

Item 1 – Cover Page

**Form ADV Part 2A: FIRM BROCHURE**



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**AO ASSET MANAGEMENT, LP**

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This brochure provides information about the qualifications and business practices of AO Asset Management, LP (“AO”, the “Firm,” “we,” “us,” or “our”). If you have any questions about the contents of this brochure, contact us at (212) 554-3110. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “SEC”) or by any state securities authority.

AO is a registered investment adviser. Registration of an investment adviser with the SEC does not imply a certain level of skill or training.

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

## Item 2 – Material Changes

Since AO's last annual amendment filed on March 26, 2018, while not material, the master fund reorganized as a Cayman Island exempted company. There have been no other material changes.

AO routinely makes changes throughout its brochure to improve and clarify the descriptions of its business practices and compliance policies and procedures or in response to evolving industry and Firm practices. In this year's filing, the following Items have been updated in addition to certain immaterial changes and/or conforming changes related to the following:

- Item 4: updated to reflect the new name of the master fund and amount of regulatory assets under management as of December 31, 2018;
- Item 5: updated fund expenses;
- Item 8: updated to reflect additional conflicts of interest; and
- Item 12: updated to include commission sharing agreements.

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## **Item 4 – Advisory Business**

**A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).**

### **Firm Description**

Founded in 2013, AO Asset Management, LP (“AO” or “we”), a Delaware limited partnership, is a long/short technology, media and telecommunications hedge fund manager focused on process-driven fundamental research. Based in New York with additional offices in California, AO serves as the investment adviser for and provides discretionary investment advisory services to the following private investment funds exempt from registration under the Investment Company Act of 1940, as amended: (i) AO Technology Master Fund, Ltd., a Cayman Islands exempted company (the “Master Fund”); (ii) AO Technology Fund, LP, a Delaware limited partnership (the “Domestic Fund”), which is designed primarily for certain qualified U.S. taxable persons, and which invests all of its investable assets in the Master Fund; and (iii) AO Technology Fund, Ltd., a Cayman Islands exempted company (the “Offshore Fund”), which is designed primarily for certain qualified investors who are not U.S. persons and for certain qualified U.S. tax-exempt investors, and which invests all of its investable assets in the Master Fund. In addition, AO serves as the investment adviser to one separately managed account (the “Managed Account”). We refer to the Domestic Fund together with the Offshore Fund and any additional feeder funds as the “Feeder Funds” and, together with the Master Fund as the “Funds,” and each, individually as the context may dictate, a “Fund.” We refer to the Funds and the Managed Account, collectively, as our “Clients.” More information regarding our Funds is available in our Form ADV Part 1, Schedule D, Section 7.B.(1) and more information regarding our Managed Account is available in our Form ADV Part 1, Item 5.K and Schedule D, Section 5.K(1), 5.K.(2) and 5.K).(3).

The Feeder Funds invest all of their respective assets into the Master Fund. The purpose of the Master Fund is to achieve certain administrative efficiencies and to offer terms suitable to the particular needs of various types of investors; the Master Fund has no limited partners other than the Domestic Fund and the Offshore Fund.

### **Principal Owners/Ownership Structure**

AO Asset Management GP, LLC, a Delaware limited liability company, serves as the general partner (the “General Partner”) of the Domestic Fund. The General Partner has ultimate responsibility for the management, operation and administration of the Funds and is deemed registered under AO’s registration with the SEC and is subject to AO’s compliance program. For more information regarding the Funds’ General Partner is available in our Form ADV, Schedule D, Section 7.A.

AO is principally owned by Nicholas Romano (the “Principal”). More information regarding our owners and executive officers is available in our Form ADV Part 1, Schedule A and Schedule B.

**B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.**

Our investment objective is to provide superior absolute and risk-adjusted returns, generating alpha based on in-depth proprietary research. We focus on equities in the technology, media and telecommunications (“TMT”) sectors of the global economy. We believe that these sectors traditionally see rapid adoption of disruptive new technology, creating an ongoing cycle of change, which often leads to large, new product cycles and opportunities for well-positioned companies. Additionally, we believe that our deep sector expertise and proprietary in-depth research allows us to identify such companies. AO’s portfolio is generally comprised of long positions that we hold for a year or longer as well as short positions that we add for tactical purposes.

