of such errors could adversely affect a Client's portfolio. If a model or a portion of the model proves to be incorrect or incomplete, any decisions made in reliance thereon expose a Client's portfolio to potential risks of loss. In addition, some of the models used by O'Connor are predictive in nature. The use of predictive models has inherent risks. Because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data. All models rely on correct market data inputs. If incorrect market data is entered into even a well-founded model, the resulting information will be incorrect. However, even if market data is input correctly, "model prices" will often differ substantially from market prices, especially for securities with complex characteristics, such as derivative securities.

*Risk of equity instruments:* Risks associated with investing in equity securities include: (1) the stock markets where a portfolio's investments are traded may go down, (2) an adverse event, such as negative press reports about a company in the portfolio, may depress the value of the company's stock, (3) small to mid-capitalization companies may have less diversified product or service offerings and less liquidity in the markets which increases their volatility.

*Risk of fixed income investments:* Risk associated with investing in fixed income securities include: (1) *interest rate risk:* If interest rates rise, the prices of fixed income securities in the portfolio may fall, and the longer the maturity of a fixed income security, the greater its sensitivity to changes in interest rates, (2) *credit risk:* The issuer may default on its obligation to pay principal or interest, may have its credit rating downgraded by a rating organization or may be perceived by the market to be less creditworthy. Lower-rated bonds are more likely to be subject to an issuer's default than investment grade (higher-rated) bonds. Lower-rated bonds may have less liquidity and be more difficult to value particularly in declining markets, (3) *prepayment risk:* If interest rates decline, the issuer of a security may exercise its right to prepay principal earlier than scheduled, forcing the account to reinvest in lower

yielding securities (4) *extension risk*: If interest rates rise, the average life of securities backed by debt obligations is extended because of slower than expected payments. This will lock in a below-market interest rate, increase the security's duration and reduce the value of the security, (5) *counterparty risk*: The risk that the counterparty to the transaction will default on its obligations, (6) *municipal securities risk*: State and local government securities may be more susceptible to credit risk as a result of economic stress. Factors contributing to the economic stress on state and local government securities may include: lower tax collections as a result of lower home values, lower sales tax revenue as a result of reduced consumer spending, lower income tax revenue as result of higher unemployment rates, and budgetary constraints of local, state and federal governments upon which the tax-free issuers may be relying for funding.

*Foreign country and emerging market risks*: Risk associated with investing in foreign and emerging markets include: (1) vulnerability to economic downturns and instability due to undiversified economies; trade imbalances; inadequate infrastructure; heavy debt loads and dependence on foreign capital inflows; governmental corruption and mismanagement of the economy; and difficulty in mobilizing political support for economic reforms, (2) adverse governmental actions, such as nationalization or expropriation of property; confiscatory taxation; currency devaluations, interventions and controls; asset transfer restrictions; restrictions on investments by non-citizens; arbitrary administration of laws and regulations; and unilateral repudiation of sovereign debt, (3) political and social instability, war and civil unrest, (4) less liquid and efficient securities markets; higher transaction costs; settlement delays; lack of accurate publicly available information and uniform financial reporting and accounting standards; difficulty in pricing securities and monitoring corporate actions; and less effective governmental supervision, (5) changes in foreign currency exchange rates and in exchange control regulations may adversely affect the value of securities denominated or traded in non-US currencies. The risks described above are more severe for emerging markets than for non-US developed markets.

*Smaller company size risk*: The securities of smaller companies are often more difficult to value or dispose of, more difficult to obtain information about, and more volatile than stocks of larger, more established companies. In addition, the markets for investments in smaller capitalized companies may not be actively traded, which increases the risk that O'Connor may have difficulty selling securities for an account.

*Asset-backed and mortgage-backed securities risks*: Certain strategies may invest in securitized debt, including asset-backed securities ("ABS") and/or mortgage-backed securities ("MBS"). The investment characteristics of MBS and ABS may differ from traditional debt securities in that interest and principal payments are made more frequently, principal may be prepaid at any time and a number of state and federal law govern and may limit right to the underlying collateral.

