



**Amherst<sup>®</sup> Advisory & Management LLC**

## **Part 2A of Form ADV**

### **The Brochure**

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Austin, TX 78701

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This brochure ("Brochure") provides information about the qualifications and business practices of Amherst Advisory & Management, LLC ("AAM"). If you have any questions about the contents of this brochure, please contact us at 512-342-3043. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

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



## Item 2 Material Changes

Following is a summary of material changes AAM has made to AAM's Brochure since AAM filed its most recent annual updating amendment on March 31, 2023.

- Item 4. Advisory Business, Item 5. Fees and Compensation, Item 7. Type of Clients, Item 8. Methods of Analysis, Investment Strategies and Risk of Loss, Item 10. Other Financial Industry Activities and Affiliations, Item 13. Review of Accounts, Item 14. Client Referrals and Other Compensation and Item 17. Voting Client Securities, have been amended to remove references to AAM as Collateral Manager.

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## Item 4 Advisory Business

AAM is a limited liability company formed under the laws of the state of Delaware and is 100% owned by its parent company Amherst Holdings, LLC (“AHLLC”). AAM has been in business since July 2010.

### **Investment Manager**

AAM serves as the investment manager to three related private investment partnerships (the “Partnerships”), two of which only own a single asset. AAM, in conjunction with the general partners of the Partnerships (each an affiliate of AAM) formulates the investment objective for the Partnerships, directs and manages the investment, reinvestment and disposition of the Partnerships’ assets, and provides for the periodic reports to investors in the Partnerships. Investment advice is provided directly to the Partnerships and not individually to the limited partners of the Partnerships. AAM manages the assets of the Partnerships in accordance with the terms of the Partnerships’ offering documents. At this time, AAM has no plans to solicit new investment advisory clients or investors for the Partnerships or to make any additional investments for the Partnerships.

As of December 31, 2023, AAM manages \$29,065,713 on a discretionary basis and \$389,710,345 on a non-discretionary basis. Of the approximately \$420 million managed by AAM, approximately \$250 million is related to uncalled capital commitments.

## Item 5 Fees and Compensation

### **Investment Manager**

Compensation received by AAM, and/or its affiliates, is comprised of fees based on a percentage of assets under management and incentive-based amounts. All fees are deducted directly from clients’/Partnerships’ accounts as specified in the applicable Partnership agreements; incentive fees are paid pursuant to the Partnership agreements and the side letters, as applicable.

### *Management Fees*

AAM receives an investment management fee (the “Management Fee”) generally as of the last business day of each calendar quarter equal to the amount allowed as stated in the applicable Partnership agreements. The Management Fee may vary between the Partnerships but normally range from 1-3% annualized for invested capital. The Management Fee is generally payable quarterly in arrears on the last business day of each calendar quarter, based on the balances in each limited partner’s capital account in the Partnerships as of the last business day of each calendar quarter, and shall be prorated for any period of less than a full fiscal quarter. The Management Fee is non-refundable.

AAM has certain Partnerships it controls that invest in investment partnerships of others, including investment partnerships of its affiliated entities, specifically Amherst Capital Management LLC (“ACaM”). In these cases, AAM may, but currently does not charge a Management Fee. AAM has a conflict of interest where it could have additional incentive to have AAM Partnerships invest in the partnership of its affiliates. AAM has no management fee sharing relationship with any of its affiliates including, but not limited to, ACaM. AAM refers the investors in its Partnerships to the relevant Partnership documents to determine when investments are being made in other partnerships and to what extent management fees may be charged by more than one entity, including AAM and any of its affiliates.

#### *Incentive-Based Amounts*

A portion of the Partnerships' net investment profits are allocated to the capital account of the general partner as "incentive-based amounts" as is specified in accordance with the terms of the Partnerships' offering documents. The general partners of the Partnerships are related persons of AAM. The manner of calculation of such incentive-based amounts is disclosed in the Partnership agreement for the Partnerships. Generally, however, amounts ranging between 15%-25% of the investment profits of the Partnerships are allocated as incentive-based amounts to their general partner but only if the Partnerships achieve a specified hurdle or minimum return rate.

The general partners generally reserve the right to waive, reduce or modify, from time to time, all or part of the Management Fee or incentive-based amounts or the method of calculation thereof with respect to one or more limited partners. The compensation modifications may be either up or down.

