

**Asset Management One USA Inc.  
Part 2A of Form ADV  
The Firm Brochure**

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**March 2024**

*This brochure provides information about the qualifications and business practices of Asset Management One USA Inc. If you have any questions about the contents of this brochure, please contact us at [compliance@am-one-usa.com](mailto:compliance@am-one-usa.com) or (212) 350-7641. 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 Asset Management One USA Inc. is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Asset Management One USA Inc. is registered with the United States Securities and Exchange Commission as an investment adviser. Registration does not imply a certain level of skill or training.*

## **Item 2. Material Changes**

This brochure contains information about Asset Management One USA Inc. (“AMO USA” or the “Firm”), including material changes to the brochure since the last annual update in March 2023 as follows:

### Item 1: Cover Page

Updated the Firm’s principal office address.

### Item 4: Advisory Business

Updated its regulatory assets under management and assets under advisement as of December 31, 2023.

Removed sub-advisory and advisory support services to Wilshire Advisors.

### Item 5. Fees and Compensation

Updated the fee range for separately managed accounts.

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

Updated a disclosure associated with regulatory risks.

Removed a disclosure of risks associated with Brexit.

### Item 10. Other Financial Industry Activities and Affiliations

Removed Wilshire Advisors from a disclosure regarding the Firm’s strategic and fee sharing relationship.

**PLEASE READ THE BROCHURE CAREFULLY IN ITS ENTIRETY.**

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#### **Item 4. Advisory Business**

Asset Management One USA Inc. (the "Firm" or "AMO USA") is the U.S. based subsidiary of Asset Management One Co., Ltd., a global investment management group headquartered in Tokyo, Japan.

The Firm was originally established in 1994 as Dai-Ichi Life Investment Management Co., Ltd. It was since renamed to DLIBJ Asset Management USA, Inc. in 2000, to DIAM U.S.A., Inc. in 2008 and most recently in October 2016, to Asset Management One USA Inc. following the integration of its parent company, DIAM Co., Ltd., Asset Management Division of Mizuho Trust Bank, Mizuho Asset Management, and Shinko Asset Management into Asset Management One Co., Ltd. ("AMO JAPAN").

On January 1, 2020, AMO USA merged with its affiliate, Mizuho Alternative Investments LLC ("MAI"), with AMO USA being the surviving entity (the "Merger"). As a result of the Merger, all assets and liabilities of MAI transferred to AMO USA by operation of laws of the State of Delaware and MAI ceased to exist.

AMO USA is a wholly owned subsidiary of AMO JAPAN, of which 70% economic interests and 51% voting rights are owned by Mizuho Financial Group, Inc. ("MHFG") and 30% economic interests and 49% voting rights by Dai-Ichi Life Holdings, Inc. ("Dai-Ichi Holdings"), respectively. Both MHFG and Dai-Ichi Holdings are publicly traded companies listed on the Tokyo Stock Exchange and New York Stock Exchange (American Depositary Receipts). As part of the Asset Management One Group (the "AMO Group"), AMO USA is also affiliated to Asset Management One International Ltd. ("AMOI"), Asset Management One Singapore Pte. Ltd., Asset Management One Hong Kong Limited, and Asset Management One Alternative Investments, Ltd.

As of December 31, 2023, AMO USA had regulatory assets under management of \$7,448,265,022 (\$7,433,274,210 in discretionary and \$14,990,812 in non-discretionary assets). As of December 31, 2023, the Firm also had assets under advisement of \$20,356,738,613 for non-discretionary investment advisory without placing trades, as well as portfolio monitoring and analytical services, and investment model licensing to a number of clients for whom AMO USA did not have regulatory assets under management, including the CLO portfolio of Mizuho Bank, Ltd. ("MHBK"), a subsidiary of MHFG, and non-discretionary advisory services to AMO JAPAN and AMOI.

AMO USA offers a broad range of fundamental and quantitative strategies across various asset classes including fixed income securities, equity securities, futures, options, swaps and other derivatives to institutional clients on a both discretionary and non-discretionary basis. AMO USA's main strategies include Risk Premia Strategies, US Credit Strategy, US Hybrid Active Equity Strategy, and Global Small-Mid Cap Quality Growth Strategy, as further discussed in Item 8. The Firm also offers customized investment strategies and solutions. AMO USA offers its advisory services to institutional clients through pooled investment vehicles, separately managed accounts, or other arrangements. AMO USA's clients and prospective clients as a whole, including pooled investment vehicles and separately managed account clients (both discretionary and non-discretionary) are hereinafter referred to as "Clients", and, individually, a "Client". Furthermore, AMO USA provides sub-advisory services to AMO JAPAN and AMOI.

#### **Private Funds**

Pooled investment vehicles managed by AMO USA are private investment funds (each, a "Private Fund"), generally established in the Cayman Islands as unit investment trusts, private investment partnerships or investment companies, and retain AMO USA as an investment adviser or sub-adviser. The offerings of units, shares or interests in the Private Funds are not registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and the Private Funds are not registered under the U.S. Investment

Company Act of 1940, as amended (the “Investment Company Act”). AMO USA is registered as a commodity pool operator under the U.S. Commodity Exchange Act (“Commodity Exchange Act”) with respect to certain of the Private Funds it advises. However, AMO USA has submitted notice filings stating its intent to operate these Private Funds pursuant to an exemption available under Regulation 4.7 adopted by the U.S. Commodity Futures Trading Commission (“CFTC”). AMO USA is also registered as a commodity trading advisor under the Commodity Exchange Act. Further, AMO USA has submitted a notice filing stating its intent to advise the Private Funds as though it were exempt from certain obligations pursuant to CFTC Regulation 4.7. Accordingly, AMO USA offers and sells interests or shares in the Private Funds exclusively to investors satisfying the applicable eligibility and suitability requirements of the Securities Act, Investment Company Act, Commodity Exchange Act and CFTC Regulations, either via private transactions within the United States or in offshore transactions.

Each Private Fund is a separate legal entity from AMO USA, AMO JAPAN, MHFG, Dai-Ichi Holdings, or any of their affiliates. Ownership interests in a Private Fund are not deposits or obligations of, or guaranteed or endorsed in any way by, AMO USA, AMO JAPAN, MHFG, Dai-Ichi Holdings (individually, or collectively with its affiliates and subsidiaries, as the context requires, “Affiliate”), any other Affiliate entity, or any other bank. None of AMO USA, AMO JAPAN, MHFG, Dai-Ichi Holdings, or any other Affiliate entity, the U.S. Federal Deposit Insurance Company, the U.S. Federal Reserve Board or any other bank or governmental agency, directly or indirectly, guarantees, assumes or otherwise insures the obligations or performance of the Client accounts or Private Funds or any other investment fund in which the Private Funds or any subsidiary of the Private Funds invests. Any losses in the Private Funds are borne solely by investors in such Private Funds and not by AMO USA or any other Affiliate entity, whose losses will be limited to losses attributable to their ownership interests in the Private Funds held by them in their capacity as an investor in the Private Funds or as a beneficiary of a restricted profits interest held by them. Prospective investors in a Private Fund should read the relevant offering documents before investing.

Certain of the Private Funds have issued multiple classes of units, shares or interests of which certain classes are subject to different investment terms, including those applicable to fees, transparency and liquidity. Details concerning applicable terms are set forth in the respective Private Funds’ governing documents and side letters.

*This brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Private Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act and other applicable state or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Private Funds, including requirements that they be “accredited investors” as defined in Regulation D, “qualified purchasers” as defined in the Investment Company Act, or non-“U.S. Persons” as defined in Regulation S. Persons reviewing this brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Private Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

#### Side Letters

AMO USA may enter into letter agreements (often referred to in the industry as “side letters”) with certain investors in the Private Funds, including its Affiliates, which may grant terms which differ from those outlined in the Private Funds’ governing documents. These terms may include (i) different subscription notice periods or minimum investment amounts, (ii) the waiver or reduction of management fees and/or incentive fees or incentive profit allocations, (iii) differing redemption or withdrawal terms, in terms of either the required notice to be given or the amount that may be redeemed or withdrawn, (iv) commitments to permit future investments in the Private Fund by certain investors when the Private Fund is otherwise closed to new or additional investments, (v) waiver of confidentiality undertakings, (vi) consent to transfer of interests in the Private Funds, and (vii) undertakings designed to protect an investor from violating an

applicable statute or administrative regulation. Private Funds and AMO USA have agreed and may in the future agree to provide certain investors with supplemental information, reports and due diligence that may not be made available to all investors. The supplemental information or reports provided for in a side letter may affect the decision of the recipient to request a redemption or withdrawal from a Private Fund.

#### Discretionary Advisory Services

Clients invest or participate in investments in equity and fixed income securities, exchange-traded financial and commodity futures contracts, options, over-the-counter (“OTC”) derivatives, and other securities and financial instruments, including cash and cash equivalents. In providing investment services to each Client, AMO USA, directs and manages the investment and reinvestment of Client assets in accordance with the stated investment objectives, and reports certain investment performance-related information to each Client. With respect to the Private Funds, AMO USA provides investment advice to each Private Fund directly, but not to the investors of Private Funds individually. AMO USA manages the assets of each Client in accordance with the terms of the governing documents that are applicable to each Client.

#### Non-Discretionary Advisory and Other Services

In addition to discretionary advisory services, AMO USA provides various forms of non-discretionary services to Clients that include affiliated entities including MHBK, AMO JAPAN, and AMOI. Such services performed by AMO USA include, but are not limited to: (i) research services; (ii) investment recommendations and advisory services; (iii) advisory on allocation and use of third-party quantitative strategies in investment portfolios; (iv) monitoring services, including CLO monitoring, and pricing verifications of certain indices and sub-indices; and (v) licenses to use its proprietary algorithms.

Furthermore, AMO USA provides non-discretionary advisory services to certain AMO JAPAN managed Japanese investment vehicles that invest in one or more Private Funds managed by AMO USA, as well as other Japanese investment vehicles and accounts managed by AMO JAPAN, subject to the terms of the relevant non-discretionary investment advisory agreement between AMO USA and AMO JAPAN, as amended from time to time (the “NDIAA”). These non-discretionary advisory services generally consist of (i) providing various forms of strategy and portfolio analysis, as requested by AMO JAPAN and (ii) recommending, on a non-discretionary basis, investment allocations into the relevant Private Funds or other fund vehicles or into underlying assets. This arrangement presents inherent conflicts of interest which are described under Item 8 below. For these services, depending on the relevant Japanese investment vehicle, as set out in the NDIAA, AMO JAPAN pays AMO USA a quarterly or semi-annual fee, which is calculated as a percentage of either the daily investment allocation into the relevant Private Fund, the daily net asset value of the relevant Japanese investment vehicle or the investment management fee paid by the relevant Japanese investment vehicle to AMO JAPAN.

## **Item 5. Fees and Compensation**

AMO USA's investment advisory fees are typically based on assets under management and vary by investment strategy, product, and role of the Firm. Fees for non-discretionary investment advisory, portfolio monitoring and consulting services, and investment model licensing are either asset-based, incentive or fixed fees.

AMO USA's separately managed account fee rates are based on account assets and generally range from 0.04% to 0.80% per annum. Fees are generally charged in arrears on a quarterly basis or as provided in each separately managed account client's investment management agreement. The Firm's standard fee rates are subject to change and may be negotiated under certain circumstances. Such circumstances may include, without limitation, specialized advisory products or services varying from the general products and services described in this brochure, existing client relationship, and account size. A separately managed account's securities composite, strategy, account discretion, servicing levels and contracting counterparties are taken into account when determining fee rates. Separately managed account clients may pay fees outside of the range indicated above.

Compensation received by AMO USA from the Private Funds for discretionary investment advice is generally comprised of fees based on a percentage of assets under management (for all Private Funds) and performance-based amounts (for some Private Funds when applicable). In general, AMO USA's asset-based fee for discretionary investment advice for the Private Funds ranges from 0.10% to 0.70% (per annum) of the aggregate fair market value of the net assets of a Private Fund. These fees have been and, in the future, may be negotiated with Clients or Private Fund investors on a case-by-case basis. With regard to the majority of Private Funds, asset-based fees for the Private Funds accrue based on the subscription/redemption timing (daily or monthly) and are billed monthly or quarterly in arrears as of the close of the calendar month, quarter or half during which AMO USA performs the services to which the fees relate. The asset-based fee shall be prorated for any billing period during which AMO USA does not serve as the investment adviser for the entire billing period. If fees are paid in advance, upon termination of the investment advisory services, any unearned portion of fees will be refunded to the Private Fund on a prorated basis. This does not apply to asset-based fees allocated to the individual investors of a Private Fund. In addition, the asset-based fee may be reduced periodically by an amount equal to placement or distribution fees, if any, paid by a Private Fund, with the amount owed to the placement agent being paid directly by the Private Fund. AMO USA, at its discretion, may waive all or a portion of the asset-based compensation amount.

In instances where AMO USA acts as a sub-adviser to AMO JAPAN or AMOI, AMO JAPAN and AMOI generally pay to AMO USA a portion of the fees they receive from their respective clients, which are, in most cases, a fixed percentage of the account assets, but sometimes a variable percentage of the account assets, which fluctuates according to the performance of the portfolio.

In some cases, AMO USA shares a portion of its advisory fees, determined by mutual agreement, with other sub-advisers, who are directly or indirectly affiliated with AMO USA, and who AMO USA has engaged to assist with the management of the advisory services provided to the relevant Client.

In addition to the above, AMO USA has also entered into a cost-plus service agreement with AMO JAPAN with respect to certain discretionary and non-discretionary investment advisory services, information services, and other investment-related support services that AMO USA provides to AMO JAPAN pursuant to their respective individual advisory agreements (the "Covered Services"). According to the cost-plus service agreement, operational expenses incurred by AMO USA for provision of the Covered Services are calculated based upon the methodology set forth in the agreement. In the event that 110% of aggregated value of such operational expenses is greater than the total fee amount AMO USA receives from the Covered

Services, AMO JAPAN will pay the difference to AMO USA. AMO JAPAN pays to AMO USA the difference between the marked-up amount that is 110% of the relevant operating expenses associated with the Covered Services such as human resources costs, system and infrastructure costs, rent and other fixed costs and the aggregate amount of the fee earnings generated from the individual agreements and/or orders with respect to the Covered Services.

AMO USA's Quantitative Strategies Team develops algorithms for quantitative investment strategies and may license or otherwise grant the right to use such algorithms to third-parties and may receive licensing fees, which are typically expressed as a percentage of the assets deployed by such strategy, from the third-parties.

The governing body for each Private Fund (whether trustee, general partner, managing member or board of directors) in coordination with AMO USA will value, or arrange to have valued, the securities and instruments held by the Private Funds using readily available market quotations and other commonly used and recognized methods. Generally, the Private Funds will engage fund administrators to assist in determining asset valuations, including the calculation of the asset-based and performance-based fee amounts, if applicable.

Generally, asset-based and performance-based fees, if applicable, are deducted directly from the accounts of Clients or paid to AMO USA by the investment manager/investment adviser of the relevant Client out of such investment manager's/investment adviser's asset-based and performance-based fees collected from the relevant Client.

Additionally, the governing documents of Private Funds and service and licensing agreements generally provide that AMO USA will not be liable and will be indemnified for certain losses, damages or liabilities arising out of or in connection with the performance of its duties to the applicable Client account.

Each Private Fund generally bears all expenses concerning the operation of the Private Fund, which may, depending on the relevant Private Fund, include, but may not be limited to, the following expenses incurred by, or allocable to each Private Fund, and which may vary from Private Fund to Private Fund:

- (i) organizational and offering expenses incurred in connection with establishing the Private Fund and its feeders (if any), and the offerings of shares, units or interests of the Private Fund;
- (ii) expenses incurred in connection with the investments made by the Private Fund (including research and/or trade ideas expenses and costs, travel related costs, all brokers' commissions, clearing and settlement charges, sales commissions, pricing and valuation fees, if any, research fees, interest and investment fees, transaction fees, bank charges, all borrowing charges on securities sold short, other investment costs and expenses related to closing, execution and transaction costs, collateral management fees or similar fees and any issue or transfer taxes or stamp duties chargeable in connection with the Private Fund's investments);
- (iii) certain fees and expenses related to market data feeds;
- (iv) developing, acquiring or otherwise licensing, implementing or maintaining computer software and technological systems for the benefit of the Private Fund, its investors or its investments (including portfolio, data and order execution and management systems);
- (v) all fees associated with development and maintenance of customized indices, which are used in relation to a Private Fund;
- (vi) all custodial, trustee, transfer agent, recordkeeping and other administrative fees;
- (vii) expenses incurred in connection with the Private Fund's ongoing operations, including but not limited to all of the charges and expenses of legal advisers, accountants and auditors, all administrative expenses (inclusive of any fees charged by the administrator in connection with



- preparing and calculating interim or non-standard financial statements, net asset values and tax reports and related filings) and reporting expenses including, but not limited to, middle and back office expenses;
- (viii) risk management assessments and analysis of investments and investment portfolios held by the Private Funds;
  - (ix) all taxes and corporate fees and levies payable to governments or agencies or regulatory bodies and the costs of preparing tax returns;
  - (x) all interest on borrowings, including borrowings from the prime brokers and custodians;
  - (xi) all communication expenses with respect to investor services and all expenses of meetings of shareholders/unit holders/ interest holders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents;
  - (xii) the fees associated with all regulatory filings and the costs of preparing such filings, reports or notices;
  - (xiii) accounting, tax and audit expenses of incurred by AMO USA or its affiliates in relation to the Private Fund, to the extent allocable to the Private Fund;
  - (xiv) fund directors' expenses, the holding of any meeting of the Private Fund, including the Private Fund's investors, the Private Fund's advisory board, directors' meetings or conflicts review (as applicable);
  - (xv) expenses incurred in respect of research, statistical, market data, third-party experts and portfolio management services and software;
  - (xvi) expenses incurred in respect of obtaining and maintaining one or more insurance policies all of the costs of insurance for the benefit of the directors and officers of AMO USA and its affiliates;
  - (xvii) certain extraordinary expenses, such as litigation expenses;
  - (xviii) expenses related to an advisory committee and/or an independent client representative;
  - (xix) costs and expenses incurred with respect to market information systems and publications, research publications and materials;
  - (xx) expenses related to distributions to investors;
  - (xxi) all litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business;
  - (xxii) expenses incurred by such Private Fund and subsidiary entities, if any;
  - (xxiii) such Private Fund's indemnification obligations (including any fees, costs and expenses incurred in connection with indemnifying covered persons consistent with such Private Fund's governing documents, and advancing fees, costs and expenses incurred by any such covered persons in defense or settlement of any claim that may be subject to a right of indemnification under such Private Fund's governing documents); and
  - (xxiv) all other organizational and operating expenses, including, without limitation, and external legal costs associated with the review of the Private Funds' trading facilities and account documentation.

Such fees, duties and charges will be borne by the Private Fund in respect of which they were incurred or, where an expense is not considered by AMO USA to be attributable to any one Private Fund, the expense will be allocated by AMO USA in such manner and on such basis as AMO USA in its discretion deems fair and equitable. In certain Private Funds some of the fees and expenses may be allocated to certain classes and not all investors at the reasonable discretion of AMO USA. For example, if a Private Fund's functional currency is USD, the holders of non-USD classes will be allocated profits, income, losses, and expenses that are derived from or related to currency hedging transactions to hedge their exposure the exchange rate between the functional currency of the relevant Private Fund and the currency of the non-USD class.

In the case of any fees or expenses of a regular or recurring nature, such as audit fees, AMO USA may calculate such fees and expenses on an estimated figure for yearly or other periods in advance and accrue the same in equal proportions over any period, such fees being payable in accordance with the terms of the

relevant agreement or arrangement.