*Derivatives risks*: The use of derivatives involves risks which are different from the risks associated with investing directly in securities. The primary risks of loss associated with derivatives are (1) *market risk* – the risk that the market value of the investment will decline; (2) *credit risk* – the risk that the counterparty to the transaction will default on its obligations; (3) *liquidity risk* – the risk that the instrument will not be readily marketable; and (4) *valuation risk* – the risk that the instrument may have only one pricing source. Additionally, investments in derivatives include the risk that changes in the value of a derivative may not correlate with the underlying asset, rate, index, or market. Gains or losses involving some options, futures and other derivatives may be substantial. While some derivatives strategies can reduce the risk of loss, the use of derivatives can also reduce the opportunity for gain or result in losses by offsetting favorable price movements in other investments. Derivatives may create leverage and may pose the risk of losing more than the amount invested. These derivatives risks are different from, and may be greater than, the risks associated with investing directly in securities and other instruments.

*Leverage risk*: Derivatives that involve leverage can result in losses to the Client's portfolio that exceeds the amount originally invested in the derivative instruments. Certain strategies may use derivatives or may borrow money and purchase investments in order to leverage or gear a Client's portfolio. If a

Client's portfolio is levered and the investments decrease in value, the Client's losses will be greater than if the Client's portfolio was not leveraged. In addition, if the return on an investment purchased with borrowed funds is not sufficient to cover the cost of borrowing, then the net income of the Client will be less than if borrowing were not used.

*IPO risks:* The purchase of shares sold in initial public offerings ("IPOs") may expose a portfolio to the risks associated with issuers that have no operating history as public companies, as well as potentially significant price fluctuations.

*Short sales risk:* Short sales involve the risk that the Client will incur a loss by subsequently buying a security at a higher price than the price at which the Client previously sold the security short. This would occur if the securities lender required the Client to deliver the securities the Client had borrowed at the commencement of the short sale and the Client was unable to either purchase the security at a favorable price or to borrow the security from another securities lender. If this occurs at a time when other short sellers of the sale security also want to close out their positions, a "short squeeze" can occur. A short squeeze occurs when demand is greater than supply for the security sold short. Because the loss on a short sale arises from increases in the value of the security sold short, such loss is theoretically unlimited.

*Non-publicly traded securities, private placements and restricted securities:* Private placements are not subject to some of the laws and regulations that are designed to protect investors, such as the comprehensive disclosure requirements that apply to registered offerings; therefore they may be more risky than publically traded securities.

*Illiquid securities:* Illiquid securities involve the risk that investments may not be readily sold at the desired time or price. Securities that are illiquid, that are not publicly traded and/or for which no market is currently available may be difficult to purchase or sell, which may impact the price or timing of a transaction. An inability to sell securities can adversely affect an account's value or prevent an account from taking advantage of other investment opportunities. Lack of liquidity may cause the value of investments to decline and illiquid investments may also be difficult to value. Investments that are illiquid or that trade in lower volumes may be more difficult to value.

*Investments in pooled investment funds:* In lieu of direct investment, certain strategies may invest in one or more pooled investment funds managed by O'Connor or its affiliates ("affiliated funds") or by unaffiliated third party managers ("unaffiliated funds"), including, mutual funds, ETFs, collective investment funds, private funds, offshore funds, private equity funds, real estate funds, etc. A fund's investments will be made in accordance with the fund's offering documents and governing instruments. In addition, to the extent a strategy invests in a pooled investment fund, there may be additional risks discussed in the fund's offering documents or governing instruments which are not discussed in this brochure. Prior to investing an account in a fund, O'Connor will assess whether it believes the investment is consistent with the Client's investment guidelines as well as applicable law and regulation. A Client will generally bear, indirectly, fund investment expenses (e.g., brokerage commissions to execute portfolio trades, etc.) and operating costs (e.g., administration, custody, audit, etc.). When a Client's account invests in an affiliated fund, the Client will not normally pay any additional investment management fees to O'Connor in connection with investing in the affiliated fund. When investing in an unaffiliated fund, the Client will normally bear, indirectly, fees paid by the fund to its investment manager.

