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FORM ADV PART 2 BROCHURE

This brochure provides information about the qualifications and business practices of Applied Fundamental Research, LLC ("AFR" or the "Firm"). If you have any questions about the contents of this brochure, please contact us at 617-360-7176. 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 the Firm is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for the Firm is 167645.

AFR is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Material Changes

Since this Brochure was last filed on March 30, 2023, no changes have been made which may be considered material.

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A. Firm Overview

Applied Fundamental Research, LLC ("AFR" or the "Firm") is a Delaware limited liability company which commenced its present investment advisory business in May 2013. The Firm was organized in Delaware on January 7, 2013 and qualified to do business in Massachusetts on April 11, 2013. It was founded by Theodore H. Wagenknecht and Kevin F. Curran, who oversee the portfolio management and investment research functions. The Firm is registered as an investment adviser with the Securities and Exchange Commission ("SEC"). Theodore H. Wagenknecht is the Firm's principal owner, and it's Portfolio Manager.

B. Advisory Services

AFR primarily acts as investment adviser to two private investment partnerships, AFR Value Partners, L.P. ("AFR VP") and AFR Concentrated Value, L.P. ("AFR CV"), together "the Funds", pursuant to the terms of investment management agreements between AFR and both of the Funds.

AFR VP invests mainly in North American small- and mid-cap companies using a mix of long and short equity and credit positions. The investment objective of AFR VP is to generate attractive risk-adjusted returns, after fees and expenses, over the long term with a particular emphasis on capital preservation. AFR VP employs an opportunistic value investment strategy combined with rigorous fundamental due-diligence to identify and analyze businesses whose securities or obligations are priced at a substantial discount to the Investment Manager's estimates of their intrinsic value. AFR VP will invest when AFR believes that securities hold a compelling combination of margin of safety and potential return when compared to the risk associated with an investment and will hold cash when opportunities are not compelling on an absolute, risk-adjusted basis.

AFR CV invests mainly in North American small- and mid-cap companies using a mix of long and potentially short equity positions. AFR CV's primary objective is to compound investor capital over the long-term by investing according to a defined, research-intensive investment process that seeks to identify and profit from fundamentally undervalued equity securities that offer the potential for attractive returns. AFR CV will seek to generate returns by taking advantage of inconsistent and inefficient pricing in the securities markets. AFR CV intends to invest long-only primarily in liquid equity securities.

The Funds have no investment restrictions other than any requirements imposed by law applicable to their investments. Any future investment restrictions will be reflected in each Fund's limited partnership agreement, private placement memorandum and/or investment management agreement, and material restrictions reported in this Brochure. AFR provides investment advice directly to each of the Funds and not individually to their limited partners or investors.

AFR may also provide advisory services in connection with separately managed accounts, which may include accounts for which AFR acts as sub-advisor under another investment advisor. Such services are provided pursuant to investment management agreements with each separately managed account holder and, in the case of a sub-advisory relationship, with the primary investment advisor. AFR's advisory services to these separately managed accounts are generally in connection with the same types of investments and strategies that apply to the Funds.

AFR may also provide investment advice to other independent investment advisors or third-party platforms who may employ this advice in the management of their clients' investments. Assets managed through this type of structure are non-discretionary to AFR and AFR has no trading or management authority with respect to such assets.

C. Tailored Advisory Services

AFR does not provide advisory services tailored to the individual needs of clients, beyond generally investing according to the strategies set forth above.

D. Wrap Fee Programs

AFR does not participate in any wrap fee program.

E. Assets Under Management

As of February 29, 2024 the following assets are managed by AFR:

Discretionary Basis	\$156,247,855
Non-Discretionary Basis	\$ 2,451,025
Total Assets under Management	\$158,698,880

Fees and Compensation

Form ADV Part 2A, Item 5

A. Advisory Fees.

For AFR VP, AFR will receive a quarterly management fee (the "Management Fee") at a fixed rate of 0.3125% (1.25% per annum). AFR VP GP, LLC, the General Partner of AFR VP, is entitled to receive a performance allocation from AFR VP at the end of each calendar year (the "Performance Allocation"). At the end of each fiscal year, subject to the recovery of net losses allocated to the loss recovery account (as described below), the General Partner will receive an allocation from the capital account of each limited partner in AFR VP (after reduction for expenses and fees incurred by AFR VP) equal to 20% of the Net Increase for such fiscal year. The "Net Increase" of a capital account shall mean the excess realized and unrealized net profits over realized and unrealized net losses allocated to such capital account for such fiscal year (or other fiscal period, if applicable) prior to giving effect to any Performance Allocation. In the event that there is any net depreciation allocated to such Limited Partner's Capital Account and carried forward from any prior year, the Performance Allocation shall be reduced to 10% of the portion of each Limited Partner's pro-rata share of the net realized and unrealized appreciation in the value of the assets of AFR VP for such calendar year and each calendar year thereafter until such time as there no longer exists any net depreciation allocated to such Limited Partner's Capital Account carried forward from any prior year. AFR VP will maintain a loss recovery account (sometimes referred to as a "high water mark") that corresponds to the capital account of each limited partner to calculate whether the General Partner will be entitled to receive such a Performance Allocation. If an investor withdraws capital from AFR VP, the amount of such investor's high water mark, if any, will be reduced in proportion to the amount of capital withdrawn.