Pursuant to investment management agreements with each Client, AO is responsible for the Funds’ and Managed Account’s day-to-day management and has ultimate investment management authority over all investment decisions, asset acquisitions and dispositions, distributions and management affairs, subject, as applicable, to each Client’s governing documents and for the Funds, subject to the policies and control of the Advisory Committee and the General Partner. AO has established an Advisory Committee comprised of the Firm Principal and two independent board of directors to approve certain decisions with respect to the Master Fund and the Domestic Fund that would otherwise be within the sole and absolute discretion of the Master Fund General Partner. Consisting of three members, the members of the Advisory Committee are appointed by the General Partner, and a majority of the board members are disinterested parties.

**C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.**

The advisory services provided to the Funds are tailored to the investment objectives, investment strategy and investment restrictions, if any, as set forth in the governing documents of the Funds. We provide investment advice directly to the Funds and not to investors in the Funds individually. In addition, we do not require, nor do we seek, approval from the Funds or the investors in the Funds with respect to trading, nor do we accept investment restrictions imposed by such investors (although we may agree to exclude certain investors from certain investments made by the Funds).

While AO does not tailor its advisory services to the individual needs of investors in the Funds, in order to comply with certain legal and regulatory requirements, it is possible that there will be instances when an investor will not participate in an investment by the Fund or Managed Account (such as with respect to “new issues”) and appropriate measures will be taken by the respective Client to comply with such laws and regulations.

The Funds or AO have entered into side letters or similar agreements with certain investors who make substantial commitments of capital or were early-stage investors in the Funds, or for other reasons in the sole discretion of AO, that have the effect of establishing rights under, or altering or supplementing a Fund's governing documents. Such rights include notification and disclosure rights, certain fee arrangements, transfer rights, and certain withdrawal or redemption rights, among others. Side letters are negotiated at the time of the relevant investor's capital commitment and once invested in a Fund, investors generally cannot impose additional investment guidelines or restrictions on such Fund.

With respect to the Managed Account, we provide advisory services tailored to the investment objectives, investment strategy and investment restrictions of the Managed Account Client. We will tailor the types of securities or other instruments to be traded on the Managed Account Client's behalf based upon specific directions provided by such Managed Account Client in its investment advisory agreements or otherwise.

**D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.**

We do not participate in wrap fee programs.

**E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date "as of" which you calculated the amounts.**

As of December 31, 2018, we managed approximately \$1,137,840,262 in regulatory assets under management, all of which was managed on a discretionary basis. AO does not manage any assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

**A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.**

In consideration of the investment management services provided to the Funds and pursuant to the relevant investment management agreement, a management fee is payable to AO quarterly, in advance, at an annual rate equal to the management fee percentage times the applicable Fund's assets under management as of beginning of each quarter, adjusted for any additional capital contributions by investors to the Funds, admission of new investors to the Funds and withdrawals or redemptions by investors from the Funds. The Funds are currently offering two share classes, Class B and Class C. The management fee percentage for the Funds equals in respect of both Class B and Class C interests, 0.25% per quarter (1% per year). Class B interests are being offered solely to

existing investors in the Funds. Class A, F and P interests are no longer active. With respect to the Managed Account Client, the management fee percentage is 0.25%.

Written investment advisory agreements and/or organizational and offering documents of the Client govern the terms of compensation and the manner in which we charge fees to each of our Clients; investors should refer to the governing documents of the applicable Client for a complete understanding of how we are compensated for our advisory services. The information contained herein is a summary only and is qualified in its entirety by such documents. The fees we charge for our advisory services is negotiable depending on the circumstances of the Client's account and the service levels we provide to the Client. We are permitted to reduce or waive a portion of a Client's management fee in our sole discretion, and generally do so with regard to our employees and their family members.

**B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.**

The Funds' management fees generally are deducted from the applicable Fund's accounts on behalf of each Feeder Fund quarterly in advance. Performance fees are deducted from the applicable Fund's accounts annually in arrears.

Management fees for the Managed Account are payable quarterly in advance. Performance fees for Managed Account is payable annually in arrears. The Managed Account Client is billed for such fees rather than having its fees deducted.