*REITs:* An investment in REITs includes the possibility of a decline in the value of real estate, possible lack of available money for loans to purchase real estate, risks related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, prolonged vacancies in rental properties, changes in zoning laws, casualty or condemnation losses, variations in rental income, changes in neighborhood values, the appeal of properties to tenants, costs of clean up and liability to third parties resulting from environmental problems, costs associated with damage from natural disasters not covered by insurance, increases in interest rates and

changes to tax and regulatory requirements.

Clients may be subject to material risks other than those described above based on the specifics of their investment. Additional risks pertaining to specific Clients are disclosed in the applicable Governing Documents. Clients should carefully review the full description of risks presented in such documents.

#### **Item 9 - Disciplinary Information**

On June 3, 2013, O'Connor voluntarily agreed to settle an SEC inquiry relating to Rule 105 of Regulation M under the Securities Exchange Act of 1934 without admitting or denying the SEC's allegations. Rule 105 generally prohibits purchasing an equity security in a registered secondary offering if the purchaser sold short the same security during a restructured period (usually defined as five business days before the pricing of the offering). Rule 105's prohibition applies irrespective of any intent to violate the rule and the issue at hand involved O'Connor's interpretation and application of the Separate Account Exemption allowed under the rule. O'Connor fully cooperated with the SEC at all times during its investigation, changed its policies and provided its employees with training on the new policy and, as part of the settlement, agreed to pay a civil money penalty of \$1,140,000, disgorgement of \$3,787,590 and prejudgment interest of \$369,766.

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

In addition to being a registered investment adviser with the SEC, O'Connor is registered with the Commodity Futures Trading Commission as a commodity pool operator ("CPO") and is a member of the National Futures Association. O'Connor is a subsidiary of UBS, a global financial services firm. Among UBS' direct and indirect affiliates and related persons are various broker-dealers, investment advisers and banking organizations. Some of these related persons are also registered as CPO's, commodity trading advisers or future commission merchants. O'Connor has, and it anticipates it will, maintain arrangements with UBS and its affiliates that are material to its advisory business.

O'Connor has distribution arrangements with both affiliated and non-affiliated entities in which we compensate these entities when clients of these entities invest in an O'Connor related account. The distribution arrangements may have varying levels of compensation and may present a conflict of interest to the referring entity in making recommendations to the investor.

From time to time affiliates of O'Connor may source investment opportunities for particular O'Connor strategy. Certain Clients may compensate such affiliates for such sourcing. Although we anticipate that any compensation paid would be comparable to that of an arm's-length negotiation, O'Connor has an incentive to pay compensation to an affiliate out of a Client's assets at level greater than arm's-length negotiation. O'Connor also has an incentive to enter into investment opportunities sourced by an affiliate on a Client's behalf when we otherwise might choose not to pursue such opportunity.

O'Connor is one of several entities within the Asset Management division of UBS, which includes; UBS Asset Management (US) Inc., UBS Asset Management (Americas) Inc., UBS Asset Management (Canada) Inc., UBS O'Connor Limited, UBS Realty Investors LLC, UBS AgriVest LLC., UBS Hedge Fund Solutions LLC, UBS Asset Management (Hong Kong) Limited, UBS Asset Management (Singapore) Ltd, and UBS Asset Management (Japan) Ltd.

Additionally, UBS Business Solutions US LLC is an affiliate of UBS Group AG that provides certain services to UBS Group AG's affiliates and subsidiaries that operate in the United States. Services currently include Finance, Risk Control, Compliance, Legal, Human Resources, Technology and Operations.

O'Connor has entered into a sub-advisory agreement with UBS Asset Management (Americas) Inc. O'Connor also has entered into sub-advisory or other service agreements with UBS Asset Management (Hong Kong) Limited, UBS Asset Management (Singapore) Ltd and UBS O'Connor Limited under

which each have agreed to act as participating non-U.S. affiliates for certain strategies and each have associated persons whose functions and duties relate to the determination and recommendations made to O'Connor's U.S. and non-U.S. Clients. In addition to these relationships, O'Connor has an arrangement with Stelliam Management LP, a non-affiliated investment adviser that provides research and discretionary advice to one or more of O'Connor's Clients. Clients do not pay fees in excess of those disclosed in the applicable Governing Documents as a result of this relationship.