For AFR CV, AFR will receive a quarterly management fee (the "Management Fee") at a fixed rate of 0.3125% (1.25% per annum). AFR CV GP, LLC, the General Partner of AFR CV, is entitled to receive a performance allocation from AFR CV at the end of each calendar year (the "Performance Allocation") equal to 20% of the portion of each Limited Partner's pro-rata share of the net realized and unrealized appreciation in the value of the assets of AFR CV for such calendar year that exceeds 105% of such Limited Partner's Capital Account balance as of December 31 of the prior year, or, if later in time, the Limited Partner's Capital Account balance on the date of their initial investment in the Fund (in such instance, the 105% hurdle rate shall be multiplied by a fraction, the numerator of which is the days in the Performance Period in which an investment in the partnership existed, and the denominator of which is 365); Provided, however, in the event that there is any net depreciation allocated to such Limited Partner's Capital Account and carried forward from any prior year, then the Performance Allocation shall be reduced to 10% of the portion of each Limited Partner's pro-rata share of the net realized and unrealized appreciation in the value of the assets of the Fund for such calendar year and each calendar year thereafter until such time as there no longer exists any net depreciation allocated to such Limited Partner's Capital Account carried forward from any prior year.

The Performance Allocation will also be calculated and payable as of the date of withdrawal with respect to any capital that is withdrawn as of the end of any calendar quarter other than the end of a calendar year (and in such instance, the 105% hurdle rate shall be multiplied by a fraction, the numerator of which is the days in the Performance Period in which the withdrawn capital was an investment in the partnership, and the denominator of which is 365). Any loss-carryforward will be adjusted fairly and equitably in proportion to withdrawals by a Limited Partner.

In connection with its separately managed accounts, AFR may receive a management fee up to 2% of the assets in each managed account plus a performance fee equal to a percentage of the net profits on the assets under its management, as set forth in each managed account advisory agreement. This performance fee is generally 20% of net profits.

Although AFR has entered into agreements providing for the fees or allocations described herein, AFR may negotiate alternative fees or allocations on a client-by-client basis with other funds or separate account clients that it manages in the future. The General Partners of the Funds also retain the ability to, in their sole discretion, waive, reduce or rebate the Management Fee and/or Performance Allocation with respect to certain limited partners of the Funds, including affiliates of the General Partners and/or AFR; provided, however, that no such waiver, reduction or rebate will adversely impact any other limited partner in the Funds or cause them to bear a

higher portion of the Management Fee and/or Performance Allocation than they would otherwise bear absent such waiver, reduction or rebate.

In cases where AFR acts as a sub-adviser, either directly or through an investment advisory client or a third-party platform, the fees are generally negotiated between the parties and are based on a percentage of the relative assets under management.

B. Payment of Fees

AFR deducts its Management Fee from the assets of the Funds quarterly in arrears. AFR deducts its Performance Allocation from the assets of the Funds annually in arrears.

AFR does not deduct fees from its separately managed account clients' assets. AFR's management fee is payable quarterly in arrears, and any performance fee is payable annually in arrears.

C. Additional Fees and Expenses

In addition to the Management Fee and the Performance Allocation, the Funds will bear the costs and expenses related to its investments and its operations, including, without limitation: brokerage and other transaction costs; clearing and settlement charges; trade break fees; consulting expenses; research and due diligence expenses (whether or not the related investment is consummated); expenses incurred in connection with AFR or any investment team member forming or serving on any creditors' committees; legal fees and other expenses in connection with conducting due diligence and negotiating the terms of certain investments, regardless of whether such investments are consummated; custodial fees; initial and variation margin, interest and commitment fees on debit balances or borrowings; stock borrowing fees; proxy solicitation expenses; legal audit and tax preparation expenses, accounting fees; administrator fees and expenses (including fees and expenses of the Funds' administrator and third party valuation services); directors fees; fees and expenses for risk management services; insurance expenses, including costs of any liability insurance obtained on behalf of the Funds (including, without limitation, directors and officers insurance); indemnification expenses; regulatory costs and expenses (including filing and license fees); any issue or transfer taxes chargeable in connection with any securities transactions; any entity level taxes and fees; costs of reporting and providing information to the partners of the Funds; costs of litigation or investigation involving the Funds' activities; any extraordinary expenses; and to the extent applicable, a pro rata share of the fees and expenses of any other investment vehicles in which the Funds invests (including, without limitation, any management fees or performance-based compensation). For more information regarding AFR's brokerage practices and brokerage expenses discussed herein, please see Item 12.

D. Payment of Fees in Advance

Fees are not payable in advance, as set forth in Section (B) above.

E. Compensation for Sale of Securities or Other Investment Products

Neither AFR nor any of its supervised persons accept any compensation (e.g., brokerage commissions) for the sale of securities or other investment products, including interests in the Funds.

Performance-Based Fees and Side-By-Side Management

Form ADV Part 2A, Item 6

As discussed in Item 5, AFR (on behalf of the General Partners of the Funds) is entitled to receive a Performance Allocation equal to a percentage of the excess realized and unrealized net profits over realized and unrealized net losses of the Funds. In connection with its separately managed accounts, AFR may receive performance fees equal to a percentage of the net profits on the assets under its management, as set forth in each managed account advisory agreement, as discussed in Item 5.

Types of Clients

Form ADV Part 2A, Item 7

AFR currently provides investment advisory services to the Funds, and may from time to time provide such services to separately managed accounts held by high net worth individuals, trusts, estates, charitable organizations, pension plans, corporations, limited partnerships, limited liability companies, and similar entities.

Investment advice is provided directly to the Funds, subject to the discretion and control of the General Partners and not individually to the investors in the Funds. Interests in the Funds are offered pursuant to applicable exemptions from registration under the Investment Company Act of 1940 and the Securities Act of 1933. Investors in the Funds may include, but are not limited to, high net worth individuals, family offices, fund of hedge funds, endowments, foundations, trusts, estates, charitable organizations, pension plans, limited partnerships, limited liability companies and similar entities.