**C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.**

In addition to our fees and compensation, each Client will pay certain operating expenses and administrative expenses, as set forth in the applicable written investment advisory agreement and/or organizational and offering documents of the Client. Such fees and compensation with the Managed Account Client is negotiated directly with such Client and reflected in the Managed Account Client's advisory agreement.

On behalf of the Funds, operating expenses and administrative expenses include, but are not limited to, a Fund's pro rata share of: Advisory Committee and director fees and expenses, including, without limitation, the fees of the independent members of the Advisory Committee and directors of the Master Fund; registered office fees; all fees, costs and expenses associated with the financing, sourcing, acquiring, holding, hedging and disposing of investments or proposed investments (including, without limitation, custodial fees, brokerage fees, commissions, consulting services, due diligence, as well as all fees, expenses, interest payments and principal payments due to any legal, financial, accounting,

consulting or other advisors, or any lenders, investment banks and other financing sources in connection with the financing, sourcing, acquiring, holding, hedging and disposing of investments or proposed investments); all entity-level taxes, fees or other governmental charges; the costs of any insurance (including, without limitation, directors and officers insurance, if any); expenses incurred in the collection of monies owed to a Fund; management fees, legal, auditing, consulting, research, and accounting fees and expenses (including, without limitation, expenses associated with the preparation of financial statements, tax returns and Schedules K-1, if any); the costs and expenses of complying with any compliance or regulatory obligations of the Funds (and the pro rata share of those obligations of the Master Fund) and any advisors or service providers engaged to assist therewith, extraordinary expenses (including, without limitation, litigation-related and indemnification expenses); the costs of any reporting to investors; any meetings of investors; and subject to Advisory Committee approval, any broken-deal or failed transaction expenses. More information regarding brokerage practices and fees is detailed in Item 12, below.

The Funds also bear all of its organizational expenses and offering expenses, including its pro rata share of the organizational and offering expenses of the Master Fund, and shall reimburse AO and its affiliates for any organizational and offering expenses incurred on behalf of the Funds

In connection with the above fees and expenses, the Feeder Funds pay a proportionate share of such fees and expenses incurred by the Master Fund.

We bear the costs of providing our services to Clients, including our general overhead, office rent, utilities, furniture and fixtures, stationary, secretarial/internal administrative services, salaries, entertainment expenses, employee insurance and payroll taxes.

In our good faith with fair and reasonable discretion, we determine on a case by case basis whether an expense should be borne by the Firm or by a Clients in accordance with the governing documents of each Client and consistent with our internal policies and procedures. To the extent that an expense is allocable across all Clients and the governing documents do not expressly provide for a method of allocation, we will typically allocate common Client expenses among multiple Clients pro rata based on gross assets under management as of the beginning of each month in which the expenses are paid.

**D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

Management fees applicable to the Funds are paid on behalf of each Feeder Fund quarterly in advance as described in the investment management agreement and/or governing documents of each Fund. Management fees for the Managed Account are payable quarterly in advance. In the event an investor terminates an investment advisory contract prior to the end of a billing period, management fees will be refunded based on the ratio that the number of days for which investment advisory services were rendered bears to the total number of days in that payment period. In the event that the investment advisory relationship is terminated (or funds are withdrawn or redeemed) other than at the



end of a performance allocation calculation period, such termination (or withdrawal or redemption) date shall typically be treated as the end of a performance allocation calculation period.

Withdrawals and terminations from the Funds are subject to Advisory Committee approval, as well as the applicable lock-up and withdrawal provisions as described in the investment management agreement and/or governing documents of each Fund. Specifically, withdrawals for Class B members prior to the second anniversary of an investment are subject to a withdrawal fee of 6% of the amount being withdrawn, after taking into account the management fee and incentive allocation accrued to date in respect of the withdrawn amount. Withdrawals for Class C members prior to the first anniversary of an investment are subject to a withdrawal fee of 3% of the amount withdrawn, after taking into account the management fee and incentive allocation accrued to date in respect of the withdrawn amount. Both Class B and Class C withdrawals require sixty days prior written notice.

**E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.**

Neither AO nor any supervised person accepts compensation for the sale of securities or other products.