The members of the private fund's Management Board, including the members who are not employed by O'Connor also serve as members of the boards of directors of numerous other investment funds advised by O'Connor and by other investment managers not affiliated with O'Connor, and such members may engage in other business activities. The members of the Management Board are not required to dedicate any particular amount of time to activities related to the private funds.

O'Connor is not a broker-dealer in securities or foreign exchange, however, certain of its affiliates are, including; UBS Financial Services, Inc., UBS Securities, Inc. and UBS Asset Management (US) Inc. O'Connor utilizes affiliated broker-dealers in the execution of its trades, including foreign exchange. Affiliates may earn substantial fees and receive other benefits when Clients transact with and use the services of these broker-dealers. O'Connor engages in several types of trading with affiliates, including: (i) *agency trading*: where O'Connor chooses to execute a securities transaction through an affiliated broker-dealer who acts as agent on behalf of the Client. The affiliated broker-dealer charges a commission for effecting the trade. The reader should be aware that O'Connor (as part of UBS) will indirectly benefit from any commissions paid to an affiliated broker-dealer, (ii) *agency cross transactions*: where O'Connor acts as an investment adviser in relation to a transaction in which an affiliate acts as broker for both the Client and for the other side of the transaction. The affiliate receives a commission for acting in this capacity, (iii) *principal trades*: because of ownership percentages, certain Clients may be deemed to be controlled by related persons of O'Connor. Consequently, O'Connor may be acting "as principal for his own account" for purposes of Section 206(3) under the Advisers Act when we initiate internal cross trades (discussed below).

O'Connor may at times arrange transactions directly between its Clients (typically called internal cross trades). We may arrange these transactions for a number of reasons including monthly rebalancing of certain Client accounts within the same investment strategy or on an ad hoc basis when one account may have a need to sell a security that another account may have an interest in purchasing. In these circumstances, O'Connor may execute the transactions directly between the Clients because we believe it is in each Client's best interest. These transactions are not charged a commission or any additional fees (apart from standard investment advisory fees) by O'Connor. In certain instances when O'Connor believes it to be in the best interest of the Client it may cause multiple Clients to buy and sell securities from each other utilizing an unaffiliated broker dealer.

O'Connor may serve as investment adviser for certain assets controlled by its affiliates. We may also, pursuant to a written agreement, liquidate or hedge certain positions on behalf of affiliates. UBS and its subsidiaries around the world may buy, sell or hold securities that are held in accounts of O'Connor's Clients. UBS may have an interest or position, make a market or have an underwriting role. Such transactions may be effected through an unrelated party or an affiliated party as required by applicable law. O'Connor makes its investment decisions independently of UBS and its affiliates. O'Connor may, from time-to-time, purchase securities issued by an affiliate and/or parent company, such as UBS, for Clients where such a purchase is neither statutorily nor contractually prohibited. The types of securities may include, but are not limited to, common stock as well as short-term cash instruments such as commercial paper.

Although O'Connor may have an apparent conflict of interest between certain Clients and its affiliates, we believe that we have adapted adequate policies and procedures to address such concerns, including appropriate disclosures as well as our continuing duty to seek best execution.

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

O'Connor has adopted a Code of Ethics ("Code") which sets forth ethical standards of business conduct required from all employees, including compliance with applicable securities laws. The Code requires adherence to the specific provisions and general principals within the Code.

O'Connor has established various policies and procedures for implementing the Code in an effort to comply with its regulatory obligations. A sample of these policies covers the following: (1) no principal or employee of our firm may put his or her own interest above the interest of any Client, (2) no principal or employee of our firm may buy or sell securities for his or her personal portfolio(s) where their investment decision is a result of information received as a result of his or her employment unless the information is also available to the investing public, (3) employees are required to obtain prior approval for certain personal investments, (4) we have adopted policies associated with the maintenance of required books and records, (5) all employees are required to act in accordance with all applicable Federal and State regulations governing registered investment advisory practices, (6) annual acknowledgement of the Code by all employees, and (7) we have adopted policies requiring the reporting of Code violations to our senior management. Any individual who violates any of the above restrictions may be subject to termination.