AAM or its affiliates have entered into side letter agreements with certain investors in the Partnerships providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures and co-investment rights. AAM and its affiliates have no obligation to offer all such additional rights, terms or conditions to any other investors in such Partnerships, except to the extent required by the organizational or offering documents of the applicable Partnership. Once invested in a Partnership, investors are generally not able to impose additional investment guidelines or restrictions on such Partnership. For these reasons, AAM will not be able to tailor the investment advisory services provided to the Partnerships to meet individual investor needs. In addition, AAM will not be able to impose individual investment restrictions on the investment strategies for underlying investors in the Partnerships.

In addition to AAM's fees, investors bear indirectly the expenses charged to the Partnerships. Those expenses vary and typically include, but are not limited to, the following: legal and compliance, audit and accounting, administrative expenses and custodial and transaction costs paid to custodians, administrators, brokers and other third parties. Prior to investing in a Partnership, investors must review and sign legal documents confirming that they understand the fees and expenses charged by AAM, custodians, administrators, brokers and other third parties in relation to the activities of the Partnership.

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

As stated above in Item 5. Fees and Compensation, AAM charges performance-based fees which are fees based on a share of capital gains on or capital appreciation of the Partnerships' assets. The fact that AAM is compensated based on the trading profits may create an incentive for AAM to make investments on behalf of the Partnerships that are riskier or more speculative than would be the case in the absence of such compensation. Additionally, making incentive- or performance-based compensation may create an incentive for AAM or its affiliates to disproportionately allocate time, services or functions to Partnerships where the rate is higher, or to allocate investment opportunities to such Partnerships. However, AAM has policies and procedures in place that, among other things, seek to ensure that investment opportunities are allocated in a manner that AAM believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion.

"Side-by-side management" refers to our simultaneous management of multiple types of client accounts and/or investment products. Side-by-side management gives rise to a variety of potential and actual conflicts of interest for AAM, its employees and its supervised persons. Side-by-side management may raise potential conflicts of interest

relating to the allocation of investment opportunities. It is also possible that certain investments could be made for one account and not others (possibly due to investment restrictions in one and not the other) as well as conflicting investment positions could be taken among accounts.

AAM, through its affiliates that are the general partners of the Partnerships, has entered into side letters with individual limited partners with respect to the Partnerships without any further act, approval or vote of any other Partner, which has had the effect of establishing rights under, altering or supplementing the terms of the limited partnership agreement with respect to such limited partner in a manner more favorable to such limited partner than those applicable to other partners. Such rights or terms pursuant to such arrangements include, without limitation, fee arrangements with respect to such limited partner, reporting obligations of the general partner, waiver of certain confidentiality obligations, consent of the general partner to certain transfers by such limited partner, or rights or terms necessary in light of particular legal or regulatory characteristics of a limited partner.

## Item 7 Types of Clients

### Investment Manager

AAM provides investment supervisory services to the Partnerships. Investment advice is provided directly to the Partnerships, subject to the direction and control of the general partner of such Partnerships and not individually to the limited partners. Investors in the Partnerships include, but are not limited to, high net worth individuals, pension plans (corporate, state and foreign), sovereign wealth partnerships, endowments, foundations, banks, pooled investment vehicles (e.g., partnership-of-partnership), trusts, charitable organizations and corporate or business entities.

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

### Investment Manager

The Partnerships' general investment objectives are to achieve consistent risk-adjusted returns by making opportunistic investments in residential mortgage-backed securities ("RMBS") and other mortgage related investments. Specific investment objectives of the Partnerships are more fully addressed in the terms of the offering documents of the Partnerships. RMBS are securities which are ultimately backed by residential mortgage pools and can vary significantly in their underlying mortgage loans, pay-out structures, credit subordination and ultimate performance. Other mortgage related securities may, for example, include commercial mortgage-back securities or investments in other Partnerships with their own specified investment parameters.

The Partnerships' investment strategies may require a varied investment commitment specified in the terms of the offering documents of the Partnerships. The Partnerships have the ability to employ leverage and/or hedging activities from time to time in pursuit of its investment objective, subject to the investment restrictions set forth in the governing documents.

An investment in the Partnerships involves a high degree of risk, including, but not limited to, the risks listed below, and prospective investors should carefully consider the following factors, among others, in determining whether an investment in a Partnership is suitable for them.

### *Risks Associated with the Partnerships' Investment Strategies*

The success of the Partnerships' investment activities depends to a significant degree on AAM's ability to identify and exploit investment opportunities. No assurance can be given that AAM will be able to identify investment opportunities and the Partnerships may incur losses as a result of any failures by AAM to do so.