The minimum initial investment in both AFR VP and AFR CV is \$500,000. The General Partners, in their sole discretion, may accept subscriptions of a lesser amount. The minimum initial investment for a separately managed account is \$1,000,000, provided that AFR may waive this limitation in its sole discretion.

Methods of Analysis, Investment Strategies and Risk of Loss

Form ADV Part 2A, Item 8

A. Methods of Analysis and Investment Strategies

The Firm employs an opportunistic value investment strategy combined with rigorous fundamental due-diligence to identify and analyze businesses whose securities or obligations are priced at a substantial discount to AFR's estimates of their intrinsic value. Investments will be made when AFR believes that securities hold a compelling combination of margin of safety and potential return when compared to the risk associated with an investment. AFR will seek to identify opportunities where prices reflect a clear margin of safety when compared to their intrinsic value. Asset prices may deviate from fair value for a host of reasons, including forced selling as a result of institutional restrictions, market illiquidity, uncertainty surrounding a change in a business or industry, security conversions, restructurings, or other complexities or uncertainties.

AFR will invest its clients' assets opportunistically in various securities and other financial instruments across sectors, and asset classes with an emphasis on public markets. AFR may purchase or otherwise acquire and/or sell for its clients, inter alia, equities, debt, bonds, private positions, preferred stocks, derivatives and loans.

Investing in securities involves a high degree of investment risk, including the risk that the entire amount invested may be lost, which risk clients should be prepared to bear. AFR will make investments using strategies and financial techniques with significant risk characteristics. No guarantee is made that the client's investment objectives will be realized. Below is a list of potential investment risk factors that are reportable in this brochure. There is no guarantee that this is a complete list of the risks, that AFR will be able to control investment risks or that the risks will not aggregate in a manner adverse to the Firm's clients.

B. Risk Factors

Investment and Trading Risks: Investment in securities involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that AFR's investment program will be successful. AFR will be investing substantially all of its clients' assets in securities, some of which may be particularly sensitive to economic, market, industry and other variable conditions. The markets in which AFR expects to invest have in recent years experienced significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to a client's account.

Undervalued Securities: AFR's investment strategy focuses on investing in companies or instruments that it believes are undervalued. Opportunities in undervalued securities arise from market inefficiencies or due to a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer opportunities for above average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

Investments in High Yield and Distressed Securities: AFR may invest in "below investment grade" securities and obligations of domestic and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence or other problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Some of these securities may not be publicly traded, and it therefore may be difficult to obtain information as to the true condition of such issuers or to buy or sell these securities. Additionally, in certain periods, there may be little or no liquidity in markets for these securities. The public market prices of distressed securities may be subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and ask prices of such securities may be greater than normally expected. It may take a substantial period of time for the market price of such securities to reflect what AFR believes is their intrinsic value. In addition, the concentration of hedge funds (or similar participants) as

owners of distressed companies could cause the value of such securities to be depressed if the hedge funds (or similar participants) are forced to liquidate their positions due to withdrawals, a credit crunch or other events affecting such funds. Investments in distressed securities may also be affected adversely by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. There can be no assurance that AFR will correctly evaluate the value of the assets collateralizing the obligations owed to a Fund or the prospects for a successful reorganization or similar action. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that, among other things, the reorganization will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to AFR of the security in respect to which such distribution was made. The administrative costs of a bankruptcy proceeding are frequently high and are paid out of the debtor's estate before any return to creditors (other than out of assets or proceeds thereof that are subject to valid and enforceable liens and other security interests) and equity holders. Troubled companies and other asset-based investments also require active monitoring and may, at times, require participation in business strategy or reorganization proceedings. To the extent that AFR becomes involved in such proceedings, AFR's client may have a more active participation in the affairs of the issuer than that assumed generally by an investor. Investment in the debt of financially distressed companies domiciled outside the U.S. involves additional risks. Bankruptcy law and process may differ substantially from that in the U.S., resulting in greater uncertainty as to creditors' rights, the enforceability of those rights, reorganization timing and the classification, seniority and treatment of claims. In certain countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

Investments in Bankrupt or Restructured Companies: As noted above, certain of the issuers of securities which may be purchased by AFR for its clients, may be involved in bankruptcy or other reorganization proceedings which involve a substantial degree of risk. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. Accordingly, a bankruptcy court may approve actions that are contrary to the Fund(s). Generally, the duration of a bankruptcy case can only be roughly estimated and, as noted above, the process can involve substantial legal, professional and administrative costs; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets.

Restricted Investments: AFR may invest its clients' assets in restricted securities or securities that are subject to certain liquidity restrictions, including, without limitation, lock-up periods. These securities may be subject to legal or contractual restrictions on resale and transfer and, therefore, may be illiquid and subject to wide fluctuations in value. Such securities may be held until the occurrence of certain events or for an extended period, as determined by AFR. The resale of restricted and illiquid securities may be difficult to value and oftentimes may have higher brokerage charges.