To the extent that an expense relates to a group of Private Funds (for example, funds structured as a Cayman Islands umbrella series trust, or any other group of funds or accounts), such expense could be generated at the group level, or by individual Private Funds. Generally, each Private Fund bears all of its fees and expenses as well as its share of the fees and expenses generated at the group level, which will be allocated in accordance with AMO USA's Expense Allocation Policy, or as otherwise determined by AMO USA in its discretion to be fair and equitable to all Private Fund investors. Certain fees and expenses AMO USA may determine to allocate to only some and not all Private Funds belonging to a group.

It should be noted that, if complex-wide pricing is used, such allocation method may result in larger Private Funds "subsidizing" smaller Private Funds, i.e., a smaller Private Fund benefiting from a larger Private Fund taking on a larger pro-rata portion of the expense. However, AMO USA believes that complex-wide pricing is a relatively common practice and is beneficial to the growth of the overall complex.

In addition, each Private Fund will generally pay all expenses reasonably incurred in the formation and organization of, and sales of shares or interests in, the Private Fund, including external legal and accounting expenses, printing costs, travel, and out-of-pocket expenses, if any. AMO USA may incur and pay in the name and on the behalf of a Private Fund any organization or operating expenses that it deems necessary or advisable. The Private Fund will reimburse AMO USA for advances AMO USA makes to pay for Private Fund expenses.

**Please see each Private Fund's applicable confidential offering memorandum and statement of additional information for additional detail on expenses for the Private Fund in question. Additionally, see the "Brokerage Practices" section below for additional information regarding brokerage commissions and expenses. Investors in the Private Funds should review all fees charged by AMO USA and its affiliates, custodians and brokers, and others to fully understand the total amount of fees and expenses to be paid.**

Separately managed account clients generally bear their own operating expenses, including, but not limited to, fees and expenses associated with their investment strategy or program, including any relevant fees, costs and expenses identified above herein with respect to the Private Funds, as applicable.

Except as may be otherwise negotiated in particular cases, investors are able to withdraw or redeem from a Private Fund pursuant to the terms of the Private Fund's organizational documents. In general, the expenses, asset-based fee, and performance-based fee are charged to the investor through the date of termination. The investment advisory agreement with each Private Fund is terminable, without penalty, generally upon advance notice to either party. Termination periods, if applicable, are negotiable and are set forth in the respective governing documents.

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

### A. *Performance-Based Fees*

#### Private Funds

In general, performance-based compensation paid by the Private Funds, as applicable, ranges generally from 0% to 20% of net realized and unrealized profits in total for each year. Generally, this amount is payable as disclosed in governing documents of the relevant Private Fund. Such performance-based compensation is generally subject to net loss carry-forward provisions or “high water marks,” as described in applicable governing documents. AMO USA, at its discretion, may waive all or a portion of the performance-based compensation amount. Performance-based fees may be calculated at the master or feeder fund level as well as at the intermediary/access investment vehicle level. With a performance-based fee arrangement, AMO USA receives compensation based on a share of the capital gains or capital appreciation of the Private Funds or any portion of the funds of the investor. Since the performance allocation will be determined on both realized and unrealized gains, AMO USA may receive a performance allocation at the end of a performance-based compensation period reflecting gains that are not subsequently recognized by the Private Funds.

#### Sub-Advisory Accounts for AMO JAPAN

AMO USA charges performance-based fees to certain sub-advisory accounts for AMO JAPAN. AMO USA considers the fees received from such accounts to be performance based as AMO JAPAN’s fee arrangements with the underlying clients are performance-based, a portion of which AMO USA receives through its sub-advisory agreement with AMO JAPAN.

#### Separately Managed Accounts

AMO USA does not charge performance-based fees with respect to its separately managed accounts except for certain sub-advisory accounts that it manages for AMO JAPAN as described above.

Performance-based fees may create an incentive for AMO USA to make investments that are riskier or more speculative than would be the case in the absence of performance-based compensation. AMO USA currently has Private Funds and Client accounts that *do not* pay performance-based fees. AMO USA faces a conflict of interest by managing performance fee paying and non- performance fee paying accounts at the same time. Specifically, this may create or appear to create an incentive for AMO USA to favor accounts for which it receives a performance-based fee. AMO USA may be incentivized to devote a disproportionate amount of time and resources to such account at the expense of other accounts that are charged only a management fee. AMO USA and its related persons intend to devote as much time as they deem necessary for the management of each account. AMO USA has adopted policies and procedures it believes are reasonably designed to allocate investment opportunities on a fair and equitable basis over time and in a manner consistent with each account’s investment objectives and related restrictions. To that end, AMO USA may bunch or aggregate orders for one Private Fund or Client account with orders for other Private Funds or accounts. In addition, AMO USA analyzes each trading program periodically to ensure that customers in the same trading program achieve similar allocation results over time.

Details of any performance-based fees payable to AMO USA in respect of a Private Fund or Client account are set out in the relevant Private Fund’s or Client account’s offering or governing documents. AMO USA may, and reserves the right, in its sole discretion, to reduce, waive, assign, defer, participate in, or otherwise share all or any portion of such performance-based fees.

*B. Side-by-Side Management of Different Types of Accounts*

AMO USA and its personnel may have differing investment or pecuniary interests in different accounts managed by AMO USA, and its personnel may have differing compensatory interests with respect to different accounts. AMO USA faces a potential conflict of interest when (i) the actions taken on behalf of one account may impact other similar or different accounts (e.g., where accounts have the same or similar investment strategies or otherwise compete for investment opportunities, have potentially conflicting investment strategies or investments, or have differing ability to engage in short sales and economically similar transactions) or (ii) AMO USA and its personnel have differing interests in such accounts (e.g., where AMO USA or its related persons are exposed to different potential for gain or loss through differential ownership interests or compensation structures) because AMO USA may have an incentive to favor certain accounts over others that may be less profitable. Such conflicts may present particular concern when, for example, AMO USA places, or allocates, investments that AMO USA believes could more likely result in favorable performance, engages in cross trades or executes potentially conflicting or competing investments. To mitigate these conflicts, AMO USA's policies and procedures seek to ensure that investment decisions are made in accordance with the fiduciary duties owed to its Clients and without consideration of AMO USA's (or such personnel's) pecuniary, investment or other financial interests. AMO USA has policies and procedures designed to allocate investment opportunities fairly among its Clients. In addition, certain side-by-side managed accounts or portfolios may acquire both long and short positions (i.e., "long/short" strategies). As a result, managers who manage long/short products may have potential conflicts of interest in cases where they short an investment instrument in which they were also long for another client. The views and opinions of AMO USA, its portfolio managers and other employees may differ from one another. As a result, products managed by AMO USA may hold investment instruments or pursue strategies that reflect differing investment opinions or outlooks at the time of their acquisition or subsequent thereto. Please also see Item 12 regarding AMO USA's trade allocation and aggregation policies.

## **Item 7. Types of Clients**

AMO USA currently provides discretionary investment advice to institutional clients either through the Private Funds or separately managed accounts. With respect to the Private Funds, details concerning applicable investor suitability criteria, including investment minimums and whether such minimums are negotiable, are set forth in each respective Private Fund's offering documents and subscription application materials. Each Private Fund investor is required to meet certain suitability qualifications, such as being a "qualified purchaser" as defined in the Investment Company Act or being a "non-U.S. person" as defined in Regulation S under the Securities Act. In addition, each U.S. investor in a U.S. Private Fund must also satisfy the suitability requirements under Rule 205-3 under the Investment Advisers Act of 1940, which prescribes certain requirements that must be satisfied in connection with AMO USA's receipt of performance-based compensation. AMO USA also provides discretionary and non-discretionary investment advice through separately managed accounts to U.S. and non-U.S. institutional clients such as insurance companies and corporations. Generally, AMO USA's minimum account size for new separately managed accounts is \$50 million. However, AMO USA reserves the right to waive this minimum based on its relationship with the prospective investor and the level of services to be provided. Separately managed accounts may have fee, redemption and other terms that vary materially from those of the Private Funds.

AMO USA also provides a discretionary investment management service to one pension plan that is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). AMO USA is a fiduciary under the ERISA and manages the ERISA plan account subject to the investment guidelines, plan document, and specific duties and obligations under ERISA.

AMO USA further provides various non-discretionary investment advisory, portfolio monitoring and consulting services, information services, investor relations support services, and/or investment model licensing to institutional clients including its affiliates, as described in more detail above in Item 4. Advisory Business.

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

AMO USA employs several teams of professionals that provide investment advice relying on varying methods of analysis and sources of information, as described below.

### **Quantitative Strategies Team**

The Quantitative Strategies Team (“QST”) is responsible for the development or sourcing and implementation of quantitative investment strategies. The QST primarily focuses on futures, options, total return swaps and other over-the-counter (OTC) derivatives, but may include investments in various securities, government bonds, and cash and cash equivalents. Members of the QST are generally divided by function into four teams: Research, Portfolio Management, Trading, and Technology. The Research team is responsible for the development and ongoing management of investment algorithms across asset classes and investment styles. The Portfolio Management team works on portfolio construction and determines how to utilize the strategies developed by the Research team in order to attempt to meet investment objectives. The Trading team is responsible for trading and execution. The Technology team is responsible for maintaining the QST’s proprietary IT infrastructure.

Furthermore, the Firm and AMO JAPAN, through a collaborative arrangement, jointly research, design, develop and maintain proprietary algorithms or outputs of such algorithms for their quantitative investment strategies and infrastructure design (collectively, “AMO IP”), supporting IT infrastructure, as well as sourcing, analyzing and monitoring third-party quantitative strategies. AMO USA and AMO JAPAN jointly own, manage, and share AMO IP and supporting IT infrastructure (together with AMO IP, the “Global Quantitative Platform”). Please also see Item 8 for conflicts of interest associated with the Global Quantitative Platform. The Global Quantitative Platform is accessed and maintained by personnel of AMO USA and AMO JAPAN who are assigned to work on the Global Quantitative Platform.

The QST is dedicated to the development of various investment programs, including quantitative alternative strategies, risk premia and customized solutions. The investment objective of Clients included in the quantitative alternative strategies program varies depending on each Client’s design and objectives. Generally, each Client seeks to achieve its objective through a primarily quantitative investment and trading strategy investing in a portfolio consisting primarily of futures contracts and options contracts traded on exchanges worldwide, cash equities and derivatives (in particular total return swaps) and other OTC instruments. The QST utilizes proprietary and third-party investment strategies that are designed to identify market opportunities based on statistical or quantitative analysis of price and non-price data, such as historical market data, including price, volume and open interest, as well certain types of commercially-available fundamental data.

### **Risk Premia Strategies**

Risk premia strategies are quantitative, rules-based investment strategies that are premised on well-known investment styles and factors such as value, momentum, carry, etc. However, the scope and complexity of risk premia strategies is continuously expanding beyond basic premia, as academics and industry conduct research and accumulate knowledgebase. With respect to the risk premia strategies, AMO USA develops and manages portfolios, which, in addition to internally generated strategies, may be comprised of quantitative strategies developed by and sourced from major banks or implemented on a bank’s platform as a joint work of AMO USA and any such bank. In collaboration with a third-party partner, AMO USA’s leverages its quantitative expertise to develop, source, due diligence and implement risk premia portfolios which include bank strategies, either in a fund format or as custom portfolios that address specific portfolio

needs.

Client accounts may have different risk and return targets, volatility targets, portfolio constraints, and tax, accounting and regulatory limitations (among others) that may result in AMO USA buying and selling different instruments at different times or in different quantities than the trades executed for another Client account. This may result in material differences in portfolios, performance, volatility, exposure and various other measurements among different Clients.

There is no assurance that the strategies managed by the QST will provide an acceptable return to investors or not incur substantial losses. Past performance is not necessarily indicative of future results. The investment strategies employed by the QST are speculative and involve a high degree of risk. There is no assurance that technical and risk management techniques utilized by the QST, as well as the investment decisions made by the QST, will not expose Clients to risk of significant losses. The analytical techniques used by the QST cannot provide any assurance that Clients will not be exposed to the risk of significant trading losses if the underlying patterns of market behavior studied by the QST, and which provide the basis for its statistical models, change in ways not anticipated by the QST. In addition, if any strategic investor were to redeem all of its investment, it could cause a material adverse effect on Clients or Investors in the Private Funds.

With respect to quantitative statistical models developed by a third-party and used by the QST, the QST will be dependent on the design of such models. Generally, quantitative statistical models rely on patterns, relationships and overall dependence structures inferred from historical prices and other financial or non-financial data, or may rely on theories or hypotheses from economics, finance or other sciences, in evaluating prospective investment and trading opportunities. While the QST endeavors to undertake an in-depth review and testing of any third-party model the QST intends to use, system implementation errors in models (as described further herein) are often extremely difficult to detect and are generally entirely outside of the control of AMO USA. These system implementation errors may result in material losses to Clients before being discovered and may not in fact be discovered during the AMO USA's ordinary, day-to-day operations, but may require extreme adverse events before manifesting themselves. In addition, the risks associated with quantitative investment and trading strategies described further herein equally apply to any third-party quantitative investment model. Furthermore, Clients may incur higher costs by the use of third-party quantitative investment strategies.

The investment processes used by the QST are dependent in part upon various computer and telecommunications technologies. The successful deployment of the investment processes, the implementation and operation of the investment processes, and various other critical activities of AMO USA could be severely compromised by telecommunications failures, power loss, software-related "system crashes," fire or water damage, or various other events or circumstances. AMO USA does not provide a foolproof protection against all such events. Any event that interrupts AMO USA's computer and/or telecommunications operations, however, could result in, among other things, the inability to establish, modify, liquidate, or monitor a client's investment portfolio, and, for those and other reasons, could have a material adverse effect on the operating results, financial condition, activities, and prospects of the relevant investment portfolio.

The instruments the QST trades are inherently leveraged and AMO USA may borrow money, engage in repurchase transactions or invest in securities on margin. Leverage exaggerates the effects of market movements, which may result in Clients experiencing greater losses or gains than would be experienced by an unlevered portfolio following a similar strategy. Decisions made by the QST in connection with its

trading methodology for certain Clients are based chiefly on statistical analysis generated by its trading program technology. The profitability of systematic investment and trading depends upon the accurate forecasting of price movements over applicable time horizons. No assurance can be given of the accuracy of the forecasts used or made by the QST including that any forecast will be achieved. The QST invests primarily in futures, options, ETFs and swaps. Futures and options prices are highly volatile, and are influenced by many external economic, governmental, and world events. The low margin deposits normally required in derivatives trading permits an extremely high degree of leverage which can result in a substantial gain or loss to Clients from a relatively small price movement. In addition, frequent trading and portfolio turnover may increase brokerage and other transaction costs and reduce investment performance.

Investors in a Private Fund or other account advised by the QST should consider such investment as involving a high degree of financial risk and should therefore carefully consider all risk factors set forth in the relevant Private Fund or account's offering and/or operational documents as well as their own individual circumstances. Each prospective investor should carefully review offering and/or operational documents, as applicable, before deciding to make an investment in a Private Fund or AMO USA separately managed account.

### Fixed Income Investment Team

The Fixed Income Investment Team ("FIIT") is responsible for advising on and/or managing Client assets with the focus on U.S. and non-U.S. investment grade bonds. The FIIT is comprised of portfolio managers, analysts and traders.

### US Credit Strategy

The FIIT's main investment strategy is the US Credit Strategy. The US Credit Strategy pursues excess returns over the Bloomberg Barclays US Credit Index by primarily investing in investment grade U.S. corporate bonds and U.S. government bonds. The FIIT monitors and analyzes the environment of the industries, the credit condition of the issuers, and the valuation of the securities before selection. Macro analysis is also applied to our industry sector allocation and yield curve/duration control.

The FIIT also offers customized strategies involving U.S. corporate bonds, U.S. government bonds, U.S. MBS bonds, U.S. CMBS bonds, U.S. ABS bonds, USD-denominated emerging countries' sovereign bonds, USD-denominated corporate bonds, and/or non-USD emerging bonds pursuant to each Client's investment objectives. The FIIT also provides non-discretionary advisory services that range from research services to investment recommendations to AMO JAPAN.

With respect to fixed income strategies, the FIIT employs analysis of current market conditions, interest rate environment and duration parameters in determining the selection of fixed income securities. Risk is controlled according to specific strategies by, as appropriate, the use of quantitative models, weight limits, time and/or duration limits, tracking error and spread movement. The FIIT includes employees who performs risk management analysis.

There is no assurance that AMO USA will achieve its investment objectives of the strategies managed by the FIIT or that investors will not incur substantial losses including loss of principal. Investments in securities utilizing the strategies managed by the FIIT are speculative and involve substantial risk of loss.

### Equity Investment Team



The Equity Investment Team (“EIT”) is responsible for advising on and/or managing Client assets with the focus on U.S. and global listed equities. The EIT is comprised of portfolio managers and analysts.

#### Hybrid Active Equity Strategy

The EIT’s primary equity strategy is the Hybrid Active Equity Strategy. The US Hybrid Equity Strategy is the combination of enhanced index investments based on a quantitative analysis and discretionary investments based on a bottom-up research analysis by the portfolio manager and invests primarily in U.S. exchange-traded equity securities. The investment team of AMO JAPAN provides a sub-advisory service for the quantitative analysis. The EIT utilizes AMO JAPAN’s or AMO USA’s proprietary models, which incorporate different factors such as value, momentum and growth. Risk is controlled by defining risk factors in such models, setting tracking error targets, asset weighting and exposure limits, as appropriate to a particular strategy. The portfolio management team monitors risk exposure and makes adjustments to the portfolios accordingly.

#### Global Small-Mid Cap Equity Quality Growth Strategy

The EIT also provides the Global Small-Mid Cap Equity Quality Growth Strategy, on a non-discretionary basis, to AMO JAPAN and AMOI for their implementation. The Global Small-Mid Cap Equity Quality Growth Strategy aims to generate long-term capital appreciation by investing in small-mid cap equities listed globally through a high-conviction and benchmark-agnostic approach. The EIT employs analysis of current equity market conditions including volatility and major risk factors to offer this strategy. Risk is monitored by the use of third-party risk analytical tools.

The EIT also provides various non-discretionary advisory services to AMO JAPAN that range from research, negative screening, to investment recommendations.

There is no assurance that AMO USA will achieve its investment objectives of the strategies managed by the EIT or that investors will not incur substantial losses including loss of principal. Investments in securities utilizing the strategies managed by the EIT are speculative and involve substantial risk of loss.

#### Strategic Fund Investment Team

The Strategic Fund Investment Team (“SFIT”) manages a certain alternative strategy and provides certain due diligence services to AMO JAPAN. The SFIT is comprised of portfolio managers.

#### Fund of Funds

The SFIT manages a private investment vehicle which invests in hedge funds managed by third-party alternative managers (the “Fund of Funds”). The Fund of Funds aims to achieve long-term compounded returns with reasonably low correlation to the equity, credit and fixed income markets, by investing in funds or separate accounts managed by external investment managers. With respect to the Fund of Funds, the strategic fund portfolio managers employ an analysis of current market conditions including monetary policies, interest rate markets, and equity markets. Risk is monitored by analyzing annualized standard deviation, return and correlation to equity markets in various periods, as appropriate to the particular strategy. The SFIT also utilizes monthly reports including regional exposure and scenario analysis external hedge fund managers create. The Fund of Funds has one investor that is affiliated with AMO USA and is

closed to outside investors.

The Fund of Funds is reported as a separately managed account on the Form ADV Part 1A due to its single-investor status pursuant to the ADV instructions.

In order to fulfill its responsibilities, SFIT members meet with third-party fund managers on a regular basis. SFIT team is aware of AMO USA's status as a "Public Shop" and complies with AMO USA's Ethical Wall Policy and Procedures during such meetings.

There is no assurance that AMO USA will achieve its investment objectives of the strategies managed by the SFIT or that investors will not incur substantial losses including loss of principal. Investments in securities utilizing the strategies managed by the SFIT are speculative and involve substantial risk of loss.