As described in Item 10 above, certain Clients of O'Connor engage in principal transactions with affiliates of O'Connor as counterparty, and may do so in the future. Certain of our private funds may have a substantial investment, directly or indirectly, by our related persons.

The Code is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with making and implementing decisions in the best interest of O'Connor's Clients. At the same time, it is possible that employees may buy or sell for their personal accounts securities identical to or different from those recommended to our Clients. However, the Code generally requires employees to pre-clear securities transactions, as well as hold equity securities and closed-end funds for a period of at least 30 days.

A copy of our Code is available to our Clients and prospective Clients. You may request a copy by email sent to [Sal.digangi@ubs.com](mailto:Sal.digangi@ubs.com), or by calling him at 212-821-6206.

## **Item 12 - Brokerage Practices**

O'Connor will seek to select broker-dealers (which may include its affiliates) and other trading counterparties on the basis of a number of factors including their financial stability, their execution capabilities and trading expertise to execute and settle transactions for Client accounts. In determining which broker-dealer may provide best execution for a particular transaction or series of transactions, O'Connor considers the totality of the services that a broker-dealer can provide, including but not limited to: execution price, capability to execute difficult trades (possible market impact, size of the order and market liquidity); commitment of capital; opportunity for block transactions; access to IPOs and other new issues; research; confidentiality; clearance and settlement; responsiveness; access to markets; and/or financial stability. This means that a broker-dealer offering the most favorable commission or spread may not be selected to execute a particular transaction. We will seek to negotiate favorable commissions and spreads on all transactions. We will determine the overall reasonableness of the brokerage commissions and other transaction costs on Client transactions by taking into account various factors, including, but not limited to, the following: current market conditions; size and timing of the order; depth of the market; per share price; difficulty of execution; the time taken to conclude the transaction; the extent of the broker-dealer's commitment, if any, of its own capital; and the amount involved in the transaction. To facilitate O'Connor's review and consideration of these factors, O'Connor utilizes, among other things, internal surveys and various transaction cost analysis tools. In the course of executing Client transactions, when in the best interests of our Clients, we may utilize the execution services of a broker (including a related person) other than trading directly with the market-maker for certain financial instruments, including over-the-counter securities transactions. As a result, Clients may be charged a

commission as well as an undisclosed mark-up or markdown on such transactions.

Investment management agreements with certain of our Clients authorize O'Connor to make use of soft dollars as described below. In addition, by executing the subscription documents of a private fund managed by O'Connor, Clients will be agreeing that O'Connor has the authority to engage in such practices.

O'Connor may enter into both soft dollar and commission sharing arrangements ("CSAs") to obtain research and other soft dollar services from broker-dealers (which may also be affiliates of O'Connor). Such arrangements with broker-dealers may include executions through electronic trading systems. Some of these arrangements do not fall within the safe harbor of section 28 (e) of the Securities Exchange Act of 1934 ("Section 28 (e)"), in part because O'Connor can negotiate greater discounts from vendors by negotiating global agreements with its affiliates. In some instances, this would require the broker-dealers paying for the service utilized by O'Connor to send the payment directly to such affiliate that paid the global bill which would also fall outside of the safe harbor of Section 28 (e). When entering into a soft dollar arrangement with a broker-dealer, O'Connor will identify a level of business it expects to conduct with that broker-dealer based on O'Connor's historic trading levels with that entity and with the assumption the broker or dealer will continue to provide Client transactions with best execution. The actual amount of business transaction volume is allocated on the basis of the multiple factors described in Item 12 A. above.

O'Connor generally will obtain the following products/services that fall under Section 28(e)'s definition of "research", i.e.; research reports (in various formats) on particular companies, industries, sectors, markets (general and specific) and geographic regions, economic surveys and analyses, recommendations as to specific securities, on-line quotations, news and research services, trade execution, portfolio and risk management systems/software (which may include fees charged by consultants to build and/or maintain such systems), market data services, including alternative data services, pricing services and feeds. All of the foregoing provides assistance to O'Connor in the performance of its investment decision making responsibilities on behalf of its funds. The items listed above may be allocated to O'Connor by one or more of its affiliates based on the number of investment professionals employed by O'Connor. These allocations are reviewed, but are not independently calculated by O'Connor. Therefore, it is possible that O'Connor will be allocated slightly more or less than its pro-rata share of these allocated expenses.