Risks Relating to Investments in Municipal Securities: Municipal issuers may be adversely affected by rising health care costs, increasing unfunded pension liabilities, and the phasing out of federal programs that provide financial support to municipalities. Unfavorable conditions and developments relating to projects financed with municipal securities can result in lower revenues to issuers thereof. Issuers often depend on revenues from these projects to make principal and interest payments. The value of municipal securities also can be adversely affected by changes in the financial condition of insurers of municipal issuers, regulatory and political developments, tax law changes or other legislative actions, and by uncertainties and public perceptions concerning these and other factors. Investments in Corporate Debt and other Fixed Income Securities. AFR may invest a portion of its clients' capital in bonds or other fixed income securities, including, without limitation, bonds, notes and debentures issued by corporations, limited partnerships and other similar entities. AFR may also invest in debt securities issued or guaranteed by the U.S. or foreign government or one of its agencies or instrumentalities, commercial paper, and "higher yielding" (and, therefore, higher risk) debt securities of the former categories. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as

interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). A major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Loans and Loan Participations: AFR may invest in corporate bank debt ("Bank Loans") and participations therein originated by banks and other financial institutions. It is anticipated that such Bank Loans will primarily be term loans, may pay interest at a fixed or floating rate and may be senior or subordinated. Purchasers of Bank Loans are predominantly commercial banks, investment funds and investment banks and there can be no assurance that current levels of supply and demand in Bank Loan trading will provide an adequate degree of liquidity. AFR intends to acquire interests in Bank Loans either directly (by way of sale or assignment) or indirectly (by way of participation or other derivative contract). In purchasing participations and other derivatives, AFR on behalf of its clients generally has no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and the client may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, clients will assume the credit risk of both the borrower and the institution selling the participation or other derivative contract.

General Market and Credit Risks of Debt Obligations: Debt portfolios are subject to credit risk and interest rate risk. "Credit risk" refers to the likelihood that an issuer will default on the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument, and debt obligations which are rated by rating agencies are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Equity Securities Generally: AFR may invest in equity and equity-related securities in the U.S. and other countries. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, a client may suffer losses if AFR invests in equity instruments of issuers whose performance diverges from AFR's expectations or if equity markets generally move in a single direction and AFR has not hedged against such a general move. Clients also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering or otherwise qualifying restricted securities for public resale.

Short Sales: AFR may engage in short sales. AFR generally expects to short equities in any of three situations (i) if a security is determined by AFR to be priced significantly higher than its intrinsic value (ii) in order to reduce exposure and risk to a specific sector AFR may short a sector specific index (iii) in order to reduce exposure and risk to the broader equity markets AFR may short a broader market index. Additionally AFR will short credit opportunistically. Short sales are sales of securities AFR borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and AFR will be able to make a profit by purchasing the securities at a later date at the lower prices. Clients will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Concentration of Investments: A client's portfolio may, from time to time, be concentrated in a particular type of security, industry, geographic location or market capitalization. This may be the result of AFR's opportunistic investing, external market forces or the lack of liquidity in one security as compared to other securities held in

the applicable client account. Losses incurred in a position making up a significant percentage of a client's capital could have a material adverse effect on the client's overall financial condition. This limited diversity could expose a client to significantly greater volatility than in a more diversified portfolio.

Control Positions: From time to time, AFR may purchase (possibly with other accounts managed by the General Partner, AFR or their respective affiliates) a large enough position in an issuer to participate in its management and control. This may subject a client to certain risks. For example, a client may be subject to claims by other investors in the issuer, who may, among other things, object to the manner in which a client exercises its rights to participate in the management of the issuer. Creditors of the issuer might seek to hold the client responsible for obligations of the issuer. A controlling group of shareholders might be subject to claims against an issuer that arise in other areas, including, but not limited to, tort, securities and environmental law. Defending any such claims may be very costly and time-consuming and any liability in connection therewith could be substantial and may be borne by the client.

Use of Leverage: AFR may engage in trading on margin by borrowing funds and pledging securities as collateral, thereby utilizing leverage. Although leverage increases returns if a client earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns if the client fails to earn as much on such incremental investments as it pays for such funds. The effect of leverage in a declining market would also result in a greater decrease in the net asset value of a client's assets than if the client were not so leveraged. If the assets, if any, used to secure the borrowing decrease in value, a client may be required to pledge additional collateral to the lender in the form of cash or securities to avoid liquidation of those assets. AFR does not currently intend to use leverage other than non-recourse borrowings associated with specific transactions, although it reserves the right to do so, and the Fund reserves the right to do so in the General Partner's sole discretion.

Credit Analysis and Credit Risk: The strategies utilized by AFR require accurate and detailed credit analysis of issuers and there can be no assurance that its analysis will be accurate or complete. A client may be subject to substantial losses in the event of credit deterioration or bankruptcy of one or more issuers in its portfolio.

Sovereign Debt: Sovereign debt instruments, which are debt obligations issued or guaranteed by a foreign governmental entity, are subject to the risk that the governmental entity may delay or fail to pay interest or repay principal on debt that it has issued or guaranteed, due to, for example, cash flow problems, insufficient foreign currency reserves, political considerations, relationships with other lenders such as commercial banks, the relative size of the governmental entity's debt position in relation to the economy or the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies. If a governmental entity defaults, it may ask for more time to pay or for further loans, or it may ask for forgiveness of interest or principal on its existing debt. Furthermore, a governmental entity may be unwilling to renegotiate the terms of its sovereign debt. There may be no established legal process for a U.S. bondholder to enforce its rights against a governmental entity that does not fulfill its obligations, nor are there bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.

Risks of Investments in Options: AFR may invest, from time to time, in options. Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. Over-the-counter ("OTC") options that AFR may use in its investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The OTC market for options is relatively illiquid, particularly for relatively small transactions.