### Structured Credit Investment Team

The Structured Credit Investment Team ("SCIT") provides non-discretionary portfolio monitoring and related services, to MHBK, concerning a portfolio consisting of collateralized loan obligations ("CLOs") (which are securities backed by high-yield loan instruments). AMO USA is tasked with the following responsibilities:

- (a) Quantitative and qualitative evaluation of CLO managers in which MHBK invests or intends to invest;
- (b) Creation of monthly performance reports for each CLO investment;
- (c) Portfolio level analysis of the CLO investments including an analysis of the underlying assets on an aggregated basis;
- (d) Real-time monitoring of external ratings with respect to each investment;
- (e) Perform an annual due diligence review of each CLO manager;
- (f) Serve as liaison between MHBK and the CLO managers;
- (g) Provide market color and data on a periodic and an ad hoc basis; and
- (h) Perform any other analysis pertaining to the above, as requested by MHBK.

All analyses of CLO managers and surveillance reports of existing investments are made in accordance with the standards established by MHBK in consultation with AMO USA.

In order to fulfill its responsibilities, SCIT members meet with the CLO managers on or regular basis. SCIT will maintain a log of its meetings noting the topics and matters discussed during such meetings. SCIT team is aware of AMO USA's status as a "Public Shop" and complies with AMO USA's Ethical Wall Policy and Procedures during such meetings.

### Summary of Material Risks

**The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Private Funds or other Client accounts. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis. Prospective investors should refer to the relevant Private Fund or Client account's offering or governing documents for full disclosure of the potential risks of an investment in any particular Private Fund or Client account, including a full description of each of its respective risk factors. In addition, as Private Fund or Client account strategies may develop and**

evolve over time, an investment in a particular Private Fund or Client account may be subject to additional and different risk factors than those set forth below. In the disclosure of risk factors set forth below, any reference to “Private Fund” or “Client” should be understood as a reference to any or all investment funds or client accounts for which AMO USA provides (directly or indirectly) investment and trading advice.

## **1. Risks Associated With Quantitative Strategies And Investment And Trading Systems**

### **(1) Reliance on Quantitative Models and Systems**

The Firm uses quantitative statistical models that may rely on patterns, relationships and overall dependence structures inferred from historical prices and other financial or non-financial data, or may rely on theories or hypotheses from economics, finance or other sciences, in evaluating prospective investment and trading opportunities. However, most quantitative models cannot fully match the complexity of the financial and commodity markets and therefore sudden unanticipated changes in underlying market conditions can significantly impact the performance of the Private Fund or Client account. Further, as market dynamics shift over time, a previously highly successful model may become outdated – perhaps without the Firm recognizing that fact before substantial losses are incurred by the Private Fund or Client account. There is no guarantee that the models, whether internally generated or sourced from third-parties, which are used by the firm will be effective in identifying profitable investment and trading opportunities or that they will apply to all market conditions.

- (a) Quantitative Investment and Trading Strategy. The Firm seeks to identify price patterns and market trends in financial and commodity markets and attempts to exploit those patterns. Decisions made by the Firm in connection with its investment and trading methodology are based chiefly on trading signals generated by quantitative mathematical models, which were developed through the analysis of certain trading rules applied against historical market data (“backtesting”), including price, volume, and open interest, and also certain types of commercially-available fundamental data. The profitability of systematic investment and trading depends upon price movements over applicable time horizons. Even if all the assumptions underlying any given model were met exactly, a model can only make a prediction, not afford certainty. There can be no assurance that the future performance of the Private Fund or Client account will match the model’s prediction. Further, most statistical procedures cannot fully match the complexity of the financial and commodity markets and as such, results of their application are uncertain. No assurance can be given of the accuracy of the forecasts used or made by the Firm on behalf of the Private Fund or other Client.

The Firm’s quantitative models typically operate by generating signals that represent recommendations to buy or sell one or more instruments to obtain a portfolio of specific long and/or short positions. Whether and how these signals are translated into actual trades and portfolio positions may be a matter of investment and trading discretion, and the Client relies on the Firm to make these determinations in its judgment, relying on its employees. The Firm may determine not to implement a specific recommendation due to, for example, adverse market conditions (whether due to an absence of liquidity or due to market volatility) or the timing of the recommendation (such as a recommendation being made on a holiday or outside of normal market hours). Similarly, the answers to the questions of how frequently to run a model to generate recommendations and what time of day to run a model are discretionary determinations made by the Firm in an exercise of its investment and trading judgment and may differ from actions that are or would have been taken by other advisors in similar situations. It is not possible for an actual portfolio to mirror the “ideal” or “model” portfolio reflected in the Firm’s systems at all times or at any given time, as a result of, among other things, the nature of the models

themselves or the frictions inherent in actual trading. No assurance can be given that the Firm will have made what appears after the fact to have been the correct decision in any given situation.

- (b) Reliance on Technology; System Implementation Errors. The investment and trading strategy utilized by the Firm is fundamentally dependent on technology, including hardware, vendor and proprietary software, and telecommunications systems. In providing discretionary investment advice to Clients, the Firm uses an investment and trading system instantiated in proprietary systems and software. There is typically an absence of formal design documents or specifications when building proprietary software. The proprietary software code thus typically serves as the final, definitive documentation and specification for how the software should perform. The Firm's quantitative models have not been reviewed by third-party information technology consultants or vendors or subjected to other forms of third-party quality assurance (QA). Therefore, these models may and likely do contain economic data or securities price data errors, mathematical or statistical errors, or computer system implementation errors or other errors, omissions, imperfections and malfunctions that could produce results inconsistent with the intent of the personnel of the Firm who designed the models or with the Firm's understanding of how the models should behave (collectively, "system implementation errors"). These system implementation errors may result in material losses to Clients before being discovered and may not in fact be discovered during the Firm's ordinary, day-to-day operations, but may require extreme adverse events before manifesting themselves. Despite the Firm's reasonable best efforts, these system implementation errors may result in, among other things, the execution of unanticipated trades, the failure to execute anticipated trades, the failure to properly allocate trades, the failure to properly gather and organize available data, the failure to take certain hedging or risk reducing actions, or the taking of actions which increase certain risks, all of which may have materially negative effects on the Client and its returns.

System implementation errors are often extremely difficult to detect, and, in the case of proprietary software, the difficulty of detecting system implementation errors may be exacerbated by the lack of design documents or specifications. System implementation errors in third-party systems and software are generally entirely outside of the control of the Firm. Regardless of how difficult their detection appears in retrospect, some system implementation errors will go undetected for long periods of time and some will never be detected. The degradation or impact caused by these system implementation errors can compound over time. Finally, the Firm may detect certain system implementation errors that it chooses, in its sole discretion, not to address or fix. The Firm may also discover system implementation errors in third-party software that it chooses, in its sole discretion, not to address or fix. While the Firm will not perform a materiality analysis on the vast majority of discovered system implementation errors, the Firm believes that the testing and monitoring performed on its software will enable the Firm to identify and address those system implementation errors that a prudent person acting in accordance with the applicable standard of care and managing a process-driven, systematic and computerized investment and trading program would identify and address by correcting the system implementation errors or limiting the use of the software, generally or in a particular application. Investors in a Private Fund or Client account should assume that system implementation errors and their ensuing risks and impact are an inherent part of investing with a process-driven, systematic trading advisor such as the Firm. Accordingly, the Firm does not expect to disclose discovered system implementation errors to investors in a Private Fund or Client account.

- (c) Reliance on Data; Data Errors. The investment and trading strategies employed by the Firm are highly reliant on the gathering, cleaning, culling and analysis of large amounts of data from

third-party and other external sources. It is not possible or practicable, however, to factor all relevant, available data into economic forecasts or trading decisions. The Firm will use its discretion to determine what data to gather with respect to any investment strategy and what subset of that data the research models take into account to produce forecasts that may have an impact on ultimate trading decisions. In addition, due to the automated nature of this data gathering and the fact that much of this data comes from third-party sources, it is inevitable that not all desired or relevant data will be available to, or processed by, the Firm at all times. In these cases, the Firm may continue to generate forecasts and make trading decisions based on the data available to it.

In addition, the Firm may determine that certain available data, while potentially useful in generating model forecasts or making trading decisions, is not cost effective to gather due to either the technology costs or third-party vendor costs and, in these cases, the Firm will not utilize the subject data. Investors should be aware that, for all of the foregoing reasons and more, there is no guarantee that any specific data or type of data will be utilized in generating model forecasts or making trading decisions on behalf of the Private Fund or Client account, nor is there any guarantee that the data actually utilized in generating forecasts or making trading decisions on behalf of the Private Funds or other Clients will be the most accurate data available or even free of errors. Investors should assume that the foregoing limitation and risks associated with gathering, cleaning, culling and analysis of large amounts of data from third-party and other external sources are an inherent part of investing with a process-driven, systematic advisor such as the Firm.

A specific form of “system implementation error” (in the sense described above) applies to the Firm’s accessing and use of data, especially data obtained from third-party sources (including commercial data vendors). The data reflected in the Firm’s systems at any given time could be erroneous or less than the best available data for a variety of reasons. Data reflecting events that have not yet occurred will not be reflected in the Firm’s systems, and neither will data on past events that have not yet been disseminated by the data provider. There may also be data that arguably could or should have been included in the Firm’s systems but where the Firm has made a judgmental determination that the difficulties or costs associated with accessing the data cannot be justified by the possible benefits of having access to this data or the system or model was not originally designed to process a more detailed or robust data set. The use of a narrower data set may result in models being less sensitive or their output less accurate. There may also be incidents where data fails to load or the Firm’s systems fail to retrieve or capture the data, for example, because of changes in the vendor’s or the Firm’s system configurations due to upgrades, enhancements, maintenance or errors. Investors should assume that these data errors, like other system implementation errors, and their ensuing risks and impact are an inherent part of investing with a process-driven, systematic trading advisor such as the Firm. Accordingly, the Firm does not expect to disclose discovered data errors to investors in the Private Fund or other Client account.

- (d) Risk Evaluation Models. The Firm may develop proprietary risk evaluation models which seek to estimate risk based on numerous factors, including observed historical volatilities and correlations. These models may be also used to evaluate the long-term approximate annual targeted volatility of the investment portfolio of the Private Fund or Client account. These models may, for a variety of reasons, fail to accurately predict risk levels, volatilities of, and correlations among, strategies and investments, including because of scarcity of historical data with respect to certain strategies and investments, erroneous underlying assumptions, and estimates for certain data, or other defects in inputs and the models, or because future events may not necessarily follow historical norms. In and of themselves, these risk evaluation models

do not manage or reduce risk and, at most, provide certain assistance to the Firm when determining a course of action.

- (e) Electronic Trading. The Firm trades on electronic trading and order routing systems, which differ from traditional open outcry trading and manual order routing methods. Transactions using an electronic system are subject to the rules and regulations of the exchanges offering the system or listing the instrument. Characteristics of electronic trading and order routing systems vary widely among the different electronic systems with respect to order matching procedures, opening and closing procedures and prices, trade error policies, and trading limitations or requirements. There are also differences regarding qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the system. Each of these matters may present different risks with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times and security. In the case of internet-based systems, there may be additional risks related to service providers and the receipt and monitoring of electronic mail. Trading through an electronic trading or order routing system is also subject to risks associated with system or component failure, which may adversely impact the trading activities of the Private Fund or Client account.
- (f) Competition and Correlation. Quantitative investment and trading strategies are not new. There are likely to be an increasing number of market participants who rely on models that may be similar to those used by the Firm, which may result in a substantial number of market participants taking the same action with respect to a position and some of these market participants may be substantially larger than the Private Fund or Client account. Any increase in the use of quantitative systems as a proportion of the overall volume of the futures markets as a whole or for particular futures contracts could result in traders attempting to initiate or liquidate substantial positions in a market at or about the same time or otherwise alter historical trading patterns, obscure developing price trends or affect the execution of trades to the detriment of the Client. Should one or more of these other market participants begin to divest themselves of one or more positions, a “correlation crisis” or “flash crash” independent of any fundamentals and similar to the crises that occurred in August 2007 and on May 6, 2010, could occur, thereby causing the Private Fund or Client account to suffer material losses.

## (2) Risk Premia Investments

Risk premia is usually understood to be the expected excess return on an investment earned for bearing specific risks. The risk premia strategy construction rules attempt to systematically capture the return in a risk-controlled fashion. Typical asset classes covered include equities, fixed income, FX, credit, volatility and commodities. Styles or themes may range from simple to complex and may include styles such as carry, momentum, value, contrarian, market imbalance, defensive and others. Risk premia could be used by investors in many different ways, either to accomplish a specific objective in their portfolio or as possible standalone components of a portfolio.

AMO USA provides internally developed risk premia strategies as well as invests in strategies developed by third-parties, primarily large banks that offer wide variety of risk premia strategies. In collaboration with a third-party advisor, AMO USA leverages its quantitative expertise to source, due diligence and deploy strategies from third-parties. However, in its assessment of third-party risk premia strategies, AMO USA relies on the information, including the description of the strategy and its returns, provided by the relevant strategy sponsor, which is a third-party, independent from AMO USA. AMO USA does not have the ability to independently verify the accuracy of the information. Furthermore, as

many of the risk premia strategies are recently developed, returns for the majority of the strategies are often back-tested returns, rather than actual returns. Back-tested results have many inherent limitations. The results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Back-tested data in general is also subject to the fact that it is designed with the benefit of hindsight. In fact, there are frequently sharp differences between back- tested results and actual results. The success of a risk premia strategy depends on quality of the underlying models as well as the effectiveness of the implementation of the strategy. It may be hard to identify strategies that have robust systems and effective implementation. Additionally, third-party strategies have costs that are associated with accessing such strategies and it may be difficult to identify strategies that will perform favorably net of such costs. While certain quantitative techniques are used for portfolio construction purposes and to compare and construct strategies, AMO USA does not use systematic models to select individual risk premia index strategies. Instead, AMO USA primarily exercises discretionary judgment in selecting risk premia strategies that it believes would help its clients achieve their investment objectives. There can be no assurance that in selecting risk premia strategies the Firm will be able to predict the future risks and returns of these instruments, and AMO USA's Clients may suffer materials losses as a result.

(a) Risk Premia Index Swaps

Generally, the exposure to risk premia strategies developed by third-parties is obtained by AMO USA through a total return swap referencing the risk premia index (the "Risk Premia TRS"). Certain of the Private Funds enter into Risk Premia TRS transactions and have material exposure to these types of transactions. A Risk Premia TRS is an over-the-counter (OTC) derivative where the reference asset is a risk premia index published by the swap dealer, a related entity or a third-party retained by the swap dealer. By their nature, Risk Premia TRSs will generate losses, even material losses, if the risk exposures assumed in fact materialize in real world financial market and economic events.

The swap dealers that publish risk premia indices and that seek to enter into swaps on these indices are doing so on an arm's-length basis with end users like the Private Funds. Swap counterparties are not agents of the customer on the other side of the transaction, and swap dealers do not owe their customers fiduciary duties. There is no guarantee that the indices that the swaps reference will perform in accordance with the historical simulations conducted when the indices were being constructed or with the intentions of the publisher. There may be a wide variety of economic data or securities price data errors, mathematical or statistical errors, or computer coding errors or other errors, omissions, imperfections and malfunctions that could produce results inconsistent with the intent of the personnel who designed or calculates the index or with the publisher's understanding of how the index should behave. The swap dealers have not undertaken to disclose these or similar problems, now or in the future, and the Private Funds must rely entirely upon the due diligence conducted by the Firm and its strategic advisor, with respect to the selected risk premia indices to understand the risks undertaken.

When selecting a Risk Premia TRS for the Private Funds, the Firm is guided by quantitative analysis but is ultimately making a discretionary portfolio construction decision about which Risk Premia TRSs should help the Private Funds achieve its objectives. The Firm may select a swap, among other possible reasons, because it believes it to be the most cost-effective way of assuming an exposure in a particular investment style. The Firm may also believe the swap would offset exposure elsewhere in the various portfolios of the Private Funds and serves as a diversification or hedging tool. There can be no assurance that in selecting Risk Premia TRSs the Firm will be able to predict the future risks and returns of these instruments, and the Private Funds may suffer materials losses as a result. Risk Premia TRSs are also subject to the standard risks applicable to derivative instruments

and swaps in general. Please see the relevant risk factors further herein.

Additional risk associated with risk premia strategies investment is the fact that the index sponsor for the relevant risk premia strategy in certain circumstances may (a) defer publication of the index value and any other information relating to the index value, (b) make determinations and/or adjustments to the risk premia index, including, but not limited to, replacing components of the relevant risk premia index or the terms of the risk premia index, (c) permanently cease to calculate and make available the risk premia index. Any such adjustment or termination of the relevant index may negatively affect the performance of the relevant Risk Premia TRS and the Private Funds. The Private Funds may temporary or permanently lose the investment exposure necessary to implement the investment strategy of the Private Funds. The Firm may not be able to locate a substitute Risk Premia TRS to give the relevant Private Funds a desired investment exposure or will have to use an index it considers less desirable. In addition, with respect to certain customized indices, due to a high level of complexity, the exact value of the index, as published by the sponsor or a strategy calculation agent, may be difficult to be confirmed independently with a high level of accuracy.

## **2. Risks Associated with Investment Strategies, Instruments and Markets**

### **(1) Futures Trading**

Certain of the Clients managed by AMO USA invest in exchange-traded futures contracts (“futures”). Futures prices are highly volatile, and are influenced by many external economic, governmental, and world events. The low margin deposits normally required in futures trading permits an extremely high degree of leverage which can result in a substantial gain or loss to Clients from a relatively small price movement. Additional risks associated with futures trading are described below:

- (a) Price Volatility. Futures contracts have a high degree of price variability and are subject to periodic rapid and substantial changes. Price movements for futures contracts may be influenced by, among other things, changing supply and demand relationships, government, trade, fiscal and economic events and changes in interest rates. Governments from time to time intervene, directly and through regulation, in certain markets, often with the intent to influence prices directly. Consequently, substantial losses could occur.
- (b) Futures Markets are Leveraged and Speculative. The markets in which the Private Funds or Client accounts trade are speculative, highly leveraged and involve a high degree of risk. Volatility increases risk, particularly when trading with leverage. Trading on a leveraged basis, as the Private Funds or Client accounts do, even in stable markets involves risk; doing so in volatile markets necessarily involves a substantial risk of sudden, significant losses. Due to leverage, even a small movement in price could cause large losses for Clients. Market volatility and leverage mean that Clients could incur substantial losses, potentially impairing its equity base and ability to achieve its long-term profit objectives, even if favorable market conditions subsequently develop.
- (c) Illiquidity of Markets. Futures positions cannot always be liquidated at the desired price. It is difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in a market. A market disruption, such as when governments may take or be subject to political actions which disrupt the markets in their currency or major exports, can also affect the liquidity of the futures markets, thereby making it difficult to liquidate a position. Periods of illiquidity have occurred from time to time in the past. These periods of illiquidity



and the events that trigger them are difficult to predict and there can be no assurance that the Firm will be able to do so. There can be no assurance that market illiquidity will not cause losses for Clients.

- (d) Possible Effects of Speculative Position Limits. Most United States exchanges limit fluctuations in most futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a particular futures contract has increased or decreased to the limit point, positions in the futures contract neither can be taken nor liquidated unless traders are willing to effect trades at or within the limit, which would be unlikely if underlying market prices moved beyond the limit. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. In addition, even if futures prices have not moved the daily limit, the Firm may not be able to execute trades at favorable prices if little trading in the contracts it wishes to trade is taking place. It is also possible that an exchange or the CFTC may suspend trading, order the immediate settlement of a particular contract or order that trading in a particular contract be conducted for liquidation purposes only.