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

**If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a Client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.**

A performance allocation represents an adviser's compensation based on a percentage of net profits of the clients it manages. AO accepts performance-based fees, referred to as an incentive allocation, from its Clients. The incentive allocation is allocable to the General Partner by a Fund at a rate equal to the performance allocation percentage times the realized and unrealized net gains allocable to an investor's account, as further described in the Funds' governing documents. Accrued monthly and generally allocable on an annual basis in arrears, the incentive allocation is subject to a loss carryforward (described below). For the Funds, the incentive allocation percentage equals: (i) in respect of Class B interests in the Funds, 10%; and (ii) in respect of Class C interests in the Funds, 20%. The incentive allocation for Managed Account Client is 10% of the net gains attributable to such Managed Account. Similar to management fees, we are permitted to reduce or waive a portion

of a Client's incentive allocation in our sole discretion, and generally do so with regard to our employees and their family members.

An investor's share of net losses of the Fund for prior months, to the extent not previously utilized in reducing the amount to be allocated to the General Partner, is referred to as loss carryforward. No incentive allocation will be made with respect to a capital account of an investor until the investor has recovered any loss carryforward in the capital account. The amount of an investor's loss carryforward will be reduced proportionately by any withdrawal by an investor.

The incentive allocation is calculated based on each investor's ownership but will be made at the Master Fund level and allocated separately to the capital account of each investor. The Master Fund maintains sub-capital accounts for the Fund investor's interest in the Master Fund. The Fund's share of the incentive allocation is debited to the Fund's capital account in the Master Fund and credited to the capital account of the General Partner in the Master Fund. Each investor's proportional share of the incentive allocation is then debited to the capital account of the investor in the Fund. The incentive allocation is calculated on an investor-by-investor basis at the Master Fund level and, for investors with more than one capital account, is calculated separately for each capital account.

Once a Fund's fiscal year has ended, the incentive allocation earned during that year is not subject to reversal. The incentive allocation to the General Partner is based, in part, on unrealized investment gains of the Master Fund that may never be realized in the event of adverse changes in the value of such investments and thus the allocation may be greater than if it were solely based in realized gains.

The method of calculation for Managed Account loss carryforward is detailed in the agreement with the Managed Account Client.

All performance fee agreements are structured in accordance with Section 205(a)(1) of the Investment Advisers Act of 1940 (the "Advisers Act") and the rules and regulations thereunder. Performance-based fee or allocation arrangements have the potential to create an incentive for us to recommend investments that are riskier or more speculative than those that we may recommended under a different fee or allocation arrangement. In the allocation of investment opportunities, performance-based fee or allocation arrangements can also create an incentive for us to favor accounts with performance or incentive fee or allocation arrangements over accounts that do not have such arrangements or, alternatively, favor accounts with higher performance-based fees or allocation arrangements over accounts with lower performance-based fees or allocation arrangements. We have adopted an investment allocation policy and procedures designed to ensure that all of our Clients are treated fairly and equitably and to prevent this form of conflict from influencing the allocation of investment opportunities among our Clients. Investors are provided with clear disclosure as to how performance-based compensation is charged and the risks associated with such performance-based compensation prior to making an investment. In addition, any such risks would be equally applicable to the AO sub-capital accounts of the Principal or employees of AO. The Principal has committed a substantial amount of capital in the AO Funds, thus aligning, to some extent, the interests of AO with the interests of the Funds.

## Item 7 – Types of Clients

**Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

We currently provide investment advisory services to the Funds and one Managed Account. The Funds and Managed Account limit their respective investors to persons who are both “accredited investors” as defined in the Securities Act of 1933, as amended and “qualified purchasers” and/or “knowledgeable employees” each as defined in the Investment Company Act of 1940, as amended. Investors must meet also certain suitability and net worth qualifications prior to investing with us. The Funds are not registered or required to be registered under the Investment Company Act of 1940; its securities are not registered or required to be registered under the Securities Act of 1933 and are privately placed to qualified investors in the United States and elsewhere.

The minimum initial subscription for an investor in the Funds is \$1,000,000. Such minimum investment amounts and investor criteria are set forth in the offering documents of each Fund. We are permitted, in our sole discretion, to waive any of these minimum account requirements. Minimum investment for a Managed Account is typically \$100,000,000.