Put and Call Options: AFR may purchase exchange-listed and OTC put and call options. In addition, AFR may write and sell covered or uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to

sell, and obligates the writer to buy, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Options written by AFR on behalf of a client may be wholly or partially covered (meaning that the Fund holds an offsetting position) or uncovered. Options on specific investments may be used by AFR to seek enhanced profits with respect to a particular investment. Alternatively, they may be used for various defensive or hedging purposes. Use of put and call options may result in losses to a client's account, force the sale or purchase of portfolio investments at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation a client can realize on their investments or cause a client to hold an investment it might otherwise sell. An adverse price movement may result in unanticipated losses with respect to covered options sold by AFR. The use of uncovered option writing techniques may entail greater risks of potential loss to a client than other forms of options transactions. For example, a rise in the market price of the underlying investment will result in a client realizing a loss on the calls written, which would not be offset by the increase in the value of the underlying investments to the extent the call option position was uncovered.

Hedging: AFR may utilize certain financial instruments and investment techniques for risk management or hedging purposes. There is no assurance that such risk management and hedging strategies will be successful, as such success will depend on, among other factors, AFR's ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of AFR's hedging strategies may also be subject to AFR's ability to correctly readjust and execute hedges in an efficient and timely manner. There is also a risk that such correlation will change over time rendering the hedge ineffective. It may be more difficult to hedge a position in a smaller cap issuer than a larger-cap issuer. A client's portfolio is not expected to be completely hedged at all times and at various times AFR may elect to be more fully hedged and at other times hedged only to a limited extent, if at all. Accordingly, a client's assets may not be adequately protected from market volatility and other conditions.

Swap Transactions and Credit Default Swaps: AFR may enter into swap agreements with respect to securities, indexes of securities and other assets or other measures of risk or return. Swap agreements are typically two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to many years. In a standard "swap" transaction, two parties agree to exchange the returns (or the differential in rates of return) earned or realized on particular predetermined investments, instruments, or indices. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount". Whether AFR's use of swap agreements will be successful will depend on AFR's ability to select appropriate transactions for its clients. Swap transactions may be highly illiquid. Moreover, a client bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect AFR's ability to terminate existing swap transactions or to realize amounts to be received under such transactions. Swaps and certain other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Other Derivative Investments: Derivative instruments or "derivatives" include futures, options, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in 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 of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may expose a client to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty. Futures positions may be 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 such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated

unless traders are willing to effect trades at or within the limit. This could prevent AFR from promptly liquidating unfavorable positions and subject a Fund to substantial losses.

Structured Investments: AFR may invest in entities organized and operated solely for the purpose of restructuring the investment characteristics of other debt securities, including debt securities issued by foreign governments. These investments will typically consist of equity or subordinated debt securities issued by a private investment fund that invests, on a leveraged basis, in other debt securities or bank loans directly or through total rate of return swaps or other credit derivatives. Investments in structured products will be subject to a number of risks, including risks related to the fact that the structured products will be leveraged. Utilization of leverage is a speculative investment technique and will generally magnify the opportunities for gain and risk of loss borne by an investor in the equity or subordinated debt securities issued by a structured product. Many structured products contain covenants designed to protect the providers of debt financing to such structured products. A failure to satisfy those covenants could result in the untimely liquidation of the structured product and a complete loss of a client's investment therein. In addition, if the particular structured product is invested in a security in which a client is also invested, this would tend to increase the client's overall exposure to the credit of the issuer of such securities, at least on an absolute, if not on a relative, basis. The value of an investment in a structured product will depend primarily on the investment performance of the assets in which the structured product invests and will therefore be subject to all of the risks associated with an investment in those assets. These risks include the possibility of a default by, or bankruptcy of, the issuers of such assets or a claim that the pledging of collateral to secure any such asset constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other credits of the issuer of such asset or nullified under applicable law. A client will not own such assets directly and will therefore not benefit from general rights applicable to the holders of assets, such as the right to indemnity and the rights of setoff, or have voting rights with respect to such assets, and in such cases, all decisions related to such assets, including whether to exercise certain remedies, will be controlled by the structured product. Furthermore, there are certain tax and market uncertainties that present risks relating to investing in structured products.

Position Limits: "Position limits" imposed by various regulators may limit AFR's ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if AFR does not intend to exceed applicable position limits, it is possible that different accounts managed by AFR may be aggregated. If at any time positions managed by AFR were to exceed applicable position limits, AFR would be required to liquidate positions, which might include positions of a client, to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, AFR might have to forego or modify certain of its contemplated trades.

Preferred Shares: AFR may invest in the preferred shares of certain companies. Preferred shares may pay dividends at a specific rate and generally have preference over common stock in the payment of dividends in a liquidation of assets but rank after debt securities. Unlike interest payments on debt securities, dividends on preferred shares are generally payable at the discretion of the board of directors of the issuer. The market prices of preferred shares are subject to changes in interest rates and are more sensitive to changes in the issuer's creditworthiness than are the prices of debt securities.

Investment in Public and Private Small Companies: There is no limitation on the size or operating experience of the companies in which AFR may invest. Some small companies, whether publicly traded or privately owned, in which AFR may invest may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

Foreign Securities: AFR may invest in securities of non-U.S. issuers. AFR's investments in securities and instruments in foreign markets involve substantial risks not typically associated with investments in U.S. securities. Foreign securities investments may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of a client's assets denominated in that currency and thereby impact the client's total return on such assets. AFR may utilize options and forward contracts to hedge

against currency fluctuations, but there can be no assurance that such hedging transactions will be effective. Investments in foreign securities will also occasion risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of client assets and any effects of foreign social, economic or political instability. Foreign companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies. Finally, in the event of a default of any foreign debt obligations, it may be more difficult for AFR to obtain or enforce a judgment against the issuers of such securities. Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher in foreign markets than in the U.S. Differences in clearance and settlement procedures in foreign markets may occasion delays in settlements of trades effected in such markets. In addition, changes or modifications in existing judicial decisions or in the current positions of the IRS, either taken administratively or as contained in published revenue rulings and revenue procedures (which changes or modifications may apply with retroactive effect), and the passage of new legislation, could lead to unfavorable treatment of certain non-U.S. investments which could adversely impact a client's portfolio.