The CFTC and certain exchanges have established speculative position limits on the maximum net long or short futures and options positions which any person or group of persons acting in concert may hold or control in particular futures contracts. The CFTC has adopted a rule requiring each U.S. domestic exchange to set speculative position limits, subject to CFTC approval, for all futures contracts and options traded on such exchange which are not already subject to speculative position limits established by the CFTC or such exchange. The CFTC has jurisdiction to establish speculative position limits with respect to all futures contracts and options traded on exchanges located in the United States, and any exchange may impose additional limits on positions on that exchange. Some non-U.S. exchanges also have position limits in effect and, with respect to forward or swap contracts, OTC counterparties may limit the size or duration of positions available to clients as a consequence of credit considerations.

In addition, pursuant to the Dodd-Frank Act, the CFTC has sought to implement regulations for federal speculative position limits in 25 core physical commodity contracts and their economically equivalent futures, options and swaps as well as aggregation rules and exemptions therefrom. In December 2016, the aggregation rules and exemptions were adopted by the CFTC. The aggregation rules, and the proposed speculative position limit rules, if adopted, could adversely affect AMO USA’s and/or its Clients’ ability to maintain positions in certain futures contracts and related options. All trading accounts owned or managed by the Firm and its principals will be combined for speculative position limit purposes. With respect to trading in futures subject to such limits, the Firm may reduce the size of the positions which would otherwise be taken in such futures and not trade certain futures in order to avoid exceeding such limits. Such modification, if required, could adversely affect the operations and profitability of the Private Fund or Client account. There can be no guarantee that additional position-related limits will not be established by the CFTC, and other regulator or exchange for the markets where the Private Funds or Client accounts trade.

- (e) No Intrinsic Value of Positions. Futures trading is a risk transfer activity. For every gain there is an equal and offsetting loss rather than an opportunity to participate over time in general economic growth. Unlike most alternative investments, an investment in the Private Funds or other accounts does not involve acquiring any asset with intrinsic value. Overall stock and bond prices could rise or fall significantly, and the economy as a whole prosper or falter, without regard to whether the Private Funds or Client accounts trade profitably or unprofitably.

- (f) Trading on Non-U.S. Exchanges. In the event the Private Funds or Client accounts need to post margin for a trading contract denominated in currencies other than U.S. dollars, and with respect to any gains in such contract, unless the Private Funds or Client accounts hedge themselves against fluctuations in exchange rates, the Private Funds or Client accounts will be subject to the risk of adverse exchange-rate movements between the U.S. dollar and the functional currencies of these contracts. If the Private Funds or Client accounts do not hedge against fluctuations in the exchange rate, they could incur substantial losses from the Private Funds' or accounts' trading on foreign exchanges due to adverse exchange rate movements, which losses might not have occurred had the Private Funds or Client accounts limited its trading to U.S. markets.

Non-U.S. futures transactions involve executing and clearing trades on a non-U.S. exchange. This is the case even if the non-U.S. exchange is formally "linked" to a U.S. exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No U.S. organization regulates the activities of a non-U.S. exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no U.S. regulator has the power to compel enforcement of the rules of the non-U.S. exchange or the laws of the non-U.S. country. Moreover, these laws or regulations will vary depending on the non-U.S. country in which the transaction occurs. For these reasons, Clients may not be afforded certain of the protections which apply to U.S. transactions, including the right to use U.S. alternative dispute resolution procedures. In particular, funds received from traders to margin non-U.S. futures transactions may not be provided the same protections as funds received to margin futures transactions on U.S. exchanges. In addition, the price of any non-U.S. futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the non-U.S. exchange rate between the time the order is placed and the non-U.S. futures contract is liquidated or the non-U.S. option contract is liquidated or exercised.

In addition, some non-U.S. exchanges, in contrast to U.S. exchanges, are "principal markets" in which performance with respect to a contract is the responsibility only of the member with which the trader has entered into a contract and not of the exchange or clearinghouse, if any.

In the case of trading on these non-U.S. exchanges, Clients will be subject to counterparty risk, including, among others, counterparty credit risk and the risk that the counterparty will not perform. It is also possible that Clients will not have the same access to certain trades as do various other participants in non-U.S. markets. Due to the absence of a clearinghouse system on many non-U.S. markets, these markets are significantly more susceptible to disruptions, which may include prolonged suspensions of trading and involuntary settlement of positions at artificial prices, than on U.S. exchanges. Transactions on markets located outside of the United States, including markets formally linked to a U.S. market, may be subject to regulations which offer different or diminished protection to Clients and underlying investors. Further, U.S. regulatory authorities may be unable to compel the enforcement of the rules of regulatory authorities or markets in non-U.S. jurisdictions where transactions for Clients may be effected.

- (g) Daily Price Fluctuation Limits. Futures positions may become illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under these daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are

willing to effect trades at or within the limit. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. This could prevent Clients from promptly liquidating unfavorable positions and subject them to substantial losses, or prevent it from entering into desired trades. In extraordinary circumstances, a futures exchange, the CFTC or other similar non-U.S. regulatory body or agency could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in the contract.

- (h) Failure of Non-Correlation Will Eliminate Benefits of Diversification. Historically, the commodity futures and foreign exchange markets generally have been non-correlated to the performance of other asset classes such as stocks and bonds. Non-correlation means that there is no statistically valid relationship between the past performance of commodity futures and forward contracts on the one hand and stocks or bonds on the other hand. Non-correlation should not be confused with negative correlation, where the over-performance of one asset is accompanied with the underperformance of the other (and vice versa). Because of this non-correlation, the Private Funds or Client accounts could be profitable during unfavorable periods for the stock market, or vice versa. The futures markets are fundamentally different from the securities markets in that for every gain in futures trading, there is an equal and offsetting loss. If Private Funds or Client accounts do not perform in a manner non-correlated with the general financial markets or correlation between markets suddenly increases, any diversification benefits will be lost and an investment in the Private Fund or Client account may not generate gains to offset losses from other investments.
- (i) EFRP. AMO USA on behalf of a number of its Clients engages in so-called exchange of futures for physicals (“EFP”) and may engage in exchange of futures for swaps (“EFS”) or exchange of futures for risk/over-the-counter derivatives (“EFR,” together with EFPs and EFS, “EFRP”) transactions. EFRP transactions possess three essential elements: (1) an integrally related physical/swap/derivatives transaction and futures transaction whose price and other terms are privately negotiated by the parties rather than on the exchange floor; (2) a transfer of ownership of the physical commodity or swap or instrument upon performance of the terms of the physical contract, swap contract or derivatives contract, with delivery to take place within a reasonable period of time in accordance with prevailing market practice; and (3) separate parties—that is, the accounts involved in the transaction must have different beneficial ownership. The critical element of each EFRP is that the futures transaction must be completed in conjunction with an actual purchase or sale in the related cash market.

Because EFRPs are an exception from the general rule requiring competitive execution of futures contracts on the exchange floor, proper documentation of both the physical/swap/derivatives and futures components is critically important so as to avoid the CFTC or exchange recharacterizing the transaction as an illegal off-exchange futures contract. In contrast to other types of futures transactions, it is permissible for the parties to an EFRP to agree to the terms of the transaction prior to execution of the off-exchange transaction; provided both parties comply with the applicable rules and regulations. In addition to the compliance risk and the fact that such transactions are more likely to be examined by the CFTC or the relevant exchange, EFRP transactions are subject to substantially the same risks as the relevant investment instruments subject to the exchange.

## (2) Securities Trading

### (a) Price Volatility Risk:

Prices of stocks and securities are known to fluctuate widely and such price fluctuations in individual stocks and the stock market overall may contribute to a decline in the value of assets

under management.

(b) Securities Selection Risk:

Securities selection may contribute to a decline in the value of assets under management irrespective of overall securities market trends.

(c) Liquidity Risk:

An inability to execute trades at the most advantageous time due to low trading volume may contribute to a decline in the value of assets under management and may result in sales that may only be possible at substantial discounts. Further, such investments may be difficult to value with any degree of certainty.

(d) Credit Risk (Equity):

In such a case when the issuer of the stock goes into financial difficulty or default etc., invested assets may become unrecoverable. Additionally, in the case when the issuer is expected to go into such situation, the price of the stock issued by the issuer will decline and it may be the factor for the depreciation in the assets under management.

(e) Interest Risk:

Bond prices generally fall as interest rates rise, and such price fluctuations may contribute to a decline in the value of assets under management.

(f) Credit Risk (Fixed Income):

Invested assets may become unrecoverable if issuers of corporate/sovereign bonds, commercial paper or short-term financial instruments become insolvent or experience calamitous declines in creditworthiness. Market anticipation of such declines may also contribute to a decline in the value of assets under management.

(g) Small Cap Stocks Risk:

Small cap stocks are securities of smaller-to-medium sized companies of a less seasoned nature that are traded in the over-the-counter market. Smaller companies may have more limited product lines and resources. These "secondary" securities often involve significantly greater risks than the securities of larger, better-known companies. Small cap securities have also experienced a high degree of volatility in the past.

(h) High Yield Securities Risk:

High yield bonds and preferred securities are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

(i) Non-U.S. Securities Risk:

Investments in securities of companies domiciled or operating in one or more foreign countries. Investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. Other considerations include potentially greater price volatility, higher transaction costs, less governmental oversight of exchanges, brokers and issuers, lack of uniform accounting and auditing standards, difficulty enforcing contractual obligations and the imposition of foreign taxes.

(j) Exchange-Traded Funds

The Firm, on behalf of Clients, may invest in exchange-traded fund (“ETFs”). ETFs represent shares of ownership in either funds or trusts that hold portfolios of stocks, bonds or other instruments, which are generally designed to correspond to the price and yield performance of an underlying index or sub-index. ETFs typically trade on a securities exchange and their shares may, at times, trade at a premium or discount to their net asset values. The values of ETFs are subject to change as the values of their respective component securities or commodities fluctuate according to market volatility. National securities exchanges (for example, NYSE Amex Equities) list ETF shares for trading, which allows investors to buy and sell individual ETF shares at market prices throughout the day. Unlike open-ended investment companies or “mutual funds,” ETF shares purchased in the secondary market generally are not redeemable directly from the ETF (except by designated dealers) and must be sold in market transactions when liquidated.

A primary risk factor relating to ETFs is that the general level of securities prices may rise or decline, thus affecting the value of an ETF. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Moreover, although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of their expenses and other factors. The Private Funds or Client accounts will incur brokerage costs when purchasing and selling shares of ETFs. As a shareholder of an ETF, Clients would bear, along with other shareholders, their pro rata portion of the ETF’s expenses, including advisory fees. These expenses would be in addition to the advisory fees and other expenses that Clients bear directly in connection with the Private Funds’ or Client account’s own operations.

(3) Derivative Instruments

- (a) Derivative instruments, or “derivatives,” include instruments and contracts which are derived from and are valued in relation to one or more underlying securities, financial benchmarks or indices. Derivatives typically allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark or index at a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of other risks associated with derivatives trading. Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non-U.S. exchanges. Additional risks associated with derivatives trading include the risks described below:

- Tracking. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent Clients from achieving the intended hedging effect or expose Clients to the risk of loss.
- Liquidity. Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets Clients may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which Clients may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting Clients to the potential of greater losses.
- Leverage. Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments will magnify the gains and losses experienced by the Client and could cause the Private Funds' or Client account's net asset value to be subject to wider fluctuations than would be the case if the Client did not use the leverage feature in derivative instruments.
- Over-the-Counter Trading/Counterparty Risk. Derivative instruments that may be purchased or sold by the Private Funds or Client accounts may include instruments not traded on an exchange. The risk of non-performance by the obligor on an instrument may be greater than, and the ease with which the Private Funds or Client accounts can dispose of or enter into closing transactions with respect to an instrument may be less than, that associated with an exchange-traded instrument. In addition, significant disparities may exist between "bid" and "ask" prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges also are not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with these transactions. The Private Funds or Client accounts may only close out "over-the-counter" transactions with the relevant counterparty, and may only transfer a position with the consent of the particular counterparty. There also may be documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. If such a dispute occurs, the cost and unpredictability of the legal proceedings required for Clients to enforce their contractual rights may lead the Private Funds or Client accounts to decide not to pursue its claims against the counterparty.

In addition, the Private Funds or Client accounts may, in the future, take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. Special risks may apply in the future that cannot be determined at this time. The regulatory and tax environment for derivative instruments in which Clients may participate is evolving, and changes in the regulation or taxation of these financial instruments may have a material adverse effect on the Private Funds or Client accounts.

(b) Swaps

Private Funds or Client accounts may enter into swaps. Swaps can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swaps may increase or decrease the Private Funds' or Client account's exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities, or inflation rates. Swaps can take many different forms and

are known by a variety of names (such as “contracts for differences”). Clients are not limited to any particular form of swap.

Swaps tend to shift investment exposure from one type of investment to another. For example, if Clients agree to exchange payments in U.S. dollars for payments in a non-U.S. currency, the swap will tend to decrease the Client’s exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swaps may increase or decrease the overall volatility of the Clients’ portfolios. The most significant factor in the performance of swaps is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from Clients. If a swap calls for payments by the Clients, they must be prepared to make such payments when due. In addition, if a counterparty’s creditworthiness declines, the value of swaps with the counterparty can be expected to decline, potentially resulting in losses for Clients.

Swaps and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the creditworthiness of the counterparty, market risk, liquidity risk and operations risk. Swaps bear risks associated with the underlying or reference assets as well as those associated with derivative contracts generally.

The Dodd-Frank Act and other regulatory initiatives have substantially changed the market structure for swaps. A substantial portion of swap transactions, which were formerly executed on a bi-lateral basis in the OTC markets, must now be submitted for clearing to regulated clearinghouses and must be executed through a regulated securities or futures exchange or through a swap execution facility (SEF). Swap trades submitted for clearing are subject to minimum initial and variation margin requirements set by the relevant clearinghouse, and possibly other restrictions, such as position limits, as well as possible regulator mandated margin requirements. Swap dealers will also be required to post margin to the clearinghouses through which they clear their customers’ trades instead of using this margin in their own operations.

Swap margin rules that originate from the Dodd-Frank Act govern capital and margin requirements for uncleared swaps traded by swap dealers, major swap participants and certain other covered swap entities regulated by one or more of the Federal Reserve, Farm Credit Administration, Federal Deposit Insurance Corporation, Federal Housing Finance Agency, Office of the Comptroller of the Currency, and /or the CFTC (together, for purposes of this paragraph, the “Regulators”). Specifically, under the regulatory initial margin rules, each party to an in-scope uncleared derivative must post the same specific amount of initial margin (calculated using standard regulatory percentages or an approved margin model) to an account with an independent custodian. The rules originally provided a compliance schedule of five phases for meeting initial margin standards for covered swap entities trading uncleared swaps with all financial end users that have material swaps exposures by no later than September 1, 2020. In May and June 2020, the Regulators finalized amendments to their swap margin rules (the “Final Rule”) and also issued an interim final rule that will extend the date by which certain swap entities and counterparties must comply with initial margin requirements for uncleared swap trading. The Final Rule (1) permits swaps entered into prior to an applicable compliance date (so-called “legacy swaps”) to retain their legacy status if they are amended due to the cessation of LIBOR or another IBOR; (2) modifies initial margin requirements for uncleared swaps between covered swap entities and their affiliates; (3) introduces an additional “phase 6” compliance date for initial margin requirements; (4) clarifies the date on which trading documentation must be in place; (5) permits legacy swaps to retain their legacy status if they are amended because of technical amendments, notional reductions or portfolio compressions; and (6) makes technical changes to relocate the provision addressing amendments to legacy

swaps that are made to comply with qualified financial contract (QFC) rules.

While none of AMO USA's Private Funds or other Clients, as of the date of this Brochure, are considered a covered swap entity for purposes of the Final Rule, a Private Fund or other Client may become a covered swap entity in the future, which would entail additional compliance risks and costs. In addition, these margin requirements will further increase counterparty swap dealers' costs, which costs are expected to be passed through to other market participants, including Private Funds or other Clients, in the form of higher fees and less favorable dealer marks. Such requirements may also make it more difficult and costly for Clients to enter into highly tailored or customized transactions and may render certain strategies, in which Clients might otherwise have engaged, impossible or so costly that they will no longer be economical to implement.

(c) Options

AMO USA on behalf of a number of its Clients purchases and sells (write) listed and OTC options on futures, ETFs, major global market indices, individual equity securities and other instruments on national and international securities exchanges to exploit any opportunities caused by volatility in these markets.

Option prices are based on, among other things, certain implied levels of volatility of the underlying index or equity security. If volatility in the underlying index or equity security declines after a Private Fund or Client account has purchased an option, such Private Fund or account will incur losses. Those losses may exceed the premium paid for the option due to the possibility of losses on related hedge positions. In addition, option prices tend to decay over time and decrease or increase with decreases or increases in volatility. Unless increases in the value of options held by a Private Fund or Client account due to increased volatility offset the decay in the time value of the options, the Private Fund or Client account will incur losses.

The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security, plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. The writer of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire investment in the call option.

In the case of stock index options, successful use by a Client of options on stock indices will be subject to AMO USA's ability to correctly predict movements in the direction of the stock market generally or with respect to particular industries or market segments. This requires



different skills and techniques than predicting changes in the price of individual stocks.

Options may be cash settled, settled by physical delivery or settled by entering into a closing purchase transaction. In entering into a closing purchase transaction, a Client may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

(d) Credit Default Swaps

Private Funds or Client accounts may purchase and sell credit derivatives contracts—primarily credit default swaps—both for investment and trading and hedging purposes. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. Private Funds or Client accounts may also sell credit default swaps on a basket of reference entities representing an index of issuers or a “bespoke” basket as part of a synthetic collateralized debt obligation transaction. In circumstances in which the Private Funds or Client accounts do not own the debt securities that are deliverable under a credit default swap, the strategies are exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether a “credit event” triggering the seller’s payment obligation had occurred. In either of these cases, the Private Funds or Client accounts would be unable to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, Clients incur leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it was holding debt securities issued by the reference entity. However, Clients will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity’s debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity’s debt obligations to deliver to the Client following a credit event and will likely choose the obligations with the lowest market value to maximize the payment obligations of the Client. In addition, credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value these swap positions when established or when subsequently traded or unwound under actual market conditions.

As a result of recent initiatives implemented by derivatives market participants, including the International Swaps and Derivatives Association, Inc., designed to implement uniform settlement terms into standard credit default swap documentation, as well as refine the practices for the transparent conduct of the credit default swap market generally, certain of the preceding risks, including, without limitation, liquidity risk concerning the lack of availability of deliverable securities, may be mitigated for certain categories of credit default swap transactions covered by these initiatives. However, despite the derivatives market initiatives to uniformly address the risks associated with the credit default swap market, there can be no guarantee of the success of these initiatives or the ability to mitigate the risks with respect to covered credit default swaps. In any event, Clients may enter into certain credit default swap transactions that may not be covered by these initiatives. The regulation of credit default swaps is evolving, and significant changes in such regulation have been enacted or proposed and may

adversely affect Clients.

(e) CDO Investments

CDOs are subject to credit, liquidity and interest rate risks. The value of the CDO securities owned by an investor generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry, and changes in prevailing interest rates. Consequently, holders of CDO securities must rely solely on distributions on the CDO collateral or proceeds thereof for payment in respect thereof. If distributions on the CDO collateral are insufficient to make payments on the CDO securities, no other assets will be available for payment of the deficiency and following realization of the CDO securities, the obligations of such issuer to pay such deficiency generally will be extinguished.

CDO collateral may consist of high-yield debt securities, loans, asset-backed securities and other instruments, which often are rated below investment grade (or of equivalent credit quality). High-yield debt securities generally are unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The lower ratings of high-yield securities and below investment grade loans reflect a greater possibility that materially adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest.