O'Connor may use soft dollars generated from client transactions to obtain non-research products and services, including without limitation, software and hardware for O'Connor's risk management, portfolio management, compliance, accounting, trade allocation and other internal systems and technological infrastructure (which may be allocated to it by one of more of its affiliates or shared by sub-managers as described above) that may be used by O'Connor's trading and non-trading professionals, consulting services, including consultant's travel and related expenses associated with the maintenance and development of such equipment and systems previously described, depreciation of hardware allocated by its parent company, corporate actions, data services, non-research publications and subscriptions, legal, audit and other professional consulting bills of certain clients by O'Connor.

The use of both soft dollar arrangements and CSAs to obtain products and services will benefit, and create a conflict of interest for O'Connor since it will not need to produce or pay for such products and services out of its own funds. Inherent in this conflict of interest is the fact that, generally, the greater the amount of brokerage services directed to a particular broker, the greater amount of soft dollar credits that will be granted from such broker to O'Connor. Furthermore, the cost of product and services purchased with soft dollars will be borne pro rata among Clients, and some products and services may be used to benefit Clients other than those whose trades generated the soft dollar credits paid to obtain such products and services. Also, some Clients may not contribute any commission dollars towards soft dollar services and still benefit from soft dollar services.



Internally, O'Connor uses the terms "business unit", "sub-business unit", or "strategy" which we view as an particular portfolio, theme, or investment strategy, (i.e. basic materials, risk arbitrage, industrials, among others) and are managed by one or more portfolio managers. As described in Item 6 above, investment decisions are typically made at the business unit level and in many cases the same investment opportunity is allocated to multiple Clients based on their investment objectives as described in their respective Governing Documents. An investor should be aware that not all Clients receive exposure to all business units.

When a single business unit buys or sells a security, the order is generally aggregated and allocated on a pro-rata basis to Clients that receive exposure to that business unit. O'Connor effects the transaction in a manner designed to reasonably ensure that no participating Client is favored over any other Client. Specifically, each Client that participates in an aggregated transaction will receive the average share price with respect to that trade. In some instances, this may adversely affect the size of the position or have a dilutive effect on the position held by a Client or the price paid or received by a Client, as compared with the position size or price that would have been received had no aggregation occurred. When multiple business units place orders in the same security on the same day, the two (or more) orders may, or may not be aggregated together. If a single business unit allocates to more than one Client, we use reasonable efforts to allocate investment opportunities (which includes any limited availability offerings) in a manner which we believe is fair and equitable over time, but there can be no assurance that any Client will participate in any particular investment opportunity on an equal basis with any other Client. Generally, exceptions to allocations across Client accounts in a manner other than pro-rata are subject to review by O'Connor's compliance department and all trades are subject to our best execution obligations.

On a monthly basis, O'Connor, through a robust process, allocates capital among business units, and may change capital weightings and/or leverage employed among its business units. Usually, this is done based on our sole opinion as to the future prospects of certain business units. We accomplish allocation goals through several types of trading, including, among others, cross trades and program trades. Certain business units may take more time to achieve its allocation goals than others and may cause allocations that are out of alignment from the agreed upon capital allocations. This may occur for prolonged periods of time. O'Connor may cause certain Clients to participate in the same investments in a different manner from other Clients for various reasons such as regulatory or other operational constraints. O'Connor may use various allocation methodologies and practices for different instruments or markets and O'Connor's practices may change over time. O'Connor seeks to avoid de minimus allocations among its Clients, (based on the sole discretion of the portfolio manager), resulting in a compounding effect (i.e. out of alignment) in certain business units over time. When considering which Client may receive an investment allocation, O'Connor may consider; contractual provisions, tax regimes, investment objectives, investment strategies, current holdings, tax implications, risk limits, margin, leverage or financing requirements or constraints, the effects of odd lots or small trade sizes, the nature of certain securities markets (i.e. credit, convertibles), the ability of O'Connor to efficiently allocate trades among Clients, periodic capital flows, whether an account is in startup or wind down, subscriptions or redemptions, as well as any other quantifiable or non-quantifiable factor.