Exchange Rate Fluctuations - Currency Considerations: AFR may invest in securities denominated in currencies other than the U.S. dollar or hold active currency positions that are denominated in currencies other than the U.S. dollar and as a result, may be exposed to currency exchange risk. Changes in exchange rates between currencies or the conversion from one currency to another may cause the value of a client's portfolio to diminish or increase. Currency exchange rates may fluctuate over short periods of time and are generally determined by supply and demand in the currency exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates can be affected unpredictably by intervention (or the failure to intervene) by governments or central banks, or by currency controls or political developments. Furthermore, AFR may incur costs in connection with conversions between various currencies which will be borne by its clients. It is anticipated that most of AFR's currency exchange transactions will occur at the time securities are purchased and will be executed through the local broker or custodian acting for each client.

Investing in REITs and Other Real Estate Securities: AFR may invest in securities issued by entities which qualify as "real estate investment trusts" ("REITs") under the Code, and in securities of development and management companies. As a result, some of AFR's investments are subject to the risks incident to investments in REITs and companies engaged in real estate activities, generally including: (i) potential environmental liabilities, the risk of uninsured losses, the perceptions of prospective tenants of the safety, convenience and attractiveness of the properties, the ability of the owner to provide adequate management, maintenance and insurance, the expenses of periodically renovating, repairing and re-letting spaces, and increasing operating costs (including mortgage payments, real estate taxes, insurance, maintenance costs and utilities) which may not be passed through to tenants; (ii) risks of owning properties through joint ventures or partnerships which may render a REIT or a company engaged in real estate activities unable to exercise sole decision-making authority and subject the REIT or other company to the risk that a joint venturer or partner will act in a manner contrary to its best interests; (iii) general real estate investment considerations, such as the effect of local economic and other conditions on property cash flows and values, the need to re-let space upon the expiration of current leases, dependence on major tenants and the possibility of tenant defaults, the ability of a property to generate revenue sufficient to meet debt service payments and other operating expenses, periodic excessive real estate development, and the illiquidity of real estate investments, all of which may affect the REIT's or other company's ability to make expected distributions to its stockholders; (iv) possible increases in interest rates, which may lead prospective purchasers of real estate equity securities, as well as other classes of equities, to demand higher annual yields, and which would adversely affect the market price of such securities; (v) borrowing risks; (vi) relative illiquidity of real estate investments which will tend to limit the ability of a REIT or non-REIT issuer to vary its holdings promptly in response to changes in local economic or other conditions; and (vii) risks associated with the management by REITs of properties owned by third parties, including the risk that management contracts (which are typically cancelable without notice) will be terminated by the entity controlling the property or in connection with the sale of such property, that contracts may not be renewed upon expiration or may not be renewed on terms consistent with current terms, and that the rental revenues upon which management fees are based will decline as a result of general real estate market conditions or specific market factors. Investments in REITs are also subject to special risks, including, without

limitation: (i) restrictions on ownership (which may prohibit ownership of more than 9.9% of a REIT's shares by one investor), which are designed to ensure that the REIT does not violate certain share accumulation restrictions imposed by federal tax laws on REITs and which may also deter possible acquisitions of, or changes in control of, a REIT; (ii) many REITs have small-to-medium sized market capitalizations which may be more volatile than prices of large-capitalization securities and an investment in such securities may be less liquid; and (iii) tax risks, including risk of changes in the tax laws that may cause a REIT to fail to qualify as a REIT or cause REITs, generally, to be subject to corporate taxation.

Exchange Traded Funds: AFR may invest in and sell short shares of exchange traded funds ("ETFs") and other similar instruments. These transactions may be used to adjust a client's exposure to the general market or industry sectors and to manage the client's risk exposure. ETFs and other similar instruments involve risks generally associated with investments in a broadly based portfolio of common stocks, including the risk that the general level of stock prices, or that the prices of stocks within a particular sector, may increase or decrease, thereby affecting the value of the shares of the ETF or other instruments.

Closed End Funds: AFR may invest in closed end investment funds whose shares may trade at a premium or discount to their net asset value. Closed end funds differ from open end investment funds in that holders of interests in a closed end fund do not have the right to redeem their interests on a daily basis at a price based on net asset value. AFR will generally not have any control over the investments made by closed end funds and will generally only have limited access to information about the closed end funds and their investments. The closed end funds often trade independently of each other and, at times, may hold economically offsetting positions. At times closed end funds may make in kind distributions which could result in a client owning securities that were in the closed end fund's portfolio. These securities may be illiquid and may take considerable time to sell. If a fund is converted to open end status, there may be fees for withdrawal. These fees often decline over time; consequently a client may hold shares in an open end fund. Publicly traded investment funds frequently have anti-takeover provisions that make it difficult to convert them to open end funds, which would allow the fund's shareholders to realize the full value of that fund's assets.

Money Market Instruments: AFR may invest all or a portion of a client's assets in high quality fixed-income securities, money-market instruments, and foreign money-market mutual funds, or hold cash or cash equivalents in such amounts as AFR deems appropriate under the circumstances. Money market instruments are high quality, short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. government securities, commercial paper, certificates of deposit and bankers' acceptances issued by domestic branches of United States banks that are members of the Federal Deposit Insurance Corporation, and repurchase agreements. However, there can be no assurances that such investments will not be subject to significant risks.