Issuers of CDO securities may acquire interests in loans and other debt obligations by way of sale, assignment, or participation. Purchasers of loans are predominantly commercial banks, investment funds, mutual funds, and investment banks. As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high-yield debt market.

In purchasing participations, an issuer of CDO securities will usually have a contractual relationship only with the selling institution, and not the borrower. In the event of the insolvency of the selling institution, under the laws of the U.S. and the states thereof, the CDO may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the CDO may be subject to the credit risk of the selling institution as well as of the borrower.

(4) Counterparty Credit Risk

- (a) Clearing Brokers and Custodians. Transactions entered into by the Private Funds or Client accounts may be executed on various U.S. and non-U.S. exchanges, and may be cleared and settled through various clearing houses, custodians, depositories and clearing brokers

throughout the world. Although the Private Funds or Client accounts will attempt to execute, clear and settle the transactions through entities the Firm believes to be sound, there can be no assurance that a failure by any such entity will not lead to a loss to the Private Funds or Client accounts.

There are risks involved in dealing with the custodians or brokers who settle the Private Funds' or Client accounts' trades, particularly with respect to non-U.S. investments. In particular, securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of the Private Funds or Client accounts or segregated from the general assets of the custodian or broker. In situations where the Private Funds or Client accounts are required to post margin or other collateral with counterparty, the counterparty may fail to segregate the collateral or may commingle the collateral with the counterparty's own assets. As a result, in the event of the counterparty's bankruptcy or insolvency, the Private Funds' or Client accounts' collateral may be subject to the conflicting claims of the counterparty's creditors, and the Private Funds or Client accounts may be exposed to the risk of a court treating them as a general unsecured creditor of the counterparty, rather than as the owner of the collateral. With respect to the Private Funds' or Client accounts' clearing brokers, the Private Funds or Client accounts may rank as one of the clearing broker's unsecured creditors in relation to any assets that the clearing broker borrows, lends, pledges or hypothecates or that are subject to the clearing broker's lien or security interest, and, in the event of the insolvency of the clearing broker, the Private Funds or Client accounts may not be able to recover equivalent assets in full.

The bankruptcy law applicable to all U.S. futures commission merchants ("FCMs") requires that, in the event of the bankruptcy of an FCM, all property of customers held by the FCM (either directly, or indirectly through any intermediate brokers, banks or other counterparties used by the FCM), including certain property specifically traceable to a customer, will be returned, transferred or distributed to the FCM's customers only to the extent of each customer's pro rata share of all property available for distribution to customers. If any FCM holding any of the Private Funds' or Client accounts' assets were to become bankrupt, it is possible that the Private Funds or Client accounts, even if its assets were properly segregated, would be unable to recover any, or to recover only a portion, of its assets held by the FCM. Furthermore, in the event of an insolvency of an FCM or other (direct or indirect) counterparty which is not regulated by the CFTC or if an FCM fails to properly segregate customer funds, the CFTC's segregation protections may not be available to Clients. Because all property available for distribution to customers and all creditor claims have to be determined and validated if an FCM were to become bankrupt, it may take a long time, perhaps several years, before all property available for distribution by the FCM will be returned, transferred or distributed to the FCM's clients. Other custodians and counterparties may have similar types of risks. Assets held outside the U.S. may be subject to different or diminished protection in the event of a counterparty failure located in the jurisdiction.

Non-U.S. counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of insolvency. However, the practical effect of these laws and their application to the Private Funds' or Client accounts' assets are subject to substantial limitations and uncertainties. For example, a counterparty may have few or no restrictions on its ability to rehypothecate collateral and other Private Fund or Client account assets held by the counterparty. To the extent that a counterparty has rehypothecated any Private Fund or Client account assets, the Private Fund or Client account may be unable to recover such assets in a bankruptcy or insolvency proceeding and may only have an unsecured claim against the counterparty for the value of these assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the

insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on Clients and their assets. Investors should assume that the insolvency of any counterparty would result in a loss to the Private Funds or Client accounts, which could be material.

- (b) Over-the-Counter and Principal Markets. To the extent that the Private Funds or Client accounts invest in options, uncleared swaps, derivative or synthetic instruments, forward contracts, or other over-the-counter (OTC) transactions, they may be exposed to a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from these protections and expose the parties to the risk of counterparty default.

Certain markets in which Private Funds or Client accounts may effect transactions are “over-the-counter” or “interdealer” markets, and may also include unregulated private markets. The participants in these markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of exchange-based markets. This exposes the investor to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Private Funds or Client accounts to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Private Funds or Client accounts have concentrated their transactions with a single or small group of counterparties. Because many purchases, sales, financing arrangements, securities lending transactions, and derivative transactions in which the Private Funds or Client accounts may engage involve investment instruments that are not traded on an exchange but are instead traded between counterparties based on contractual relations, Private Funds or Client accounts are subject to the risk that a counterparty will not perform its obligations under the related contracts. Although the Private Funds or Client accounts intend to enter into transactions only with counterparties which the Firm believes to be creditworthy, will attempt to reduce their exposure through the use of two-way collateralized mark-to-market agreements and will pursue their remedies under any of these contracts, there can be no assurance that a counterparty will not default and that the Private Funds or Client accounts will not sustain a loss on a transaction as a result.

Because many transactions in which the Private Funds or Client accounts may engage are traded between counterparties based on contractual relations, the Private Funds or Client accounts are subject to the risk of failing to comply with these contracts or otherwise breaching their provisions. For example, these contracts may terminate upon the departure of a certain number of “key persons” of the Firm, the fluctuation of the net asset value of the Private Funds or Client accounts beyond certain parameters, the termination of the Firm as investment adviser or other events or circumstances. Clients may sustain a loss on a transaction that terminates prematurely in accordance with the terms of the underlying contract.

#### (5) Risk of Leverage

The Private Funds or Client accounts may borrow on a secured or unsecured basis for any purpose, including increasing investment capacity, covering operating expenses, making redemption payments, or clearing transactions. There are no limits on the amount of borrowing, gearing or leverage that the Private Funds or Client accounts may use. The interest expense and other costs

incurred in connection with the borrowing may exceed the income earned and capital appreciation on the positions carried with borrowed funds. Gains realized with borrowed funds may cause the Private Funds' or Client accounts' net asset value to increase at a faster rate than would be the case without borrowings. Leverage is a two-edged sword, however, and the presence of leverage could result in each Private Fund's or Client account's net asset value decreasing faster than if there had been no borrowings. In addition, unanticipated increases in applicable margin requirements could adversely affect the liquidity of the Private Funds or Client accounts and, therefore, adversely affect performance.

Additionally, the Private Funds or Client accounts are leveraged as a result of their transactions in swaps, futures, forwards and options and other inherently leveraged securities and financial instruments.

A low margin deposit is required in futures trading and the low cost of carrying cash positions permits a degree of leverage. Because only a relatively small margin deposit or similar outlay is generally required in relation to the contract value of these instruments, a small market movement may result in a disproportionately large change in the Private Funds' or Client account's equity in the instrument. As a result, it is possible that Clients could lose the entire amount of margin on deposit in a relatively short period of time if the market moves adversely. In these instances, Clients may be required to make substantial additional margin deposits on short notice to maintain its position (a "margin call"). If Private Funds or Client accounts do not provide additional margin within the required time period, their position may be liquidated at a loss with the Private Funds or Client accounts being liable for any resulting deficit. Even if a trade ultimately proves profitable, Clients may have to accept payment in cash in lieu of a return of the actual assets deposited, and the deposit will not be protected to the same extent as would a cash deposit held in trust in a segregated client bank account.

(6) No Material Limitation on Instruments or Markets

The Firm expects to pursue investment opportunities on behalf of Clients on a global basis and will have complete flexibility to determine the instruments bought and sold, the markets traded, and the techniques used as part of its investment and trading strategies subject to any applicable conditions or restrictions in the Clients' governing documents and/or applicable rules and regulations. The investment opportunities available to Clients may vary considerably over time, and the Firm believes it has expertise in analyzing newly created instruments and new markets. Therefore, the full range of instruments, contracts and markets in which the Private Funds or Client accounts will take positions over time cannot be specified exhaustively. The Firm expects to develop new types of investment and trading strategies and, as a result, the full set of strategies employed by the Private Funds or Client accounts cannot be specified. As a result, material profits or losses may result from instruments, markets and strategies which are not described in the Private Funds' or account's offering or governing documents. The risk of loss from these undisclosed matters could prove substantial.

(7) Risks From Hedging Activities

The Firm may, from time to time, attempt to hedge risks. There is a substantial risk, however, that hedging techniques may not be effective in limiting losses. If the Firm analyzes market conditions incorrectly, the Firm's hedging techniques could result in a loss, regardless of whether the intent was to reduce risk. These hedging techniques may also increase the volatility of the Private Funds or Client accounts, as they may involve a small investment of cash relative to the magnitude of the risk assumed, or result in a loss if the counterparty to the transaction does not perform as promised.

The success of the hedging strategy of the Private Funds or Client accounts will be dependent upon Firm's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the positions in the portfolios being hedged. Since the characteristics of many financial instruments change as market conditions change over time, the success of the hedging strategy will also be subject to the Firm's ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. While Clients may enter into hedging transactions to seek to reduce risk, these transactions may result in a poorer overall performance for Clients than if they had not engaged in hedging transactions. For a variety of reasons (for example, cost or the probability of the occurrence of a risk), Private Funds or Client accounts may not hedge against particular risks or may not establish a perfect correlation between hedging instruments and the portfolio holdings being hedged. An imperfect correlation may prevent the Private Funds or Client accounts from achieving the intended hedge, and the failure to hedge or an imperfect hedge may expose the Private Funds or Client accounts to the risk of loss.

(8) Additional Risks Associated with the Fund of Funds

(a) Conflicts between the Fund of Funds and other AMO USA managed Funds

It is theoretically possible that one or more of private funds managed by third-party alternative managers in which the Fund of Funds invests ("Portfolio Funds") may, at any time, take positions which may be opposite of positions taken by other Portfolio Funds or Funds managed by AMO USA generally. The Fund of Funds portfolio manager may possess certain confidential information of Portfolio Funds during the course of the portfolio management service. The Firm has instituted an information barrier between the relevant lines of business.

(b) Multiple Investment Managers

It is also possible that the Portfolio Funds retained by the Fund of Funds may on occasion be competing with each other and with Funds managed by AMO USA for similar positions at the same time.

(c) Performance-Based Compensation Arrangements with Portfolio Funds

The Fund of Funds typically enters into arrangements with Portfolio Funds which provide that Portfolio Funds be compensated, in whole or in part, based on the appreciation in value (including unrealized appreciation) of the account during specific measuring periods. In certain infrequent cases, Portfolio Funds may be paid a fee based on appreciation during the specific measuring period without taking into account losses occurring in prior measuring periods, although it is anticipated that most, if not all, Portfolio Funds who charge such fees will take into account prior losses. Such performance fee arrangements may create an incentive for such Portfolio Funds to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. The Fund of Funds may be required to pay an incentive fee to the Portfolio Funds who make a profit for the Fund of Funds in a particular fiscal year even though the Fund of Funds may in the aggregate incur a net loss for such fiscal year.

(d) Dependence on the Investment Manager

AMO USA as the Investment Manager is ultimately responsible for the selection of the Portfolio Funds for the Fund of Funds. The success of the Fund of Funds depends upon the ability of AMO USA to formulate and implement investment strategies that achieve the Fund of Funds' investment objective through its selection of Portfolio Funds.

(e) Diversification

Although the Fund of Funds seeks to obtain diversification by investing with a number of different Portfolio Funds, it is possible that several Portfolio Funds may take substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject the investments of the Fund of Funds to more rapid change in value than would be the case if the assets of the Fund of Funds were more widely diversified.

(f) Activities of Portfolio Funds

Although AMO USA seeks to select only Portfolio Funds which invests the Fund of Funds assets with the highest level of integrity, AMO USA has no control over the day-to-day operations of any of the selected Portfolio Funds. As a result, there can be no assurance that every Portfolio Fund in which the Fund of Funds invests conforms its conduct to these standards.

(g) Units Subject To Liabilities of Other Classes and Sub-Classes

Although the assets and liabilities of the Fund of Funds' classes and sub-classes of units that have been or may, in the future, be created are segregated, investors should be aware of the special risk that the assets of any class or sub-class may be applied to meet any claims by creditors of the Fund of Funds in circumstances in which the liabilities of a class or sub-class exceed its assets. Thus the assets of a solvent class or sub-class may be at risk with respect to and may be used to satisfy the liabilities of an insolvent class or sub-class.

(h) Limits on Information

AMO USA as the Investment Manager requests detailed information from each Portfolio Fund regarding the Portfolio Fund's historical performance and investment strategy. However, AMO USA may not always be provided with detailed information regarding all the investments made by the Portfolio Funds because certain of this information may be considered proprietary information by the Portfolio Funds.

(i) Limited Operating History of Portfolio Funds

The Portfolio Funds in which the Fund of Funds invests may be new investment vehicles with a limited performance history (although the managers of such Portfolio Funds typically have prior experience in the securities industry). Therefore, such investments may involve greater risks than investment in more established Portfolio Funds.

(j) Short Sales

The Portfolio Funds may engage in "short selling" of securities. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Fund of Funds' portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

(k) Leverage/Borrowing

The Fund of Funds does not engage in leverage activities proactively; however, it may employ leverage for bridge financing purposes to cover short-term cash needs, such as to fund investments in Portfolio Funds until sufficient subscriptions are received to enable such investments, to pay redemptions that would otherwise result in the premature liquidation of investments, or in connection with any direct investments of the Fund of Funds. The use of leverage exposes the Fund of Funds to additional levels of risk including margin calls or

changes in margin requirements forcing premature liquidations of investment positions. In the event of a sudden, precipitous drop in value of the Fund of Funds' assets, it might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Trust. In addition, the Fund of Funds may invest in Portfolio Funds whose investment strategies include the use of leverage.

(l) Lack of Liquidity of Fund of Funds Assets; Valuation

Assets of the Fund of Funds may, at any given time, include securities and other financial instruments or obligations which are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value accurately any such investments.

(m) Special Situations

The Portfolio Funds may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price to the Fund of Funds of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Portfolio Funds may be required to sell the Fund of Fund's investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Fund of Funds may invest, there is a potential risk of loss by the Fund of Funds of its entire indirect investment in such companies.

(n) Limited Redemption Rights

Because of the limitation on redemption rights and the fact that units of the Fund of Funds are not tradable, and furthermore, due to the fact that the Fund of Funds may invest in Portfolio Funds that do not permit frequent redemptions, an investment in the Fund of Funds is a relatively illiquid investment and involves a high degree of risk. Transfers of the units will be permitted only with the written consent of the Fund of Funds, or the administrator acting on its behalf, and are further limited by applicable securities laws. If a substantial number of investors were to redeem from the Fund of Funds and the Fund of Funds did not have a significant number of liquid securities, there is a possibility that the Fund of Funds would have to meet such redemptions through distribution of illiquid securities. Accordingly, subscription for units should be considered only by persons financially able to maintain their investment for an appreciable period of time and who can afford a substantial loss of their investment.

(9) Cash Management

Some of the Firm's Private Funds may hold a significant cash position, which in some instances could be substantially all of the relevant Private Fund's assets. AMO USA generally holds cash or invests the free cash of its advisory clients for which it has investment discretion in a variety of money market instruments, such as short-term United States and Japanese government obligations (as applicable) or regulated money market funds (such as the U.S. registered investment companies and European UCITS). There are a number of negative factors and risks associated with holding a large position in cash and cash equivalent instruments as the assets are not actively exposed to the



investment strategy of the Private Funds and could become subject to inflation, negative interest rates (including the deposit rates with custodians) and negative yields, among other risks. Many central banks, including the Bank of Japan, adopted negative interest rates in the past. Negative Interest rates mean that the Private Funds, instead of receiving money on deposits, must pay regularly to keep their money with the bank or the custodian. Holding large cash or cash-equivalent positions that are subject to inflation and/or negative interest or yields will subtract from the performance of the Private Funds and may result with the Private Funds' losses.

(10) Business Disruptions and Risks Associated With Pandemics

The Firm and our service providers are susceptible to business disruptions resulting from catastrophic and other material events (e.g. a pandemic) that could negatively impact our ability to conduct business transactions.

Future outbreaks of new COVID-19 variants or other serious infectious disease and political reactions to such an outbreak could cause uncertainty in markets and businesses, including AMO USA's business, and adversely affect the performance of the global economy, including causing market volatility, market and business uncertainty and closures, restrictions on trading, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences, all of which could have an adverse effect on Client returns and the Private Funds' or Client accounts' ability to source new investments. AMO USA has policies and procedures including its business continuity plan to address known situations, but because a pandemic and related regulatory responses may create significant market and business uncertainties and disruptions, not all events that could affect AMO USA's business and/or the markets can be determined and addressed in advance. Furthermore, in response to the outbreak of COVID-19, AMO USA has moved to a hybrid (remote/office work) model. The work-from-home environment could also lead to less optimal supervisions and communications relative to a traditional office environment, which may negatively affect the Firm's and its service providers' operational capabilities. Please also see (2) *Operational Risks and Information Technology Systems* in 3. *Risks Associated With the Firm's and Private Funds' or Client Accounts' Operations, Structure and Regulatory Status* discussed below.

(11) Risks Associated With Russia-Ukraine Conflict

Russia's invasion of Ukraine has negatively affected and may continue to affect the economy and markets worldwide, including causing market volatility, market and business uncertainty and closures, restrictions on trading. Potential uncertainty, disruption, volatility, and other adverse impact on the global or specific economy or market may adversely affect the performance of the Private Fund or Client accounts managed by AMO USA.

**3. Risks Associated With The Firm's and Private Funds' or Client Accounts' Operations, Structure And Regulatory Status**

(1) Risk Control Framework

The Firm has implemented risk management procedures to help monitor and manage the overall risk of the portfolio of the Private Funds or Client accounts. No risk management is fail-safe, and no assurance can be given that the Firm's risk control procedures will be successful or work as anticipated.

## (2) Operational Risks and Information Technology Systems

Clients depend on the Firm to develop and implement appropriate systems and operational procedures for the Private Funds' or Client accounts' activities as well as information technology systems of the Clients' and Firm's service providers, including securities and futures exchanges, market counterparties, broker-dealers, custodians and other service providers. Clients rely extensively on computer programs and systems (and may rely on new systems and technology in the future) for various purposes including, without limitation, to trade, clear and settle transactions, to evaluate certain financial instruments, to monitor its portfolio and net capital, to generate risk management and other reports that are critical to oversight of the Private Funds' or Client accounts' activities and to conduct other operational functions. The procedures developed by the Firm may not account for every actual or potential disruption of the Private Funds' or Client accounts' operations. The Private Funds' or Client accounts' investment and trading program is dynamic and complex. As a result, certain operational risks are intrinsic to the Private Funds' or Client accounts' operations, especially given the volume, diversity and complexity of transactions that Clients are expected to enter into on a daily basis. Clients' business may be highly dependent on its ability to process, on a daily basis, a large number of transactions across numerous and diverse markets.

Clients also rely heavily on financial, accounting and other data processing systems developed by the Clients' and Firm's service providers. While the Firm generally conducts a review of service providers engaged by the Firm or the Clients prior to retaining such service providers pursuant to the Firm's policies, the Firm may not be in a position to verify the risks or reliability of such service providers' programs or systems and the Firm's review may fail to identify material issues and concerns related to the service provider in question.

Defects, failures or interruptions of the systems used by the Firm, the Clients or relevant service providers, including damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events, software-related "system crashes," computer "worms" and viruses, fire or water damage, or various other events or circumstances could have a material adverse effect on Clients, including a failure or delay in trade execution or confirmation, inaccuracies in reporting, and inability to monitor the investment portfolio.