Investors in Funds and Managed Account include primarily U.S. and non-U.S. investors, including, among others, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, trust programs, other investment advisers, foreign funds and other U.S. institutions. In addition, employees and other persons associated with AO and/or its affiliates are investors in the Funds.

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

**A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.**

The investment objective of the Clients is to achieve superior risk-adjusted absolute returns over a multi-year period. The Clients’ focus is on equities in the technology, media and telecommunications (“TMT”) sectors of the global economy. We believe that these sectors traditionally see rapid adoption of disruptive new technology, creating an ongoing cycle of change, which often leads to large new product cycles and opportunities for well positioned companies. We believe that our deep sector expertise and proprietary in-depth research help us to identify such companies and build a portfolio accordingly. The Clients hold long positions for a year or longer and we take short positions on a tactical, as opposed to hedging, basis.

Each of the Feeder Funds invests all or substantially all of its investable assets through the Master Fund, and conducts all or substantially all of its investment and trading activities indirectly through its investment in the Master Fund.

We invest the Clients' assets in the common stocks of companies in the 'TMT' sectors globally, with a focus on mid-cap and larger names traded in the U.S. We base our investment strategy on three fundamental principles:

*Fundamental Research.* We seek to be an expert in the 'TMT' sectors of the global economy. In researching a target company, we gather data from three important sources: public company management, competitors (both public and private companies) and the IT community that buys the target company's product. This data then is synthesized and quantified into a proprietary financial model that drives the portfolio decision-making process. Our investments, both long and short, are based on this proven and repeatable process.

*Long-Term Outlook.* Identifying long-term product cycles creates the opportunity to buy and hold well-positioned companies with good management teams over multiple year periods. We believe that utilizing an investment horizon of more than twelve months increases the tax efficiency of the Clients and raises the quality of the long portfolio, thus enhancing performance on a pre-tax basis.

*Tactical Shorting.* We view shorting as an opportunity to enhance the returns of the Clients, rather than to hedge the positions and/or manage net exposures. We believe that our in-depth research, sector expertise and investing experience gives us early insights into changing fundamentals in the volatile TMT sector. Given the high failure rate of companies in the TMT sector, we believe that there will be attractive shorting opportunities for the Clients. Short candidates include poorly positioned companies as well as high-growth stocks where we believe fundamentals are inflecting downward.

**B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

## **Risk Factors**

Investing in securities involves risk of loss that Clients should be prepared to bear. No investment is free of risk. Prospective investors are cautioned that investments in securities involve risk of loss, including the possibility of a complete loss of the amount invested, and that they should be prepared to bear these risks. More specifically, an investment in the Funds and Managed Account involves substantial risks, including, but not limited to, those described below. There can be no assurance that the Funds' investment objectives will be achieved or that there will be any return of capital, and investment results may vary substantially on a monthly, quarterly or annual basis. The Funds are a

potentially suitable investment only for sophisticated investors for whom an investment in the Funds does not represent a complete investment program and who, in consultation with their own investment and tax advisors, fully understand and are capable of assuming the risks of an investment. Because this is not an exhaustive list of all of the risks associated with the conduct of our investment advisory business, Clients should read this brochure, any investment advisory agreement and any offering documents of the particular Fund or Separate Account before making an investment with us.

*Investment Judgment.* The profitability of a significant portion of the Funds' investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that we will be able to predict accurately these price movements.

*Reliance on AO and the Principal.* AO has exclusive responsibility for the Funds' trading activities. The success of AO's trading will, to a large degree, be dependent upon the Principal, who will make all trading decisions with respect to the Funds' investments. The quality of the investment advice provided by AO is highly dependent upon the skills and abilities of the Principal. The loss of the services of the Principal could adversely affect AO's ability to trade effectively.

*Limited Control by the Investors.* The investors will have very limited authority to make decisions or to participate in the management of or exercise business discretion with respect to the Funds. The authority to make all business decisions is delegated to the General Partner and AO. Accordingly, no investor should invest in the Funds unless it is willing to entrust all aspects of the management of the Funds to the General Partner and AO. The operations of the Funds are substantially dependent upon the skill, judgment, and expertise of the Principal.