Additionally, some Clients are subject to legal or regulatory restrictions that other Clients are not; which will have an impact on the manner in which some securities are allocated.

In the U.S., O'Connor will generally allocate IPOs among Clients based on the relative eligible capital within each legal vehicle and in a fair and equitable manner. International IPOs will be allocated among eligible Clients pro-rata, based on the capital of the respective Client. When determining if a Client is eligible for an IPO, O'Connor may take into consideration such factors as regulatory restrictions, investment objectives, time horizons, investment strategies, current portfolio holdings and weightings, tax regimes, working capital, risk levels, trading volume attributable to each strategy with the broker from which the IPO opportunity arises and any other factor that O'Connor deems in the best interest of a Client. To the extent shares available in an IPO are not sufficient to allocate on a pro rata basis in a manner that would be meaningful for a Client, the shares may be allocated in another manner determined in good faith to be a fair allocation. Due to regulatory restrictions, certain share classes of a fund may not

be eligible to participate in IPOs.

In the US, O'Connor will primarily allocate secondary offerings to a business unit which is dedicated to purchasing and selling secondary equity offerings. The secondary offering business unit will allocate to more than one Client based on the levered capital weighting of the equity investments attributed to the Client which allocate to the strategy and is determined on a monthly basis. Certain Clients may not participate in the secondary offering business unit or all of the securities purchased by the business unit due to regulatory restrictions, Client objectives and other restrictions. Additionally, other business units may participate in secondary offerings if portfolio managers or analysts deem it to be appropriate and the security meets the objectives of the respective business unit. When additional business unit portfolio managers request to participate in secondary offerings, the portfolio manager of the secondary allocation business unit will have the primary responsibility and discretion to allocate such securities between the various business units. The portfolio manager may take into consideration various factors such as the overall capital allocated to each business unit, whether the business unit currently has exposure to the issuer's security or has invested in the issuer's securities in the past, the portfolio managers appetite to hold such securities as well as other factors. After the securities are allocated among business units they are generally allocated to each Client based on their allocation to a business unit.

Although O'Connor employees exercise due care in making and implementing investment decisions, O'Connor may, from time to time, make errors with respect to trades made on behalf its Clients. A non-exhaustive list of examples may include: (1) the placement of orders (either purchases or sales) in excess of or less than the intended amount, (2) the sale/purchase of the a security where the intent was to purchase/sell, (3) the purchase or sale of the wrong security, (4) keystroke errors when entering electronic transactions, and (5) miscommunication among employees. As a general matter, if O'Connor commits a trade error that results in a net loss for a Client, O'Connor will credit an amount equal to the net loss to that Client as soon as reasonably practical considering all relevant facts, which may include internal approvals. To the extent a net loss is caused by the mistake of a third party (such as a broker or other service provider), O'Connor will endeavor to recover such amounts from the responsible party.

Notwithstanding the foregoing, O'Connor has full discretion to resolve a particular trade error in a manner other than specified above after a complete investigation and evaluation of the circumstances surrounding the event, including the reallocation of trades among Clients.

### **Item 13 - Review of Accounts**

Each account is reviewed by one or more portfolio managers on a regular and continuous basis. The review process typically includes ongoing consideration of major market and economic developments and their effects on the securities held in each account. In addition, the review process will typically involve a review and analysis of the performance of the individual positions held in each account, the performance of the entire portfolio of securities held in the account generally, and the risks inherent in the individual positions and portfolio as a whole. Additionally, all of O'Connor's accounts are independently reviewed by UBS Group Risk Control, which includes, among others, compliance and market risk. Members of Group Risk Control do not report to the business head of O'Connor, but rather to other channels throughout UBS.

The private funds Management Board will generally receive annual audited statements from O'Connor regarding each private fund that it governs. Each of the investment funds that O'Connor advises or manages, will prepare and arrange for each investor the ability to obtain an audited financial report of such fund audited by such fund's independent auditors, as soon after the end of each fiscal year as is reasonably possible. Generally, SMA clients as well as investors in our funds periodically receive unaudited performance reports, and information necessary to complete their tax filings, as applicable.