The ability of the Firm's or relevant service providers' systems to accommodate an increasing volume, diversity and complexity of transactions could also constrain the Firm's ability to properly manage the Private Funds' or Client accounts' portfolios. Systemic failures in the systems employed by the Firm, the administrators, clearing brokers and/or counterparties, exchanges and similar clearance and settlement facilities, and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. For example, systems failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the ability of Clients to monitor their investment portfolio and risks. These and other similar disruptions in the Private Funds' or Client accounts' operations may cause Clients suffer, among other things, financial loss, disruption of its businesses, liability to third-parties, regulatory intervention or reputational damage. Although the Firm has a business continuity plan in the event of an emergency or significant business disruption, there can be no assurance that such plan will operate as planned nor can there be any assurance that the business continuity plans of the relevant fund administrator, counterparties, clearing brokers, and other parties will operate as planned in the

event of an actual disruption. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Firm's and/or the Private Funds' or Client accounts' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Firm's and the Clients' reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

### (3) Cybersecurity Risk

As part of its business, AMO USA processes, stores and transmits large amounts of electronic information, including information relating to the transactions of its Clients. Similarly, AMO USA and Private Fund or Client account service providers, including, but not limited to, fund administrators, may process, store and transmit such information. A considerable amount of such information is stored on the cloud by certain vetted cloud-based service providers. With the increased use by AMO USA, its affiliates and service providers of and the dependence on computer systems and technologies, including mobile and cloud-based technologies, to perform business and operational functions, portfolios and their service providers may be prone to operational and information security risks resulting from cyber-attacks and/or technological malfunctions. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Clients, the Firm or a custodian, or other affiliated or third-party service provider may adversely affect Clients and/or underlying investors. For instance, cyber-attacks may interfere with the processing of transactions, affect each of the Private Funds' or Client accounts' ability to calculate its net asset value, cause the release of private investor information or confidential Private Fund or Client account information, impede trading, cause reputational damage, and subject Clients to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and additional compliance costs. Cyber-attacks may render records of Client assets and transactions, ownership of the interest in the Private Funds or Client accounts, and other data integral to the functioning of the Private Funds or Client accounts inaccessible or inaccurate or incomplete. Clients may also incur substantial costs for cybersecurity risk management in order to prevent cyber incidents in the future. Clients and/or underlying investors could be negatively impacted as a result. While the Firm has established business continuity plans, an incident response plan and systems designed to minimize the risk of cyber-attacks through the use of technology, processes and controls, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified given the evolving nature of this threat. Private Funds and Client accounts rely on third-party service providers for many of their day-to-day operations, and, although cybersecurity systems and procedures are an essential element of third-party due diligence performed by AMO USA, Clients will be subject to the risk that the protections and protocols implemented by those service providers will be ineffective to protect Clients from cyber-attacks. Similar types of cybersecurity risks also are present for issuers of securities in which Clients invest, which could result in material adverse consequences for such issuers, and may cause the Clients' investment in such securities to lose value.

### (4) Regulatory Risk

The global financial markets have in the last decade gone through pervasive and fundamental

disruptions that have led to extensive and unprecedented governmental and regulatory interventions. Such intervention has in certain cases been implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, regulators across the world have begun to implement or implemented regulatory reforms in various jurisdictions, but such efforts have not been completely coordinated, resulting in some inconsistent regulations, confusion and uncertainty which has been detrimental to the efficient functioning of the markets and may be detrimental to previously successful investment strategies.

Furthermore, there have been pending and final rules and regulations issued by regulators and self-regulatory organizations including the SEC, CFTC, and NFA that affect or may affect investment advisory businesses. In the event of material regulatory or tax changes and restrictions imposed by regulators may result in, among others, increased costs and reduced investment opportunities, and may adversely affect Clients, AMO USA, and/or the markets in which they trade and invest.

AMO USA expects the financial services industry to continue to be affected by significant uncertainty over the scope and content of regulatory reform now and in the future.

#### (5) Volcker Rule

As noted above, the Dodd-Frank Act also places restrictions and limitations on certain financial institutions that sponsor or provide investment advisory services to hedge funds and other private funds, such as certain of the Funds (“covered funds”), i.e., the so-called “Volcker Rule.” These include restrictions on transactions between a covered fund and affiliates of the financial institution and limitations on the size of the aggregate investment that may be maintained in a covered fund by the financial institution and its affiliates. As written, the Volcker Rule provides that, absent regulatory permission or an applicable exemption, the aggregate investment of a financial institution subject to the rule (a “banking entity”) in a covered fund cannot exceed 3% of the total ownership interests in the fund after the first year of the fund’s operation.

The Volcker Rule’s prohibition on “covered transactions,” as defined in Section 23A of the Federal Reserve Act, will restrict the activities of certain covered funds. Under the Volcker Rule, a banking entity that serves, directly or indirectly, as the investment manager, investment adviser, commodity trading advisor, or sponsor to a covered fund, and any of the banking entity’s affiliates, is prohibited from engaging in certain transactions with that fund and any covered fund controlled by such a fund, including lending to or trading in certain derivative and other instruments with the fund. This provision has been referred to as “Super 23A,” because it applies to all entities in a banking organization (rather than just FDIC-insured banks). Effective October 1, 2020, this prohibition on covered transactions will not apply to certain low-risk transactions, such as transactions that are fully secured by cash or U.S. Treasuries); intraday extensions of credit; short term extensions of credit and purchases of assets if made in the ordinary course of payment, clearing and settlement activities; purchases of certain liquid assets; and riskless principal transactions.

A covered banking entity that serves, directly or indirectly, as the investment manager, investment adviser, commodity trading advisor, or sponsor to a covered fund, is also subject to Section 23B of the Federal Reserve Act, with respect to certain transactions with the covered fund, which requires that such transactions be: (a) on terms and under circumstances, including credit standards, that are substantially the same, or at least as favorable to the member bank (or, for Volcker Rule purposes, the banking entity) as those prevailing at the time for comparable transactions with or involving non-affiliates, or (b) in the absence of comparable transactions, on terms and under circumstances, including credit standards, that in good faith would be offered to, or would apply to, non-affiliates.

Any permitted transactions under the final rules implementing the Volcker Rule would be subject to Section 23B of the Federal Reserve Act, as if the counterparty covered fund were an affiliate of the covered banking entity (so-called “Super 23B”).

All activities and investments within the Mizuho Group and AMO Group (together with all their subsidiaries and affiliates, for purposes of this section, “AMO”) are required to comply with the Volcker Rule. That means, by way of example, that AMO’s investments and other deemed ownership interests in covered funds held under the Volcker Rule’s asset management exemption must be reduced to no more than three percent (3%) of the ownership interests in the fund by the end of a permitted seeding period, and aggregate investments in all covered funds held by AMO must not exceed the maximum amount permitted by the final rules, which amount cannot be more than three percent (3%) of the Tier 1 capital of the relevant AMO affiliate (although parallel investments by AMO and its directors and employees alongside such covered funds may be permitted without regard to the 3% per-fund and aggregate limits). Alternatively, AMO may be permitted to own in excess of three percent (3%) of the ownership interests (a) in a covered fund if such activity occurs, or is made to occur, “solely outside of the United States”, or (b) in a “qualifying foreign excluded fund”, each as set forth in the Volcker Rule. No directors or employees of AMO may hold any ownership interest in a covered fund sponsored or owned by AMO under the asset management exemption, unless such directors or employees are directly engaged in providing investment advisory or other services to the covered fund. As described above, certain “covered transactions” between such a covered fund and AMO are also prohibited, and AMO may not directly or indirectly, guarantee, assume, or otherwise insure the obligations or performance of the covered fund or of any covered fund in which such covered fund invests, and AMO may not directly or indirectly, guarantee, assume, or otherwise insure the obligations or performance of the covered fund or of any covered fund in which such covered fund invests. Further, the trading and other investment opportunities of such a covered fund may be limited in order to comply with the Volcker Rule’s restriction on material conflicts of interest and material exposures to high-risk assets and trading strategies. There may be other provisions of the Volcker Rule that apply to AMO or its related covered funds, and other exemptions from the provisions noted above. AMO USA is monitoring the Volcker Rule’s regulatory and market compliance developments and future changes or clarifications to the Volcker Rule could restrict AMO from continuing to perform certain services for covered funds as currently contemplated.

The legislation and regulations described above, as well as any related legislation and regulations in the future, may increase a covered fund’s or AMO USA’s exposure to potential liabilities and to legal, compliance and other related costs. The additional expense of complying with these regulations with respect to a Fund could result in lower returns on the Fund’s investments and may adversely affect the Fund’s ability to obtain the leverage it might otherwise obtain or to make certain types of investments. These regulations may also require the Fund to disclose the identity of its investors to one or more regulatory agencies. It is not possible to address or anticipate every possible current or future regulation that may affect AMO USA, a covered fund or their respective businesses. AMO USA may, in its sole discretion, cause a covered fund to be subject to such regulations if it believes that an investment or business activity is in its interest, even if such regulations may have a detrimental effect on one or more investors. Prospective investors are encouraged to consult their own advisors regarding an investment in a Fund.

It is also anticipated that, in the normal course of business, AMO USA’s officers will have contact with governmental authorities, and be subjected to responding to questionnaires, examinations and interviews. For example, this is typical in connection with the examination of a registered investment adviser, or registered commodity trading advisor or commodity pool operator. An AMO related covered fund may also be subject to regulatory inquiries.

#### (6) Notification of Certain Events

The Firm will notify Clients and investors in due course of (i) the commencement of any legal proceedings before any court, government body, agency, official or arbitrator, or (ii) the commencement of any investigations with respect to, or being threatened in writing to be charged with, or being given written notice of, any violation of law, rule, regulation, judgment, injunction, order, or degree applicable to it, in each case if the Firm reasonably determines such proceeding or investigation would be materially adverse to the Firm if ultimately adversely determined against it by the relevant court or tribunal and that such adverse outcome is more likely than not to be realized. In no event will the Firm be obligated to disclose to the investors any routine, preliminary or investigative inquiry or investigation made by a regulatory or self-regulatory organization, court, government body, agency or official as part of an inspection, examination, “sweep,” review, due diligence, or similar matter.

#### **Conflicts of Interest**

Various conflicts of interest arise in connection with the operation of the Private Funds or Client accounts. The Firm has a responsibility to its Clients to exercise good faith and fairness in all dealings affecting the Clients and will endeavor to resolve all conflicts fairly and equitably. By acquiring an interest in a Private Fund or Client account, each investor will be deemed to have acknowledged the existence of each of the foregoing and following potential conflicts of interest and to have waived any claim with respect to any liability from the existence of any such conflict of interest.

AMO USA seek to devote sufficient resources to pursue each Private Fund’s or Client account’s stated investment objectives, subject to general constraints on portfolio risk, exposure to extreme adverse events, concentration, liquidity and other qualitative and quantitative considerations. However, AMO USA, its affiliates and managers, members, officers, directors, agents, and employees may act as an investment manager, investment adviser, sponsor, manager, general partner or managing member for other Private Funds and/or Client accounts (“Other Accounts”) and give advice, and take action, with respect to any of those Other Accounts (including, without limitation, MHBK, Dai-Ichi Holdings and their affiliates) that may differ from the advice given, or the timing or nature of action taken, with respect any particular Client. Where there is a limited supply of an investment opportunity, AMO USA will use commercially reasonable efforts to allocate or rotate investment opportunities in a manner deemed equitable, but AMO USA cannot assure, and assumes no responsibility for, equality among all accounts and Clients. In addition, AMO USA and its affiliates may advise Other Accounts that trade in identical or similar underlying investments, or similar strategies, and that are generally classified as the same type of fund product, even though such activities may result in competition among Clients and/or may take substantial time and resources of AMO USA or its affiliates away from any particular Client.

#### **Affiliated Futures and Securities Brokers**

Generally, AMO USA does not execute Client trades through affiliated broker-dealers such as Mizuho Securities USA Inc. If, however, AMO USA would decide to execute transactions through Mizuho Securities USA Inc. or any other Affiliate entity, the following policy applies: The Mizuho Affiliate, in some instances, may affect the trades on a principal basis, with securities traded from its own account. Under the rules of the Securities and Exchange Commission, AMO USA cannot engage in these principal

transactions without your specific consent prior to settlement of the transaction. For these transactions, we will request your consent by telephone, e-mail or letter and will provide details about the transactions such as: name of the issuer, amount traded and rationale for the trade. AMO USA does not receive compensation of any kind for placing these orders through the Mizuho Affiliate and will only trade with the Mizuho Affiliate in order to get the best price or the Mizuho Affiliate is the only broker or dealer that is able to execute the order due to size or other considerations. Where securities are purchased through unaffiliated brokers, AMO USA will not request your consent prior to transactions unless specifically instructed by you in writing.

#### Affiliated Investment Adviser

The Firm acts as sub-adviser to AMO JAPAN and AMOI. The fees that the Firm receives from AMO JAPAN and AMOI are based on a percentage of fees that AMO JAPAN and AMOI receives from their respective clients, which in turn are a fixed percentage of the account assets or a variable percentage of the account assets. The Firm also uses non-discretionary advisory services from AMO JAPAN for certain accounts. AMO JAPAN clients do not pay any additional fees due to such advisory services. AMO USA may or may not purchase or sell, or recommend for purchase or sale, for its Client accounts (including those accounts for whom AMO USA acts as sub-adviser to AMO JAPAN) any security which AMO JAPAN may purchase or sell for its own accounts or for the account of any other clients. Furthermore, AMO USA provides AMO JAPAN with asset allocation advice on a non-discretionary basis for certain of AMO JAPAN- managed funds. AMO USA may have an incentive to advise more allocations to AMO USA- managed funds in such instances.

#### Global Quantitative Platform Shared with AMO JAPAN

AMO USA has entered into a collaborative arrangement (the “Collaborative Arrangement”) with AMO JAPAN, whereby the Firm and AMO JAPAN share the Global Quantitative Platform as discussed in Item 4. AMO USA and AMO JAPAN jointly own, manage, and share AMO IP and supporting IT infrastructure. As of the date of this Brochure, AMO USA is developing compliance and desktop procedures that will apply to the management of the Global Quantitative Platform and the personnel assigned to work on the Global Quantitative Platform. AMO USA and AMO JAPAN has agreed to incur its own expenses related to the Global Quantitative Platform and to review and allocate shared expenses between the parties. AMO USA does not charge any additional fees or expenses to investors in relation to the Collaborative Arrangement. Notwithstanding the foregoing, AMO USA may derive various non-monetary benefits by using the Collaborative Arrangement such as information and business relationship advantage and potentially increased businesses within AMO Group. Furthermore, AMO JAPAN and AMO USA share the fees paid to them by advisory and non-advisory licensing clients for the products and services based on AMO IP. In addition, in certain circumstances AMO USA and AMO JAPAN may enter into a sub-advisory agreement by which AMO JAPAN delegates some or all of its responsibilities to AMO USA, or vice versa. The Collaborative Arrangement may result in AMO JAPAN’s access to certain information with regard to the quantitative investment strategies ahead of other Clients or investors.

#### Non-Discretionary Advisory Services to AMO JAPAN

AMO USA has inherent conflicts of interest in concurrently acting as the investment manager of each relevant Private Fund and providing non-discretionary sub-advisory services to AMO JAPAN with respect to the Japanese investment vehicles which invest in such Private Funds. For example, AMO USA may be incentivized to recommend to AMO JAPAN to allocate a larger amount of capital to a Private Fund over cash or other investment opportunities, or to allocate a larger amount to a Private Fund that pays higher fees. AMO USA receives advisory fees from AMO JAPAN, that is a fixed or variable percentage of the

investment management fees and performance fees AMO JAPAN receives from the Japanese investment vehicles, which do not incur any additional fees concerning the non-discretionary advisory services. AMO USA is responsible for its own expenses incurred in connection with the provision of non-discretionary advisory services, but there is a potential conflict in that certain expenses that are charged to Private Funds may be indirectly related to AMO USA's role as a non-discretionary adviser.

#### Non-Disclosure Agreement with AMO JAPAN

In connection with, and solely for the purpose of allowing AMO JAPAN to provide investment management and client reporting services to its Japanese investment vehicle clients that invest in one or more Private Funds managed by AMO USA, AMO USA has entered into a non-disclosure agreement with AMO JAPAN (the "NDA") to make available, directly or indirectly, to AMO JAPAN, or to its directors, officers, employees on a "need-to-know" basis (collectively, "Representatives") certain information concerning Private Funds in which AMO JAPAN's Japanese investment vehicle clients invest (the "Confidential Material"), including, without limitation, as applicable, financial statements, net asset value, performance, leverage, liquidity, and position or trade information provided by AMO USA and the relevant fund administrator. Confidential Material also includes any other data, reports, agreements, interpretations, and records, financial or otherwise, reflecting information about or concerning AMO USA's business operations, which is not available to the general public and which AMO USA makes available to AMO JAPAN and its Representatives, as well as all notes, analyses, reports, compilations, studies, interpretations or other documents prepared by AMO JAPAN and its Representatives which contain, reflect or are based upon, in whole or in part, the information made available to AMO JAPAN and its Representatives. Notwithstanding the NDA, AMO USA reserves the right not to make available any information thereunder, the provision of which is determined by it, in its sole discretion, to be inadvisable or inappropriate. AMO USA also provides AMO JAPAN with direct access to the relevant Private Funds' fund administrator's portal on a "read only" basis, subject to the relevant portal's user access procedures separately agreed with AMO USA and the fund administrator's terms of use for the portal. In addition, the NDA allows AMO JAPAN to disclose Confidential Material to its Japanese investment vehicle clients, subject to certain conditions and to the confidentiality obligations of the NDA.

#### Relationship with Affiliated Groups

AMO USA is affiliated with MHFG, Dai-Ichi Holdings, and its affiliates within the AMO Group (collectively, the "Affiliated Groups"). The Affiliated Groups through their various affiliates and subsidiaries, engages in diverse financial and banking activities, including commercial and investment banking, securities sales and trading, trust and custodian services, and asset management. In its various business units, both on behalf of sales and trading customers and advisory clients and on behalf of its own proprietary accounts, the Affiliated Groups may give advice, and take action, with respect to any of their customers, clients and proprietary accounts that may differ from or be identical to the advice given, or the timing or nature of action taken, by AMO USA with respect to any of its Clients and proprietary accounts. From time to time, these independent decision makers may come into possession of material, non-public information concerning a position to which a Client or proprietary account has exposure or which it is considering to be exposed. AMO USA has adopted and implemented what they believe to be reasonable policies and procedures to prevent them and their employees from coming into possession of material, non-public information known to these independent decision makers. If these policies and procedures were deemed to be unreasonable, the possession of this information might limit the ability of AMO USA to recommend that a Client or proprietary account buys or sells securities or instruments that are the subject of this information.



AMO USA provides reporting to the Affiliated Groups about its investment and portfolio risks through a variety of channels, and to various business units who have invested in any of its Private Funds or other accounts advised by AMO USA, both on behalf of sales and trading customers and advisory clients and on behalf of its own proprietary accounts. A majority of investors in Private Funds or other accounts advised by AMO USA may themselves be sales and trading customers, advisory clients or proprietary accounts of the Affiliated Groups. The existence of these relationships may give rise to various conflicts of interest, for example, by incentivizing AMO USA to provide more detailed disclosure to members of the Affiliated Groups than it provides to other investors or providing any such disclosure more frequently or in a more timely manner. There can be no guarantee that the Affiliated Groups will limit the use of any information that is provided to evaluating a new or continuing investment or allocation, whether on behalf of itself or a customer or client, and may use the information for purposes unrelated to the Private Funds or other AMO USA managed accounts and their investment activities.