**General RMBS Risks.** RMBS evidence interests in, or are secured by, pools of residential mortgage loans. Non-performing loans associated with these residential mortgage loans can require a substantial amount of workout negotiations and/or restructuring, which can entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments and a substantial write-down of the principal of the loan. However, even if a restructuring were successfully accomplished, a risk exists that upon maturity of certain mortgage loans, "replacement" or "take-out" financing will not be available.

The investment characteristics of RMBS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying mortgage loans or other assets generally may be prepaid at any time (subject in some cases to a prepayment penalty). In addition, holders of RMBS, including the Partnerships, bear various risks, including credit risks, liquidity risks, interest-rate risks, market risks, operational risks, structural risks, lack of diversification risk and legal risks. Credit risk is an important concern with respect to RMBS because of the significant credit risks inherent in the underlying mortgage loans and because the RMBS that will be purchased by the Partnerships will generally not have the benefit of a guarantee by any government agency or instrumentality ("non-agency loans"). These securities can carry counterparty risk resulting from the execution of the transaction occurring in private markets, failure of the counterparty to complete or settle a transaction, or other inability of the counterparty to perform which could cause the Partnership to suffer a loss. Such counterparty risk is accentuated for contracts with longer maturities or where the Partnership has concentrated its transactions with a particular counterparty or group of counterparties.

**Activist Approach.** AAM could take an activist approach to some of the Partnerships' investments. This may include filing legal actions in connection with RMBS governing documents; actively negotiating agreements where appropriate; and otherwise bringing pressure to bear in a manner that AAM believes will maximize value. This strategy may result in significant costs to the Partnerships and there is no assurance that such approach will be successful. Furthermore, the target of such activist approach may countersue the Partnerships.

**Subprime Mortgages in the Residential Mortgage Market.** Subprime mortgage loans are generally made to borrowers with lower credit scores. Accordingly, such mortgage loans backing RMBS are more sensitive to economic factors that could affect the ability of borrowers to pay their obligations under the mortgage loans backing these securities.

**Valuation Committee.** AAM's Valuation Committee is responsible, in consultation with the applicable Partnerships' Advisory Board or Valuation Committee, for reviewing and giving final approval to the value of all assets held by the Partnerships in accordance with AAM's valuation policy and the Partnership agreements. Pricing obtained from broker-dealers or pricing services selected by the designated Valuation Committee shall be used as the primary pricing methodology for Partnerships' assets. The designated Valuation Committee will determine the value of assets held by the Partnerships for which third party pricing is not available or in circumstances where AAM's Investment Manager reasonably determines that such pricing does not reflect the actual value of certain assets and the designated Valuation Committee may make such appropriate and reasonable modifications thereto to reflect the value of the assets. The designated Valuation Committee may engage, at the expense of the Partnerships, third party

valuation services to provide it with the valuation of certain assets. AAM can amend its valuation procedures and remove, replace or appoint additional members to the Valuation Committee without the consent of the limited partners, but, in some cases, subject to the consent of the Advisory Board, if any, which consent shall not be unreasonably withheld. Prices obtained through the valuation process do not guarantee the price that might actually be realized when an investment is sold; the actual price could be higher or lower depending on a variety of market conditions outside the control of the respective Valuation Committee.

**Cash Management.** At times, AAM uses cash for tactical or strategic purposes as may be allowed in the governing documents of the Partnership(s). From time to time, AAM holds cash balances due to cash flow or limited availability of securities or other investment opportunities due to market conditions rather than tactical decisions. AAM could hold cash positions as a means of reducing risk in the Partnerships' respective portfolios. AAM manages cash conservatively and excess cash is typically invested in money market funds or other similar type funds offered by the custodian.

**Hedging Transactions.** AAM has the ability to hedge certain market or other risks inherent in the Partnerships' portfolio but will have no obligation to do so. When hedging risk exposures associated with particular positions or in respect of an overall portfolio, AAM may use a variety of investment instruments including futures, credit default swaps, mortgage and/or real estate-related equity securities, equity derivatives, interest rate derivatives, TBAs, property derivatives, agency mortgage derivative securities and securities that are the direct obligations of the U.S. government or any U.S. government agency, the choice of which may turn out in retrospect to have failed to create the intended risk mitigation.