Risks of Index-Linked Securities: AFR may invest in index-linked securities whose prices are indexed to the prices of securities indices, currencies, or other financial statistics. Indexed securities typically are debt securities or deposits whose value at maturity and/or coupon rate is determined by reference to a specific instrument or statistic. The performance of indexed securities fluctuates (either directly or inversely, depending upon the instrument) with the performance of the index, security or currency. At the same time, indexed securities are subject to the credit risks associated with the issuer of the security, and their value may substantially decline if the issuer's creditworthiness deteriorates. Recent issuers of indexed securities have included banks, corporations and certain US government agencies.

Counterparty Risk: Some of the markets in which AFR may effect transactions are OTC or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. This exposes clients 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 client to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where AFR has concentrated its transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. AFR is not restricted from concentrating any or all of its transactions with one counterparty. The ability of AFR to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential of losses for the client. Counterparty risks also include the failure of executing brokers to honor, execute, or settle trades. Pursuant to the Dodd-Frank Act, some derivatives

transactions will be subject to mandatory clearing and will also be subject to the margin requirements set forth by the clearinghouse. The additional margin, capital and collateral obligations may increase the cost of derivatives transactions and thereby potentially decrease the profitability of certain positions.

Systems Risk: AFR relies on computer systems to trade, to evaluate certain securities based on real-time trading information, to monitor its portfolio and net capital, and to generate risk management and other reports that are critical to oversight of the Firm's activities. In addition, certain of AFR's operations interface with or depend on systems operated by third parties, including its prime broker and market counterparties. A defect or failure in any of these systems could have a material adverse effect on the Firm.

Cybersecurity Risk: The computer systems, networks and devices used by AFR and its service providers employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite such protections, systems, networks, or devices potentially can be breached. AFR could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses; impediments to trading; inability to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which AFR invests; counterparties; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, insurance companies, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

C. Recommending Specific Types of Securities

AFR's investment strategy, including the specific types of securities that it recommends, is described in Item 8(A) above.

Disciplinary Information

Form ADV Part 2A, Item 9

As a registered investment adviser, AFR is required to disclose all material facts regarding any legal or disciplinary events that would materially affect an evaluation of the Firm or the integrity of its management. AFR has no history of reportable legal or disciplinary events.

Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

AFR and the General Partners of the Funds, AFR VP and AFR CV, are related persons insofar as they are under common control. This does not present a material conflict of interest where AFR provides investment advisory services to the Funds and the General Partners manage the Funds' operations—the interests of each entity are aligned with one another and with the Funds' investors. To the extent that any conflict of interest does arise, AFR will seek to inform the affected parties of the conflict and resolve the conflict in the best interests of its clients.

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

Form ADV Part 2A, Item 11

A. Code of Ethics

AFR has adopted a Code of Ethics (the "Code") for all supervised persons. The Code describes the Firm's standards of business conduct and fiduciary duty to its clients. The Code includes provisions relating to identification and handling of conflicts of interest, personal trading and reporting of securities transactions and holdings by access persons, restrictions on the acceptance of significant gifts, and the reporting of certain gifts and business entertainment items, among other things. All supervised persons of the Firm must acknowledge the terms of the Code annually, or as amended.

Under the Code, the Firm's employees must seek pre-approval from the Firm's Chief Compliance Officer prior to trading in many types of securities for accounts they, or their immediate family members with whom they share a household, beneficially own or control. If there is a possibility that the Firm may invest on behalf of its clients in such securities at or around the time the employee seeks pre-approval or if the Firm or any employee is in possession of material non-public information with regard to an issuer, approval will not be granted. The Code prohibits personal trading in securities, which are in client's holdings, for 5 days prior to trades executed by the Firm. Additionally, the Compliance Manual sets forth procedures to ensure that the Firm's agreements with its clients, disclosures to its clients, and communications with its clients and the public comply with all applicable laws and regulations, including the requirements and prohibitions set forth in 950 CMR 12.205(8) and (9).

B. Conflicts of Interest

The Firm does not recommend to clients, or buy or sell for client accounts, securities in which it or a related person invests, buys or has a material financial interest. The Firm generally prohibits its supervised persons from personally trading in securities in which the Firm invests or plans to invest on behalf of its clients, except with prior approval of the Chief Compliance Officer under the circumstances described in the Firm's Code of Ethics (item 11.A above). Notwithstanding the above, the Firm's supervised persons are generally permitted to indirectly hold such otherwise restricted securities through their participation in the Fund.

Brokerage Practices

Form ADV Part 2A, Item 12

A.

1. Research and Other Soft Dollar Benefits

In selecting brokers, AFR attempts to seek the best overall combination of price and execution of purchase or sale orders under each possible circumstance (unless otherwise provided in the Funds' governing documents with respect to a particular client account). The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental facts will be considered by AFR as they are deemed relevant. Consideration may be given to the reputation, perceived soundness, and performance of the various firms, their demonstrated execution capability, both generally and in regard to particular securities transactions, their proposed commission charges, as well as other factors, including the nature of the security or instrument being traded, the size and type of the transaction, the nature and character of the markets for the security or instrument to be purchased or sold, the desired timing of the trade, the activity existing and expected in the market for the particular security or instrument, confidentiality, and the firm's clearance, and settlement capabilities.