#### Core Investor

The Private Funds may have a limited number of investors at any time, and several (if not all) of these investors may be affiliated or advised by the same investment adviser and may contribute all or a substantial percentage of the Private Funds' capital. Accordingly, it may be more likely that one or more of these affiliated or commonly advised investors request to redeem from the Private Funds at the same time, including for reasons entirely unrelated to the investment performance of the Private Funds, such as, for example, in order to comply with the regulations applicable to such core investor, including the compliance with the Volcker Rule applicable to any seed capital provided by Mizuho Financial Group. Any such redemption could pertain to a significant portion of the Private Funds' capital. Such redemptions could materially and adversely affect the relevant Private Funds or any remaining investors. AMO USA does not have a duty to inform or advise any investor in the relevant Private Funds to make a similar redemption or take a similar action. Each Private Fund investor is responsible for making its own decision as to the timing and amount of any redemption from any of the Private Funds.

**Item 9. Disciplinary Information**

AMO USA and its employees have not been involved in any legal or disciplinary events in the past ten years that would be material to a client's or investor's evaluation of the company or its personnel.

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

### Commodity Pool Operator and Commodity Trading Advisor

AMO USA is registered with the Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator (“CPO”) and a commodity trading advisor (“CTA”) and generally functions as both the CPO and CTA for the Private Funds, which are exempt from registration with the CFTC as “commodity pools.”

### Affiliated Firms and Securities

As mentioned above, AMO USA is a wholly owned subsidiary of AMO JAPAN, which is registered as an investment adviser with the SEC (SEC File No. 801-55047) of which 70% economic interests and 51% voting rights are owned by MHFG and 30% economic interests and 49% voting rights by Dai-Ichi Holdings, respectively.

From time to time, AMO USA, in its capacity as investment adviser, may invest or may recommend an investment in securities issued by one of its publicly-traded affiliates (“Affiliate Securities”); MHFG (NYSE: MFG, also traded in Japan), and Dai-Ichi Holdings, both of which are listed in Japan. The primary subsidiaries of MHFG are MHBK; Mizuho Securities Co., Ltd. (“MSC”) and Mizuho Trust & Banking Co., Ltd. Dai-Ichi Holdings is the holding company for the Dai-Ichi Life Insurance Company, Limited.

Investments or recommendations for investments, as the case may be, in some or all of these Affiliate Securities may be made in instances where the transaction meets the criteria set forth in a Client’s investment guidelines. Investment decisions are based on publicly available information and AMO USA’s analysis of that information. Even though AMO USA is indirectly affiliated with these companies, AMO USA does not have access to their material non-public information such as earnings, other financial data or other information that could impact the price of their publicly-traded securities or otherwise improperly influence our investment decision.

Purchases of Affiliate Securities will only be made where such investments are suitable for the Client and not prohibited by ERISA, other applicable law or the agreed-upon investment guidelines for the Client’s account. At no time will AMO USA or its Clients acquire a control position in these Affiliated Securities. Neither AMO USA nor any affiliated entity is, will be or has ever been involved in the creation of the relevant indexes nor have they influenced the composition of the index.

AMO USA is also affiliated with other investment advisers via common ownership: AMOI, Asset Management One Singapore Pte. Ltd., Asset Management One Hong Kong Limited, Asset Management One Alternative Investments, Ltd., and Asset Management One TERRACE Co., Ltd.. AMO USA is also affiliated with a U.S. broker-dealer via common ownership: Mizuho Securities USA Inc. (SEC File No. 8-37710).

In addition, as discussed previously, AMO USA is affiliated via common ownership with MHBK, a bank headquartered in Tokyo, Japan, and MSC, a broker-dealer headquartered in Tokyo, Japan. MHBK serves major corporations, financial institutions and their group companies, public sector entities, and overseas corporations including subsidiaries of Japanese corporations. MHBK’s business activities include accepting deposits, lending, investment banking, and custodial services, among others. MSC’s business activities include sales, trading, settlement, and foreign exchange services, among others. MHBK and MSC are wholly owned by MHFG, a publicly traded company listed on the Tokyo Stock Exchange and New York Stock Exchange (American Depositary Receipts).

AMO USA has entered into various servicing agreements with Mizuho Americas Services LLC., an affiliated service company under common control with MHFG, whereby Mizuho Americas Services LLC provides AMO USA with human resources and certain other administrative support.

#### Indirect client relationships

AMO USA recommends transactions to, and makes investment decisions on behalf of, its Clients based solely on investment considerations, including whether the investments are suitable for the Client and are consistent with the Client's objectives, policies and restrictions, if any. From time to time, AMO USA may recommend or make an investment decision that involves the equity securities of an issuer with which AMO USA's indirect affiliates, including Dai-Ichi Life Insurance Co., Ltd. and MHFG has a client relationship. AMO USA is at all times unaware of the nature and scope of any such relationships, other than any information disclosed in publicly available sources. At no time does any such relationship influence any investment decision or recommendation made by AMO USA.

#### Direct client relationships

From time to time and in respect to some Clients, AMO USA may invest in securities of publicly-traded companies for which AMO USA or its affiliates perform investment advisory services. AMO USA's investment decisions are based upon quantitative analysis only and at no time do the positions held in such accounts equal or exceed a controlling interest in such securities.

#### Sub-Advisory Relationships with Affiliates

AMO USA acts as sub-adviser to its Affiliates, AMO JAPAN and AMOI. As discussed in Item 5 and Item 6, the fees that AMO USA receives from AMO JAPAN and AMOI are based on a percentage of fees that AMO JAPAN and AMOI receives from their respective clients, which in turn are a fixed percentage of the account assets or a variable percentage of the account assets, which fluctuates according to the performance of the account within a predefined sliding scale. AMO USA also uses non-discretionary research and risk analysis services from AMO JAPAN for certain Client accounts. Clients do not pay any additional fees due to the research and risk analysis services. AMO USA pays to AMO JAPAN a portion of the fees that AMO USA receives from its Clients.

#### Other Business Relationships with Affiliates

AMO USA, from time to time, provides the following services for its indirect affiliate, the Dai-Ichi Life Insurance Company: (1) compiling and reporting current market and economic conditions in the U.S. and, (2) providing advisory services to an offshore unit trust in which the company has a financial interest. Currently, part of AMO USA shares conference room space with its indirect affiliate, DLI North America, Inc. ("DLI"), a wholly owned subsidiary of Dai-Ichi Holdings, but all AMO USA operations are located in a segregated space within the total office space, accessible only by AMO USA authorized keycard/token holders.

#### Cost-plus Service to AMO JAPAN

As discussed in Item 5, AMO USA has also entered into a cost-plus service agreement with AMO JAPAN

with respect to certain of the discretionary and non-discretionary investment advisory services, information services, and other investment-related support services that AMO USA provides to AMO JAPAN pursuant to their respective individual advisory agreements.

#### Strategic Alliance Relationship

As stated previously, AMO USA has entered into the Collaborative Arrangement related to the Global Quantitative Platform shared with AMO JAPAN, as discussed under Items 4 and 8 above.

#### Other Activities

As noted in Item 8 above, AMO USA's QST develops algorithms for quantitative investment strategies. In addition to managing Private Funds or Client accounts using its internally developed algorithms, AMO USA may license or otherwise grant the right to use such algorithms to third-parties. AMO USA currently has one such licensing arrangement with a third-party. The third parties may use algorithms to create indices and then distribute to third-parties index-linked products, including swaps, based on the created indices. Private Funds or Client accounts may invest into such index-linked products, in which event AMO USA will waive its licensing fee with respect to the investment into such index-linked product held by the relevant Private Fund or Client account. However, AMO USA will still have non-monetary benefits with respect to any such investment into the relevant index-linked products as a result of the increased amount of subscriptions to the index-linked products in general.

AMO USA also provides portfolio monitoring, index price validation and consulting and other non-discretionary services, as described in more detail in Items 4 and 5 above.

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

### **1. Code of Ethics**

In accordance with the requirements of Rule 206(4)-7 under the Investment Advisers Act of 1940 (“Advisers Act”), AMO USA has adopted comprehensive written compliance policies and procedures (the “Compliance Program”) to mitigate various conflicts of interest and other factors creating compliance risk exposure for AMO USA, including the Code of Ethics and the Code of Conduct. To avoid any potential conflicts of interest involving personal trades, the misuse of material, non-public information AMO USA has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act, which includes personal trade pre-clearance, reporting and review policies and procedures, and anti-insider trading policies and procedures. The Code of Conduct addresses AMO USA’s expectations about its employees’ business ethics. Specific topics include gifts and entertainment, outside business activities, and social media. AMO USA may provide employees with exceptions or waivers from the Code of Ethics and the Code of Conduct from time to time.

AMO USA’s Code of Ethics and Code of Conduct requires, among other things, that employees:

- Act with integrity, dignity, competence, diligence, respect and in an ethical manner with the public, Clients, prospective clients, third-party service providers, and fellow employees;
- Place the integrity of the investment profession, the interests of Clients, and the interests of AMO USA above one’s own personal interests;
- Adhere to the fundamental principle that one should not take inappropriate advantage of one’s position;
- Avoid any actual or potential material conflict of interest prior to consulting with senior management;
- Disclose all material conflicts of interest to Clients;
- Conduct all personal securities transactions and report securities holdings, including transactions in and holdings of crypto-currencies, in a manner consistent with the Code of Ethics;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner, such as will reflect favorably on the employee and the profession;
- Promote the integrity of and uphold the rules governing the capital markets;
- Maintain and improve professional competence and strive to maintain and improve that of other investment professionals;
- Keep Clients’ and AMO USA’s information confidential; and
- Comply with all applicable provisions of the federal securities laws.
- Make use of social media in a manner consistent with the Code of Conduct

A copy of AMO USA’s Code of Ethics is available to any Client, investor, or prospective investor upon request.

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

AMO USA may participate or have an interest in Client transactions as described below. AMO USA makes all investment management decisions in its Clients’ best interests.

*A. Principal Capacity Trades*

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys from, or sells any security to, an advisory client. For example, a principal transaction would occur if AMO USA bought securities for its own inventory from an AMO USA advisory client or sold securities from its inventory to an AMO USA advisory client. If AMO USA, its affiliates or its respective principals owned a substantial equity interest in an account managed by the adviser, a transaction involving that account and another client could be characterized as a principal transaction. For example, if AMO USA, its affiliates or principals have a substantial equity interest in an affiliated Private Fund, the transfer of securities from such Private Fund's account to AMO USA could be deemed a principal transaction. A principal transaction presents conflicts of interest which may include the adviser or affiliate earning a fee or earning (or losing) money as a result of the transaction.

AMO USA and its related persons do not generally engage in principal transactions with AMO USA's Clients. Subject to applicable rules and regulations, if AMO USA were to engage in such affiliated principal transactions, AMO USA would disclose the transaction to the Client and obtain the Client's consent in accordance with Section 206-3 of the Advisers Act. With respect to affiliated Private Funds, AMO USA may engage in such transactions as described in each such Private Fund's offering documents. In such instances, AMO USA will comply with applicable law, as well as any requirements imposed by the funds themselves. The potential conflicts of interest are disclosed in the Private Funds' offering documents.

An "agency cross transaction" is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. AMO USA does not intend to cause Clients to engage in agency cross transactions.

*B. Cross Transactions*

Cross trades involve the transfer, sale or purchase of assets from one Client to another Client without the use of a broker-dealer. For equities, AMO USA may engage in cross trading where permissible, if it determines that such action and the conditions for the transaction would be favorable to both Clients and the terms of the transaction are fair to both parties. The vast majority of trades made for Client accounts will be executed through the open market or with reference to an independently established market price. Neither AMO USA nor its affiliates will receive transaction-based compensation from the trade. In certain situations, specific consent for each such transaction may be required from both parties to the transaction.

*C. Affiliated Brokers*

AMO USA generally does not execute Client trades using affiliated brokers.

*D. Financial Interests in Securities or Investment Products*

From time to time, employees of AMO USA and its related persons who are registered representatives or associated persons of a registered investment adviser and broker-dealer, CPO and CTA, may recommend to AMO USA's Clients that they buy or sell securities in which AMO USA or a related person has a financial interest. Such financial interest could include, but is not limited to, having a business relationship (whether client, broker, vendor or investment consultant) or serving as investment adviser, general partner, managing member or director for a particular investment product. Furthermore, AMO USA may invest Client assets into securities or other assets of companies with which AMO USA or its affiliates has a business

relationship, whether client, broker, vendor or investment consultant. In such instances the purchase or sale of a security either recommended or directed by AMO USA may have an impact on the price of such security, which may indirectly benefit (or act to the detriment of) its affiliates.

*E. Employee Investment in AMO USA Products*

Employees of AMO USA or its affiliates may be investors in Private Funds or Client accounts managed by AMO USA or an affiliate, although a Private Fund's or Client account's offering or governing documents may contain restrictions in this respect. Any such investments are made in conformity with the Code of Ethics and the Code of Conduct that includes procedures governing the use of confidential information and personal investing. AMO USA may reduce or waive fees for employees.

*F. Buying and Selling Securities That Are Recommended to Clients*

AMO USA may recommend to Clients investments in which AMO USA, its affiliates or employees are also invested. Personnel of AMO USA may be invested directly in Private Funds or Client accounts. AMO USA provides investment advisory services to various Clients which may differ from the advice given, or the timing and nature or action taken, with respect to any one account. AMO USA, its affiliates and employees (to the extent not prohibited by the Code of Ethics), and clients of AMO USA or its affiliates may acquire, increase, decrease, or dispose of securities or interests at or about the same time that AMO USA is purchasing or selling securities or interests for a Client which are or may be deemed to be inconsistent with the actions taken by such persons. All such investments are made in conformity with the Code of Ethics and AMO USA's aggregation and allocation procedures (see Item 12.).

3. Personal Trading

AMO USA's personnel are permitted to trade for their own accounts, and from time to time may buy or sell securities that AMO USA trades for its Clients, including purchases or sales occurring at or about the same time as trades for a Client. AMO USA's Code of Ethics requires employees to: 1) pre-clear certain personal securities transactions; 2) report personal securities transactions on at least a quarterly basis; and 3) provide AMO USA with a detailed summary of certain holdings and securities accounts (both upon commencement of employment and annually thereafter) in which such employees have a direct or indirect beneficial interest. AMO USA's Code of Ethics also currently prohibits personal trading in CFTC-regulated investment instruments, including, but not limited to, futures and options on futures.

4. Other Conflicts of Interest

*A. Principal Investment*

AMO USA is the investment adviser or sub-adviser to the Private Funds or Client accounts and, as such, receives management and incentive fees from such Private Funds or accounts. Because certain of AMO USA's clients are Private Funds or accounts of which AMO USA or an affiliate is the managing member, investment adviser, and/or significant owner, AMO USA may be considered to participate indirectly in the transactions effected for such Private Funds or Client accounts. The foregoing relationships, fees and any other actual or potential conflicts of interest are disclosed in the offering documents and governing documents for each Private Fund or account. The size of the investment held by AMO USA or a related entity may vary substantially among the Private Funds or Client accounts, and this may create an incentive for AMO USA to favor one Private Fund or Client account over another, depending on the relative size of the investment or the management and incentive fees received from the Private Fund or Client account.



*B. Material Non-Public Information/Insider Trading*

It is AMO USA's policy to make investment and trading decisions solely on the basis of public information. AMO USA has implemented policies and procedures, including certain information barriers with various entities within the AMO Group and the Mizuho Financial Group (the "MNPI Procedures"), that are reasonably designed to prevent the misuse by AMO USA and its personnel of material information regarding issuers of securities that has not been publicly disseminated ("material non- public information"). The MNPI Procedures are designed to be in accordance with the requirements of the Advisers Act and other federal securities laws. In general, under the MNPI Procedures and applicable law, if AMO USA or any of AMO USA's personnel come into possession of material, non-public information related to a publicly-traded security or the issuer of such security neither AMO USA nor its personnel are permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time as the information is no longer deemed to be material non-public information.

*C. Gifts/Gratuities/Entertainment*

In general, Employees may not solicit or accept gifts or other gratuities or anything of value from individuals or firms seeking to conduct business with AMO USA or one of its advisory clients. Investment opportunities presented by such persons may be considered gifts if the opportunity contains off- market terms that are not available to other similarly situated third-party investors, as determined by the CCO.

Employees may attend business meals, sporting events, social events, hospitality events, charitable events, leisure activities and other entertainment events at the expense of individuals or firms seeking to conduct business with AMO USA or one of its advisory clients, during the course of a meeting or other occasion the purpose of which is to hold bona fide business discussions, so long as the expenses would be paid for by AMO USA as a reasonable business expense, if not paid for by another party, and both the host and the AMO USA's employee are present. The reasonableness of a business entertainment event will be judged based on, among other things, whether it is so lavish or extensive in nature that an employee would likely feel compelled to act in a manner inconsistent with the interests of AMO USA or its advisory clients (such as directing order flow without due regard to best execution or other transaction pricing considerations). Prior to attending a business entertainment event, AMO USA's employee must obtain approval from his or her supervisor. Employees must also report to the CCO the receipt of all business gifts and business entertainment by submitting a completed report form. If prior approval is required, employees must obtain such approval before attending the event and cannot wait until after attending the event to obtain approval. However, it is understood that there are situations where it is not possible or is impractical to obtain prior approval, such as when a giver or host offers to pay for a lunch that was not previously planned and refusing to accept the proffered meal would give offense. In these situations, a report should be made promptly after the event.

AMO USA and its Employees must report and receive advance approval for all gifts given to any advisory client, investor, prospective client, prospective investor, or any individual or entity with which AMO USA does or is seeking to do business. Giving gifts that may be deemed excessive is prohibited, as is giving gifts and/or entertainment unless deemed necessary for business purposes.

AMO USA forbids payments of any kind by it, its employees or any agent or other intermediary to any government official, official of a self-regulatory organization or other similar person or entity, within the United States or abroad, for the purpose of obtaining or retaining business, or for the purpose of influencing favorable consideration of any application for a business activity or other matter. The Code of Conduct applies to all types of payments, even to minor government officials and industry regulators, regardless of whether the payment would be considered legal under the circumstances, and encourages employees to

avoid even the appearance of impropriety in their dealings with industry and government regulators and officials. Furthermore, other public, as well as private, institutions may have their own internal rules regarding the acceptance of gifts or entertainment by their personnel and other representatives. AMO USA employees are reminded to be aware that institutions with whom they deal may have certain additional restrictions.

*D. Political Contributions*

Due to the potential for conflicts of interest, all employees are required to seek pre-approval before making any political contribution or volunteering for a campaign.

*E. Outside Business Activities*

Certain types of outside affiliations or other activities may pose a conflict of interest or regulatory concern to AMO USA. Therefore, AMO USA prohibits certain activities, and requires employees to disclose and pre-clear outside activities to AMO USA in writing so that responsible personnel may assess the compatibility of the outside affiliation or activity with their role at AMO USA. “Outside business activities” include relationships in which an AMO USA employee serves as an employee, director, officer, partner or trustee of a public or private organization or company other than AMO USA (paid or unpaid), including joint ventures, portfolio investment companies, non-profit, charitable, civic or educational organizations. Those relationships may or may not be related to employment with AMO USA.

AMO USA employees may serve as an executor, trustee, guardian or conservator, with prior approval from the CCO, irrespective of whether such service is personal in nature. Brokerage accounts under control of the employee as a result of their service as an executor, trustee, guardian or conservator must be disclosed in accordance with AMO USA’s Code of Ethics, even if the relationship is personal. AMO USA generally permits employees to engage in philanthropic, charitable or other similar pursuits without compensation or remuneration. In general, employees are not required to obtain pre-approval prior to accepting uncompensated positions, unless the position is one where the employee would have responsibility for making, reviewing or disposing of one or more financial investments made by the organization or supervising internal or external personnel engaged in investment activities. In these latter cases, the position should be viewed as an outside business activity.