**Short Positions.** As part of its hedging activities, AAM has the ability to take short positions in the Partnerships' accounts in certain securities in order to reduce the overall risk of the Partnerships' portfolio. A short sale of a security entails the theoretical risk of an unlimited increase in the market price of that security, which can, in turn, result in substantial losses to the Partnerships.

**Leverage.** From time to time, AAM uses leverage in connection with the Partnerships' investments and operations, subject to the investment restrictions as found in the governing documents. Although the use of leverage may enhance returns and increase the number of possible investments made by the Partnerships, such leverage shall also increase the risk of loss resulting from various factors, including, without limitation, rising interest rates, downturns in the economy or deterioration in the conditions of the investment.

**Portfolio Investments May Be Difficult to Liquidate.** The market for any particular Partnerships' investments could be limited and certain restrictions on the Partnerships' ability to liquidate their investments on a timely basis at a reasonable value. The Partnerships may have to sell, distribute or otherwise dispose of one or more of their investments at a disadvantageous time if it is able to do so at all. As a result, the Partnerships may sell, distribute or otherwise dispose of one or more of their investments for a price which is less than the price that could have been obtained if the investments were held for a longer period of time. Conversely, the Partnerships may not be able to dispose of certain of their assets for a substantial time after the period referenced above.

**Business and Market Risks.** The investments made by a Partnership involve a high degree of business and financial risk that can result in substantial losses. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, including the risk of war and the effects of terrorist attacks. The possibility of partial or total loss of capital



will exist as well as losses exceeding capital if an investment program utilizes leverage. Investors should not invest in any Partnership unless they can readily bear the consequences of such losses.

**General Risks.** Investing in securities involves risk of loss that the investor should be prepared to bear. AAM does not guarantee or represent that any of its investment programs will be successful. AAM's past results are not necessarily indicative of our future performance and AAM's investment results are expected to vary over time. An investor's investment in a Partnership is not insured or guaranteed by the FDIC, any government agency or any other entity.

**Social and Economic Risk.** Social, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that have significant impacts on issuers, industries, governments and other systems, including the financial markets. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat. Investors will be negatively impacted if the value of their portfolio holdings decreases as a result of such events, if these events adversely impact the operations and effectiveness of the adviser or key service providers or if these events disrupt systems and processes necessary or beneficial to the management of accounts.

**Partnership Interests May Be Restricted as to Resale.** There is no established market for the resale of a limited partner's interest in the Partnerships. There expected to be strict conditions established which limit the ability of a limited partner to liquidate or otherwise dispose of their interest in the Partnerships. These limitations and restrictions are specified in the underlying governing RMBS documents/subscription agreements.

**Regulatory Developments Related to Private Funds.** In August 2023, the SEC finalized new rules and amendments to existing rules under the Advisers Act, specifically related to registered advisers and their activities with respect to certain private funds (collectively, the "SEC Private Fund Rules"). The SEC Private Fund Rules could have a significant impact on Amherst Capital and private funds that it advises. In particular, the SEC has proposed to increase reporting requirements by private funds to investors concerning performance, fees and expenses; to require registered advisers to obtain an annual audit for private funds and also require such fund's auditor to notify the SEC upon the occurrence of certain material events; to impose enhanced requirements, including the need to obtain a fairness or valuation opinion and make certain disclosures, in connection with adviser-led secondary transactions (also known as GP-led secondaries); to prohibit or restrict advisers from engaging in certain practices, such as, without limitation, (i) charging or allocating to a private fund expenses associated with an investigation of the private fund adviser (or its related persons) by regulatory authorities, absent written consent by fund investors (other than fees and expenses stemming from an investigation that results or has resulted in sanctions for violations of the Advisers Act or the rules thereunder), (ii) charging or allocating to a private fund any regulatory, compliance or examination expenses of the private fund adviser (or its related persons) by regulatory authorities, unless such expenses are disclosed in a written notice to investors within 45 days of the end of the fiscal quarter in which the expenses were incurred, (iii) reducing the amount of an adviser's (or a related person's) clawback by actual, potential or hypothetical taxes, unless the private fund adviser discloses in a written notice the aggregate dollar amounts of the adviser clawback, both before and after any such reduction, (iv) charging or allocating fees and expenses related to a private fund portfolio investment held by multiple funds on a non-pro rata basis, unless the charge or allocation is fair and equitable under the circumstances and the private fund adviser first distributes a written notice describing the