When it appears that a number of brokerage firms can satisfy the required standards with respect to a particular transaction, consideration may also be given to research services that such firms have provided in the past or may provide in the future. Such research services may include the provision of supplemental investment research, including information on particular securities or individual companies, legal interpretations and legal developments affecting portfolio securities, investments or issuers, general, economic and political information, analytical and statistical data, relevant market information and market quotations in connection with the analysis of securities. A portion of brokerage commissions may be paid to firms which, in the normal course of business, publish statistical, research or other research-related material which is received by AFR. In addition, AFR may utilize brokerage firms that, in lieu of providing their own proprietary research services, instead credit AFR with "soft dollars" generated by AFR client brokerage commissions that are then utilized by AFR to pay for eligible third party research services. Accordingly, the Firm's clients may pay a higher brokerage commission in connection with trades for their accounts than would otherwise be the case in reflection of the receipt by AFR of such research material, irrespective of whether such research material proves useful to AFR in connection with the management of any or particular funds and accounts.

The Firm may derive substantial direct or indirect benefit from these research services, particularly to the extent that it uses soft dollars to pay for expenses that AFR would otherwise be required to pay for itself. The soft dollar benefits and accompanying research services received from brokerage firms may be used by AFR in servicing all client accounts, and not only or necessarily the client whose brokerage commissions generated the applicable research services and/or soft dollar credits. For the avoidance of doubt, the Firm shall not be required to allocate soft dollar benefits pro rata or on any other equitable basis among the accounts of its clients. However, AFR may consult with its counsel in the event that there is any question whether any such research services that AFR purchases by using soft dollars generated by its client brokerage commissions would fall within the safe harbor regarding the use of client funds to purchase certain research services for its managed funds and accounts as established by Section 28(e) of the Securities Exchange Act of 1934, as amended, and as such safe harbor has been clarified by the SEC interpretive release effective as of July 24, 2006 or as may be clarified in the future.

2. Brokerage for Client Referrals

AFR may execute transactions with brokerage firms providing capital introduction services, however, it is AFR's policy not to consider this criterion when selecting counterparties.

3. Directed Brokerage

AFR does not request or permit clients to direct brokerage. However, by virtue of the fact that AFR is appointed as the Investment Manager for its clients by the General Partner of those clients, AFR can be deemed to direct brokerage to various brokers, none of which are affiliated with AFR.

B.

AFR may in certain circumstances aggregate the purchase or sale of securities for various client accounts if such purchase is suitable for each such account. Each account participating in a purchase or sale will transact in an amount representing their pro-rata share of securities bought or sold and receive the same price as all other accounts participating in the same purchase or sale.

Review of Accounts

Form ADV Part 2A, Item 13

Client accounts are reviewed on a continuous basis. AFR's investment personnel, including investment analysts and the Principal, hold investment meetings to discuss investment ideas, investment strategies, economic developments, current events, and other issues related to current portfolio holdings and potential investment opportunities.

AFR will provide each Fund's investors with the following reports: (i) annual audited financial reports within 120 days of the end of the Fund's fiscal year; and (ii) annual tax information necessary to complete any applicable tax returns. In addition, AFR may provide a quarterly letter to investors which may discuss monthly performance drivers, portfolio positioning and general macroeconomic themes pertinent to the Funds. The administrator of AFR VP and AFR CV also provides unaudited performance information and account statements to investors in AFV VP and AFR CV on a monthly basis. To its separately managed account clients, AFR may provide comparable summarizing content like that included in the letters to the Funds' investors.

Client Referrals and Other Compensation

Form ADV Part 2A, Item 14

Neither AFR nor any related person has any arrangements, oral or in writing, where it is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients. AFR has engaged one promoter, an independent consultant, to solicit prospective investors in the funds, for which services the promoter is paid on a retainer basis.

Custody

Form ADV Part 2A, Item 15

AFR does not have custody of the Funds' assets, except to the extent it could be deemed to have custody because of its authority to deduct its fees from the Funds' assets. Funds and securities of the Funds are held by a qualified custodian. The Funds' financial statements are subject to an annual audit by an independent public accountant that is registered with the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each investor in the Funds. All of the reports prepared by the independent public accountant contain unqualified opinions. To comply with Rule 206(4)-2 under the Advisers Act, the audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Funds' fiscal year end.

AFR does not have custody of the funds or securities of its separately managed account clients.

Investment Discretion

Form ADV Part 2A, Item 16

Pursuant to its investment management agreement with each of the Funds, AFR is granted discretionary authority, subject to the general direction, supervision, oversight and review of the Funds' General Partners, with respect to managing the investment and reinvestment of assets in the Funds. Pursuant to its investment management agreement with each separately managed account client, AFR is granted discretionary authority with respect to managing the investment and reinvestment of the client's assets, subject to any limitations imposed by the client in such agreement. With respect to any sub-advisory relationships, no discretionary authority is granted as each such client of AFR retains discretionary authority over its own clients' assets.

Voting Client Securities

Form ADV Part 2A, Item 17

AFR has adopted Proxy Voting Policies and Procedures, and reviews them on at least an annual basis.

Proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised. When AFR has discretion to vote the proxies of its clients, it will vote those proxies in the best interest of its clients and in accordance with its policies and procedures.

In the absence of specific voting guidelines from the client, AFR will vote proxies in the best interest of each particular client, which may result in different voting results for proxies for the same issuer. The Firm's Chief Compliance Officer will identify any conflicts that exist between the interests of AFR and its clients. If a material conflict exists, AFR will request that the client vote their own proxy.

AFR does not take client direction in the voting of proxies. Clients who wish to direct votes may vote their own proxies.

Clients may contact the Firm's Chief Compliance Officer via telephone at 339-707-7617 or e-mail at db@appliedfr.com to obtain information on how their proxies were voted, and to request a copy of the Firm's detailed policies and procedures.

Financial Information

Form ADV Part 2A, Item 18

Information required by this Item is not applicable to AFR.