*F. Outsourcing/Service Providers*

AMO USA conducts appropriate due diligence on any outside vendor that provides products or services to AMO USA and enters into an appropriate contract in accordance with AMO USA’s Review of Third-Party Service Providers Policy, and any applicable third-party risk management framework at AMO JAPAN level. AMO USA’s relationships with outside vendors are managed so that appropriate controls and oversight are in place to protect AMO USA’s interests, including safeguarding of private and confidential information regarding the Firm’s Clients and employees.

## **Item 12. Brokerage Practices**

### **Selection of Brokers**

AMO USA will consider the full range and quality of a broker's services in selecting a broker or other counterparty to meet best execution obligations. The determinative factor is whether the transaction represents the best overall qualitative execution for Client accounts. As a starting point, the primary considerations are quantitative in nature such as the trade price and imputed markup/markdown. These things being equal or fairly equal among brokers, the following qualitative factors, among others, are considered when performing AMO USA's periodic and systematic, as well as contemporaneous, evaluation of its brokerage arrangements and the execution quality of Client trades by the brokers: (1) relative order flow sent to the brokers and other counterparties; (2) gross compensation paid to each broker and other counterparty; (3) liquidity of the securities and other financial instruments traded and current market conditions; (4) intermediary compensation (dealer spreads); (5) ability to maintain the confidentiality of trading intentions; (6) custody services provided; (7) ability to place trades in difficult market environments; (8) frequency and correction of trading errors and fairness in resolving disputes; (9) quality and value of the research services provided; (10) ability to access a variety of market venues; (11) execution facilitation services provided; (12) expertise as it relates to specific securities and other financial instruments; (13) timeliness and accuracy of trade executions, confirmations, and settlements; (14) allocation of limited investment opportunities; (15) willingness to commit capital; and/or (16) financial condition and business reputation. Although AMO USA generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services. In certain instances AMO USA may execute over-the-counter securities transactions on an agency basis, which may result in Clients incurring two transaction costs for a single trade: a commission paid to the executing broker-dealer plus the market maker's mark-up or mark-down.

AMO USA does not intend to seek lower brokerage commissions to the extent that doing so would detract from receiving valuable brokerage and research services. The commissions or equivalents charged by any one broker-dealer may be greater than the amount another firm would charge for executing the same transactions if AMO USA determines in good faith that the amount of such commissions is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. Selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. These brokerage and research services are used to service all accounts advised by AMO USA.

### **"Soft Dollar" Commission Arrangements**

AMO USA is authorized to use "soft dollars" to pay for brokerage and research services, although it does not currently have any formal soft dollar arrangements and did not acquire any products or services with "soft dollars" within the last fiscal year. Generally speaking, "soft dollar" arrangements are understood to be ones where products or services other than the execution of securities transactions are obtained by an investment adviser from a broker-dealer in exchange for the direction of Client brokerage transactions to the broker-dealer. "Soft dollars" would be that portion of the brokerage commission that exceeds the lowest rate available from other broker-dealers for basic execution services. Payment of this excess amount is frequently referred to as "paying up." Using Client brokerage commissions (or markups or markdowns) to obtain research or other products or services would result in a benefit to AMO USA, because AMO USA would not have to produce or pay for the research, products or services acquired with brokerage commissions. In such a case, AMO USA will have an incentive to select a broker-dealer based on its interest in receiving research or other products and services, rather than on its Clients' interests in receiving the most

favorable execution.

Although AMO USA has not entered into any formal “soft dollar” arrangements to date, it may do so in the future. When applicable, AMO USA intends to comply with the “safe harbor” provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, which permits the use of soft dollars from commissions to obtain “brokerage and research” services that provide lawful and appropriate assistance to the investment adviser in the performance of its investment decision-making responsibilities. Under Section 28(e), research obtained with soft dollars generated by one Client may be used by the investment adviser to service accounts other than the account responsible for generating the soft dollars.

#### Directed Brokerage

AMO USA generally does not accept direction from its Clients as to where the execution of an order should take place (i.e., directed brokerage arrangements). As of the date of this Form ADV Part 2, there is one account for which AMO USA accepts direction from its Client to use a list of broker-dealers of their own selection. AMO USA may not be able to obtain commission rates, transaction costs, and execution and/or spreads as favorable as those would be obtained if the Firm were able to use other broker-dealers. Furthermore, AMO USA may not be able to aggregate securities trades for this account with those for other Client accounts, and, therefore, not be able to obtain potential economic benefits for the account associated with aggregating securities trades for other Client accounts. Such directed brokerage arrangements may result in a Client paying more or less for the same investment than similarly situated AMO USA Clients.

#### Proprietary Research and Brokerage Services

AMO USA executes futures and securities transactions with multiple executing brokers, many of whom provide AMO USA with access to proprietary research and brokerage services (*e.g.*, standard investment, securities and economic research and credit reports, and securities price and market data), which may be used to service certain accounts at AMO USA. To the best of AMO USA’s knowledge, these services are generally made available to all institutional investors doing business with these broker-dealers. These bundled services are made available to AMO USA on an unsolicited basis and without regard to the rates of commissions charged or paid by AMO USA’s Clients or the volume of business AMO USA directs to these broker-dealers. Since these products and services are merely made available by broker-dealers as part of a bundled business package to AMO USA, who may or may not use them, it is AMO USA’s understanding that broker-dealers do not set discrete prices for these products and services. Accordingly, AMO USA does not separately compensate these broker-dealers for the provision of these services and does not believe that it “pays-up” for the broker-dealers’ services, due to the difficulty associated with the broker-dealers not breaking out the costs for the services in question.

#### Capital Introduction

The broker-dealers that have entered into prime brokerage and/or futures clearing arrangements with AMO USA will occasionally provide AMO USA “capital introduction” services as part of the overall prime brokerage and/or futures clearing service offering. Capital introduction is a service provided by prime brokers/futures clearing merchants (“FCMs”) and is designed to “introduce” private fund managers to potential investors, typically through individual meetings or in a conference format. These bundled services are made available to AMO USA on an unsolicited basis and without regard to the rates of commissions charged or paid by AMO USA’s Clients or the volume of business AMO USA directs to these broker-dealers.

Although capital introduction is customarily offered as a “free” service, various conflicts of interest are presented by such arrangements. While AMO USA does not compensate these broker-dealers based on capital introductions, AMO USA may be incentivized to use the services of a specific prime broker/FCM due to the prime broker’s/FCM’s ability to raise capital for AMO USA-advised Private Funds. In addition, AMO USA benefits from arrangements where investors are referred to AMO USA because its asset-based fees are generally based upon a percentage of assets managed and its performance-based fees are generally based upon a percentage of net profits on such assets. Thus, the more assets AMO USA has under management, the higher its asset-based fee income and, potentially, its performance-based fee income. In addition, there may be a conflict between the prime brokers’/FCMs’ desire to increase their revenues by raising capital through their prime brokerage and/or futures clearing services and the interests of investors. The prime broker/FCM and/or its affiliates generally receive fees/commissions as a result of AMO USA’s decision to utilize its services as follows: custodian of Client accounts managed by AMO USA; securities and futures transactions executed on behalf of AMO USA’s Clients; and lending funds and/or securities to AMO USA-advised Private Funds as part of AMO USA’s investment strategy, i.e. margin/short sale and/or securities lending programs. While the relationship may present the appearance of a conflict of interest, the availability of the foregoing products and services to AMO USA is not contingent upon AMO USA committing to the prime brokers/FCMs any specific amount of business (assets in custody or trading commissions). In the last fiscal year, AMO USA’s recommendation to select or maintain prime brokers/FCMs for Client accounts was not based primarily on the prime brokers’/FCMs’ provision of these capital introduction services and this was at most an incidental consideration.

#### Allocation of Trading Opportunities; Aggregation of Client Orders

AMO USA will act as investment adviser to a number of Client accounts, including Client accounts pursuing similar or varied investment strategies. AMO USA will allocate trading opportunities among its Clients in a manner that is fair and equitable over time regardless of fee arrangements. However, AMO USA may give advice, and take action, with respect to any of those Client accounts that may differ from or be identical to the advice given, or the timing or nature of action taken, with respect to other Client accounts.

In some instances, AMO USA bunches or aggregates an order for a Client account with orders for other accounts. For example, Clients whose accounts are being traded pursuant to the same trading strategy will normally have orders placed for their accounts at or about the same time. However, in some cases, AMO USA elects not to bunch or aggregate an order for a Client account with orders for other accounts. The effect of such bunching, aggregation or lack thereof may operate to the disadvantage of the Client. For example, transactions for a Client that are not bunched for execution with transactions in the same securities for other Clients may result in higher commissions, greater spreads, less favorable net prices, and inferior overall execution than would be the case if AMO USA were to have bunched or aggregated the order prior to execution.

With regard to the QST, transactions resulting from aggregate orders are generally allocated using a “Synthetic Average Price” allocation method, where AMO USA utilizes a program within the order management system to seek to systematically allocate filled trades to each participating Client on a consistent and fair basis. The Synthetic Average Price process sorts i) fills, by quantity at each price level, and ii) participating Clients, by desired target allocation, both from high to low. Individual fills are then allocated incrementally using this consistent sort order as a guideline. The expected result is that each participating account should receive an allocation with a synthetic average price that is reasonably close to what a true calculated average price would be for each aggregated order. AMO USA believes that the Synthetic Average Price allocation method offers a consistent, non-preferential method for allocating trades.

A detailed description of the Synthetic Average Price allocation method used by AMO USA is set out in

AMO USA's applicable policy related to portfolio management and trading.

With regard to the FITT, trades are allocated pursuant to a written pre-allocation plan prepared by the portfolio manager taking into account each account's strategy, size, diversification, cash availability, investment objectives, and any other relevant factors. In the event that trades are partially filled, such trades are allocated to the participating accounts on a pro rata basis according to the pre-allocation plan. However, there may be certain instances where AMO USA is not able to allocate trades on a pro-rata basis, typically due to a de minimis allocation or the account's liquidity or cash availability.

The EIT and SFIT currently do not manage accounts that invest in the same securities and therefore do not aggregate client trades.

#### Standard of Care; Trade Errors

Under the terms of the constituent documents for the Private Funds or Client accounts and/or the investment advisory agreements between each Private Fund or Client account and AMO USA, neither AMO USA nor its officers and employees will be liable in damages or otherwise to the Private Fund or Client account or to any investor in the Private Fund or Client account for any act or omission in connection with AMO USA providing investment advice to the Private Fund or Client account, except for any liability that results from a breach of the applicable standard of care with respect to the Client (typically, gross negligence, willful misconduct or fraud). As a result, AMO USA will only be liable for trade errors where AMO USA acted in breach of the applicable standard of care with respect to the Client (such as gross negligence, willful misconduct or fraud). Examples of common trade errors include errors in the investment decision-making process (e.g., a transaction was effected in violation of the Client's investment guidelines) or in the trade process (e.g., a buy order was entered instead of a sell order, or the wrong security was purchased or sold, or a security was purchased or sold in an amount or at a price other than the correct amount or price). The system implementation errors are not included in the definition of trade errors (please see Item 8 - *Reliance on Technology; System Implementation Errors* above). In addition, AMO USA is not liable for any act or omission of any broker or dealer selected by AMO USA with reasonable care. Although a broker-dealer may choose to assume responsibility for a trade error loss caused by AMO USA, AMO USA may not obtain the broker-dealer's agreement to do so in exchange for AMO USA's "soft dollar" credits from the broker-dealer, or for AMO USA's promise to direct future commissions to the broker-dealer. To the extent AMO USA is required to reimburse the relevant Client, AMO USA does not reimburse "opportunity costs" or other soft costs, only direct losses from a trade error, such as commissions, mark-ups and market price movements. Opportunity costs include the profits that would have been made, or losses avoided, on a position if the position had been initiated or closed out where this in fact did not happen (for example, in situations where AMO USA's system generates or fails to generate a model recommendation that is not, in fact, translated into a trade). If the Client is owed a reimbursement, it will be paid promptly and without interest. The standard of care and undertakings in the handling of trade errors will differ among Client accounts, however, which may result in a trade error impacting one Client account differently than another Client account.

#### Execution Management System Charges

A third-party execution management system retained by AMO USA to provide the relevant services to AMO USA for some of its Private Funds, in addition to the fees charged to AMO USA, also, as a standard practice, independently from AMO USA, charges a fee to the execution brokers used by AMO USA for trading in Client accounts. The charge is for services the execution management system provides to brokers, including maintaining the connectivity between such service provider and each relevant execution broker. The fee charged to execution brokers, in part, is based on AMO USA usage of the execution management

service systems and connectivity and determined by the service provider based on their internal pricing determination for its clients' connectivity. AMO USA believes that such charges may affect the execution fees charged by the brokers to AMO USA Clients.

### **Item 13. Review of Accounts**

Ongoing portfolio management, including review of accounts, is the responsibility of the Heads of the QST, the FIIT, the EIT, the SFIT and the SCIT, subject to the oversight of AMO USA's CEO.

The CIO of the QST determines specific strategies for Client accounts managed by the QST, performs portfolio analysis, monitors overall risk, and reviews allocations. The traders execute trades, while analysts perform qualitative and quantitative research and propose new investment ideas to the CIO. Market fluctuations, proposed changes in investment strategy, or economic developments may be factors which could trigger additional reviews by the CIO.

Fixed Income Client accounts are reviewed daily by the relevant portfolio manager for triggers such as release of economic data, interest rate movements, price movements, or other material changes. Equity Client accounts are reviewed by the relevant portfolio manager daily for triggers such as positions exceeding percentage limitations or specified value differentials. Strategic Fund Investment Client accounts are reviewed by the portfolio manager weekly and monthly for triggers such as performance, standard deviation, regional exposure, and net exposure.

Each investor in a Private Fund managed by the QST receives written audited financial statements for the Private Fund no later than 120 days after the Private Fund's fiscal year end (and normally within 90 days of the Private Fund's fiscal year end), including audited schedules of investments, balance sheets, income statements and cash flow statements. For Private Funds with U.S. resident partners, each investor receives a written statement of the investor's share of the Private Fund's taxable income or loss for the given year.

In addition to the foregoing reports and statements, for Private Funds, AMO USA may also provide, in its discretion, individual Clients, investors or groups of investors with more frequent written disclosure, greater transparency or provide additional information not contained in the above mentioned reports and statements, either due to legal/regulatory constraints that must be followed by some of the Clients or investors and/or the specific needs of and requests made by certain Clients or investors. In this respect, AMO USA has entered into the NDA with AMO JAPAN, allowing additional disclosure of Confidential Material to AMO JAPAN, its Representatives and its Japanese investment vehicle clients, under certain conditions, with regard to certain Private Funds, as further discussed under Item 4 above.



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

AMO USA may, from time to time, compensate affiliated and unaffiliated persons for client referrals in accordance with Rule 206(4)-1 under the Advisers Act, and any corresponding state securities law requirements. The compensation to be paid will generally consist of a cash payment computed as a percentage of the assets under management referred, although other methods may be used. The promoter will disclose at the time of the solicitation whether they are or are not a current client of the firm; whether they will receive any cash or non-cash compensation for the referral; and a statement that the receipt of compensation for a referral creates a conflict of interest. In addition, the promoter will provide each prospective client with a copy of a written disclosure statement disclosing the terms and conditions of the arrangement between AMO USA and the promoter, including the compensation the promoter will receive from AMO USA and any material conflicts of interest on the part of the promoter as a result of the referral arrangement. As of the date of this brochure, AMO USA has no paid client referral arrangement.

## **Item 15. Custody**

Each advisory client's funds and securities are maintained in a separate account by a qualified custodian, which may be either a U.S. bank, broker-dealer or futures commission merchant or a foreign financial institution that customarily holds financial assets for its customers. With respect to certain of the Private Funds, AMO USA may be deemed to have constructive "custody" of the Private Funds' assets in accordance with Rule 206(4)-2 under the Advisers Act by virtue of having the authority to obtain possession of Private Fund assets, since it serves as managing member and/or is able to directly debit from such assets certain amounts for payment of advisory fees and other fees and expenses. This includes cases of inadvertent custody as set out in AMO USA's Custody and Safeguarding of Client Assets Policy.

Where AMO USA is deemed to have "custody" for the purposes of Rule 206(4)-2, the Private Funds' investors generally will not receive quarterly statements directly from the Private Funds' custodians. Instead, the Private Funds are subject to an annual audit by an independent public account and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed no later than 120 days after a Private Fund's fiscal year end (normally within 90 days of a Private Fund's fiscal year end).

With respect to certain AMO USA's client accounts, their funds and/or securities are held by AMO USA's indirect affiliates, Mizuho Bank (USA) and Mizuho Trust & Banking (Luxembourg) SA (collectively, the "Affiliated Custodians"). AMO USA is also deemed to have custody of such client funds and securities under the Rule 206(4)-2. AMO USA has made an analysis and concluded that the Affiliated Custodians are operationally independent from AMO USA. Where the sole reason that AMO USA is deemed to have custody for certain client accounts is because the Affiliated Custodians hold client funds or securities in connection with AMO USA's advisory services, AMO USA is exempt from arranging an annual surprise examination with respect to such accounts. In such instances, AMO USA, as required by the Rule 206(4)-2, annually obtains internal control reports from the Affiliated Custodians and has a reasonable belief, after due inquiry, that the Affiliated Custodians directly send custodial account statements to the clients at least quarterly. AMO USA's statements may vary from custodial statements due to different accounting procedures, reporting dates and valuation procedures.

In certain circumstances, even though AMO USA is not deemed to have custody of client funds and/or securities, AMO USA sends account statements to any Clients that have requested AMO USA to do so as part of their investment management agreements with AMO USA. AMO USA urges all Clients who receive these statements to compare them to statements received from their custodians and contact AMO USA to discuss any concerns or unexplained discrepancies.

**Item 16. Investment Discretion**

For its discretionary accounts, AMO USA is authorized to make the following determinations in accordance with each Private Fund's or Client account's investment objectives and restrictions without obtaining prior consent from the Private Fund, Client account or any of its investors: (1) which securities or instruments to buy or sell; (2) the total amount of securities or instruments to buy or sell; (3) clearing and executing brokers or dealers or over-the-counter trading counterparty for any transaction; and (4) the commission rates or commission equivalents charged for transactions. AMO USA may be authorized to make the aforementioned determinations for other Clients as well in accordance with discretionary investment management agreements executed with each such Client.

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

Due to the nature of the investment strategies pursued by AMO USA, the outcome of any particular proxy vote would have minimal (if any) impact on AMO USA's investment decision making. In addition, AMO USA has determined that the administrative costs and burdens associated with voting proxies in Client accounts outweigh any advantages to Clients obtained through the voting process. Therefore, it is AMO USA's policy not to vote proxies for equity positions for Client accounts. In lieu of AMO USA doing so, the management of the Private Funds and the beneficial owners of managed accounts may elect to receive proxy materials and vote proxies directly. AMO USA's proxy voting policy includes procedures related to the voting and/or consent rights related to fixed income positions and investment in private funds on behalf of Clients. A copy of AMO USA's proxy voting policy and procedures will be provided to Clients upon request.

In order to assure that securities and financial class action litigation claims are processed in a timely manner, AMO USA has retained a third-party service provider to process and file claims on behalf of AMO USA Clients. AMO USA will submit portfolio holdings to the service provider's database on class action settlement information. Once class action documents are received by the service provider on behalf of AMO USA's Clients, AMO USA will ensure that the Clients either participate in, or opt out of, any class action settlement. AMO USA's operative assumption is that it may in the best interests of the Clients to attempt to recover monies from a class action settlement, depending on the amount that can be reasonably expected to be recovered and taking into account any expected legal fees.

**Item 18. Financial Information**

AMO USA does not believe that its current financial condition is reasonably likely to impair its ability to meet its contractual commitments to its Clients. AMO USA was not the subject of a bankruptcy petition at any time during the past ten years.