allocation and how it is fair and equitable under the circumstances, and (v) borrowing money, securities or other private fund assets, or receiving a loan or extension of credit from a private fund, unless the private fund adviser distributes a written description of the material terms of the proposed borrowing to the fund's investors and obtains written investor consent. Certain private fund industry associations have filed claims in the Fifth Circuit against the SEC challenging the validity of the SEC Private Fund Rules, thereby introducing further uncertainty as to the impact of these rules. If allowed by the courts to go into effect, the SEC Private Fund Rules could have a significant impact on private fund advisers and their operations, including increasing compliance burdens and associated regulatory costs, reducing the ability to receive expense reimbursements and enhancing the risk of regulatory action, including public regulatory sanctions and may result in a change to the Adviser's and/or the private funds that it advises business practices and create additional regulatory uncertainty. In addition, if the legal challenge to the SEC Private Fund Rules is successful, the private funds may bear the costs of implementation efforts that are never effected.

## Item 9 Disciplinary Information

AAM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## Item 10 Other Financial Industry Activities and Affiliations

AAM is affiliated with advisers. Please see Form ADV, Part IA-Schedule D, Section 7.A for a list of AAM's affiliated advisers.

AAM or its affiliates give advice or take action with respect to other clients (including those that have investment objectives and/or investments) that may be the same as or differ from the advice given or the timing or nature of any action taken with respect to investments in any Partnership. Allocation of investment opportunities among any clients (including any separate accounts and any Partnership) will be made on a basis that AAM determines in good faith to be fair and reasonable taking into account considerations that it deems relevant, such as the investment objectives and investment portfolio of each client. When the purchase and sale of securities is considered to be in the best interest of more than one client, the securities to be purchased or sold may be aggregated in order to obtain superior execution and/or lower brokerage expenses. Execution prices for identical securities purchased or sold on behalf of multiple clients in any one business day may be averaged. In such instances, allocation of prices, as well as expenses incurred in the transaction, shall be made in a manner that AAM considers to be equally as favorable to all clients.

AAM and its affiliates, from time to time, trade in securities for their own accounts, subject to restrictions and reporting requirements as required by law, as set forth in certain partnership agreements or as otherwise determined from time to time by AAM and its affiliates. Such trading can create a conflict of interest.

With respect to any internal Valuation Committee composed either in part or in whole by employees of AAM and its affiliates where such valuation results in the compensation paid to AAM (both management fees and any incentive fees) there exists a potential conflict of interest. Valuation conflicts are addressed by either outside advisory board review of valuation and/or outside administrator reviews even though final authority may reside with the Valuation Committee.

With regard to AAM-sponsored limited partnerships, there exists a potential conflict of interest between initial investors (specified investors with significant capital contributions within a particular AAM-sponsored partnership) and other investors based on differing interests between initial investors and other investors given their potential participation on advisory boards of the Partnerships. In one instance, an affiliate of an initial investor is an advisory board member for the Partnerships and holds a minority interest in AHLLC.

Conflicts of interests could arise in connection with decisions made by AAM that may be more beneficial for one or more limited partners of an AAM-sponsored Partnership than for other limited partners, especially with respect to each limited partners' individual tax situation.

Certain officers and employees of AAM also serve as officers and employees of affiliated companies, in particular the affiliated investment adviser ACaM where Sean Dobson is CEO of both entities as well as an investment manager for both AAM- and ACaM-related private investment partnerships. AAM officers and employees may devote significant amount of their professional time to matters not involving the AAM Partnerships.

Amherst Insight Labs ("AIL"), an affiliate of AAM, AHLLC and ACaM, provides AAM access to its mortgage-related data and analytics, which AAM uses in connection with services to its clients. AIL also provides AAM with technology and computer services and support. AAM, from time to time, makes intercompany payments to certain affiliates and receives intercompany payments from certain affiliates for operational purposes.

AAM affiliates generally have no material business dealings with AAM's advisory services. AHLLC provides certain management, advisory board and administrative services including accounting, information technology and human resources to all its affiliates, including AAM. There are instances presently and reasonably anticipated in the future where persons providing services to AAM through AHLLC are investors in AAM-sponsored investment funds and, from time to time, serve in various capacities with AHLLC including as a director, officer, equity owner, consultant or employee, or with AAM, including as an advisory board member. These services are utilized in AAM's normal course of business in providing advisory services to its clients and there is no reason to believe that providing these services create a conflict of interest with AAM's clients.