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

O'Connor compensates solicitors (which include affiliates) for new business consistent with Rule 206(4)-3 under the Advisers Act. O'Connor compensates such persons who introduce investors to accounts managed by O'Connor out of a portion of the fees collected by O'Connor (such expenses are borne by O'Connor and not the Client). The duration of fees shared for each such arrangement varies on a case-by-case basis.

Representatives of O'Connor will, from time to time, speak at conferences and participate in programs sponsored by the prime brokers servicing its Clients. These conferences and programs are a means for O'Connor to be introduced to prospective investors or Clients and are considered a value added service by the prime brokers. The prime brokers are generally not compensated by O'Connor for providing such "capital introduction" opportunities. However, a potential conflict exists, in that the provision of these capital introduction opportunities, as well as any other services, by a prime broker may influence O'Connor in deciding whether to recommend the services of such prime broker in connection with the custody and execution related to Client transactions. Additionally, these capital introduction services could be deemed to be part of the bundled services and fees that are charged to O'Connor's Clients and not to O'Connor itself, thus providing O'Connor with a benefit and an additional conflict of interest when recommending prime brokers to its Clients. These capital introduction opportunities are usually subject to written agreements between the prime broker and O'Connor.

#### **Item 15 - Custody**

Client assets are maintained by qualified custodians, which include UBS related affiliates. For purposes of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), O'Connor is deemed to have custody over certain Client assets. Both O'Connor and the qualified custodian send periodic account statements to Clients. As a result, to ensure the safekeeping of Client assets, it would be a good control process to review and reconcile these account statements and contact O'Connor and their qualified custodian if there are any discrepancies between the two statements.

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

O'Connor may provide discretionary investment management services to certain of its Clients. When permitted by a Client's Governing Documents, O'Connor and its sub-advisers, (one or more of which are affiliates) will make investment related decisions without consulting a Client. These decisions involve determinations regarding which securities are bought and sold, the total amount of securities to be bought and sold, the brokers with whom orders for the purchase and sale of securities are placed for execution and the prices and commission rates at which such securities transactions are effected. O'Connor's discretionary authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between O'Connor and the Client. Clients may limit O'Connor's discretionary authority with respect to brokerage by directing that transaction be effected or not effected through specified brokers. Any restrictions or limitations applicable to a Client are disclosed in their Governing Documents.

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

Unless Clients have reserved voting rights to themselves, O'Connor will direct the voting of proxies on securities held in their account. O'Connor's proxy policy is based on O'Connor's belief that voting rights have economic value and must be treated accordingly. Generally, O'Connor expects the boards of directors of companies issuing securities held in Client accounts to act as stewards of the financial assets of the company, to exercise good judgment and practice diligent oversight over the management of the company. While there is not an absolute set of rules that determine appropriate corporate governance under all circumstances and no set of rules will guarantee ethical behavior, there are certain benchmarks, which, if substantial progress is made toward, give evidence of good corporate governance. O'Connor has delegated an independent proxy voting and research service the authority

to exercise the voting rights associated with certain holdings. Our delegation was made with the direction that the votes be exercised in accordance with O'Connor's proxy voting policy.

O'Connor has implemented procedures designed to identify whether O'Connor has a conflict of interest in voting a particular proxy proposal, which may arise as a result of its or its affiliates' Client relationships, marketing efforts or banking, investment banking and broker-dealer activities. To address such conflicts, O'Connor has imposed information barriers between it and its affiliates who conduct banking, investment banking and broker-dealer activities. Whenever O'Connor is aware of a conflict with respect to a particular proxy, compliance undertakes a review and agrees to the manner in which such proxy is voted.

A copy of O'Connor's full proxy voting policy is available to Clients upon request.

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

O'Connor is not required to attach a balance sheet because it does not require or solicit the payment of fees six months or more in advance.

O'Connor has no financial commitment that impairs its ability to meet contractual or fiduciary commitments to its Clients.

O'Connor has never been the subject of a bankruptcy proceeding.