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

AAM has adopted a written Code of Ethics ("Code") designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Investment Advisers Act of 1940, as amended ("Advisers Act").

This rule requires AAM to adopt a Code that sets forth a standard of business conduct and compliance with federal securities laws by all of our employees. Our Code contains policies and procedures that ensure that all personal securities trading by our employees are conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. AAM prohibits personal trading on certain securities or instruments; AAM requires pre-clearance before purchasing an IPO or a new issue private placement; AAM requires periodic reporting of employees' personal securities transactions and all holdings; and AAM requires prompt internal reporting of Code violations.

A copy of our Code shall be provided to any client or prospective client upon request.

AAM, and affiliated entities, serves as the investment adviser and general partner, respectively, to the Partnerships. AAM's parent corporation and the general partners of the Partnerships may have an investment in the Partnerships. Therefore, AAM is considered to participate indirectly in transactions effected for those clients. The foregoing relationships, fees, and any other actual or potential conflicts of interest arising there from are disclosed in the respective Partnerships' offering documents.

Interested investors may receive opportunities to co-invest in investments in excess of the amount that it determines is reasonable for the Partnerships to purchase. Such opportunities will be subject to a Partnerships' objectives and will be allocated in a manner that, in the good faith judgment of AAM and the general partners, is in the best interests of the Partnerships. Such investors will be provided with appropriate investment information.

## Item 12 Brokerage Practices

In order to ensure that it is acting in the best interests of the Partnerships in acquiring and selling assets, including obtaining best execution for such transactions, AAM is authorized to use the services of any broker which satisfies its criteria.

When placing transactions through broker-dealers, AAM will seek to obtain the best execution for the Partnerships, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying AAM's other selection criteria.

AAM does not utilize any soft dollar relationships with any broker.

## Item 13 Review of Accounts

### Investment Manager

The accounts under AAM's investment management are monitored on an ongoing basis by the Chief Investment Officer and the Chief Compliance Officer or their designee. These reviews are designed to monitor and analyze transactions, positions, investment levels and performance. Particular attention is given to changes in the Partnerships' fundamentals, industry outlook and price levels in each account.

AAM-sponsored limited partnerships are provided periodic reports as required by the general partners.

## Item 14 Client Referrals and Other Compensation

AAM currently does not but may, from time to time in the future, directly compensate third parties for client referrals. Third-party solicitation and placement arrangements are subject to a rule under the Advisers Act that generally requires a written agreement between AAM and the third party and that disclosure be made to referred clients or investors, including about relevant conflicts of interest. A

## Item 15 Custody

AAM is not expected to not have physical custody of client assets except to the extent AAM may be deemed to have custody for purposes of Rule 206(4)-2. An example is where AAM has authority over a client's prime broker account or a bank account in the client's name. Additionally, AAM has access to client assets since it or an affiliate serves as the general partner of the Partnerships. Investors in the Partnerships will not receive statements from the custodian. Instead, the Partnerships are subject to an annual audit and the audited financial statements are distributed to each such investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Partnership's fiscal year end.

## Item 16 Investment Discretion

Most of the assets that AAM manages are done so on a non-discretionary basis. For the remaining assets, AAM generally has discretionary authority to determine, without obtaining specific consent from the Partnerships, the securities and amount to be bought or sold. This authority is established through either a limited partnership agreement, an investment management agreement or other governing document. Limits on AAM's discretionary authority, where present, are established in these previously mentioned documents but these powers are generally broad and with few, if any, limiting conditions.

## Item 17 Voting Client Securities

AAM may direct certain voting rights relating to residential mortgage-backed certificates or other securities. If applicable, AAM shall exercise voting rights related to securities held by any client in a manner in the best interests of the client. AAM shall consider only those factors that relate to the client's investment, including how its vote will economically impact and affect the value of the client's investment. In voting on each and every issue, AAM shall act in a prudent and diligent fashion and only after a careful evaluation of the issue(s) presented.

AAM recognizes that conflicts between it and clients or investors may arise when exercising voting rights and that these conflicts must be addressed. If and when a conflict needs to be considered, the Chief Compliance Officer or their designee and Chief Investment Officer are responsible for identifying any such potential conflicts of interest. If AAM has the ability to direct the foregoing voting rights and such a conflict exists, AAM shall exercise such conflicted votes according to the applicable management agreement.

In addition, AAM maintains a record of all votes cast on behalf of our clients, which are available upon client request.

## Item 18 Financial Information

Not applicable.