*Risk of Global Investing.* The Funds are permitted to invest their assets in non-U.S. securities and other financial instruments denominated in non-U.S. currencies. Investments in securities of non-U.S. issuers and securities denominated in non-U.S. currencies pose currency exchange risks to the extent not hedged. In addition, foreign securities regulators may exercise less regulatory supervision than those in the U.S., and foreign governments may afford less legal protection to the Funds as an investor. In addition, Fund investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies.

*Diversification Risk.* The Funds may hold a limited number of positions (both long and short) at any given time. As a result of the Funds' lack of diversification, a significant loss in any one position can have a material adverse effect on the net asset value of the Funds and the Funds' rate of return. Diversification of Funds' assets among different industries is not a primary goal of the Funds. Therefore, any fluctuation in the overall value of securities in industries such as retailing, media, casino, communications and energy likely will have a material adverse effect on the performance of the Funds.

*Litigation Risk.* Distressed companies such as those in which the Funds occasionally invest may be subject to litigation, including bankruptcy litigation, shareholder derivative suits and creditor suits.

*Liquidity of Investments.* The Funds are permitted to acquire illiquid investments, which are often difficult to dispose of quickly. In addition, investments that were once liquid may become illiquid, making it difficult to acquire or dispose of them at the prices quoted on the various exchanges. In that event, the Funds' ability to respond to market movements may be impaired and the Funds may experience adverse price movements upon liquidation of its investments. AO expects that, from time to time, illiquid or thinly traded investments may comprise a substantial portion of the Funds' portfolio.

*Leverage; Interest Rates; Margin.* We borrow funds from brokerage firms and banks on behalf of the Funds in order to be able to increase the amount of capital available for marketable securities investments. The rates at which the Funds can borrow, in particular, will affect the operating results of the Funds. Even if the Funds make a profit on a trade, the interest expense incurred in carrying the position may exceed the profit generated by the trade. The Funds' use of short-term borrowings or repurchase agreements will result in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds' margin accounts or repurchase obligation decline in value, the Funds could be subject to a "margin call," pursuant to which the Funds must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to pay off their margin debt.

*Dependence on Occurrence of Events.* The ability to realize a profit on certain of the Funds' investments may be dependent upon the occurrence of certain events, for example, the bankruptcy, sale or successful reorganization of a company. If the event that we are expecting to occur does not occur, the Funds may sustain a significant loss.

*Institutional Risks; Counterparty Risk.* Institutions will have custody of the assets of the Funds. Certain assets of the Funds will be exposed to the credit risk of the dealers, brokers and exchanges through which we deal, whether we engage in exchange-traded or off-exchange transactions. These firms and/or financial institutions, regardless of how large or well-capitalized, may encounter financial difficulties that impair the operating capabilities or the capital position of the Funds. If any broker-dealer or other financial institution holding the Funds' assets were to become bankrupt or insolvent, it is possible that the Funds would be able to recover only a portion, or in certain circumstances, none of their assets held by such bankrupt or insolvent entity.

Brokers may trade with an exchange as principals on behalf of the Funds, in a "debtor-creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to all of the assets of the Funds (for example, the transactions that the broker has entered into on behalf of the Funds as principal as well as the margin payments that the Funds provide). In the event of such broker's insolvency, the transactions into which the broker has entered as principal could default, and the Funds' assets could become part of the insolvent broker's estate, to the detriment of the Funds. The Funds'

assets may be held in “street name,” in which case, a default by the broker could cause the Funds’ rights to be limited to that of an unsecured creditor.

To the extent that the Funds invest in swaps, derivative or synthetic instruments, or other over-the-counter transactions, including forward contracts, or, in certain circumstances, non-U.S. securities, the Funds may also take a credit risk with respect to the parties with whom they trade and may bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

*Changes in Investment Strategy.* We have considerable discretion in choosing the securities acquired and have the right to modify the investment strategy, selection criteria or hedging techniques used by the Funds without the consent of their investors. Any of these new investment techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings, which could result in unsuccessful investments and, ultimately, losses to the Funds. In addition, any new investment strategy or hedging technique developed may be more speculative than earlier techniques and may increase the risk of an investment in the Funds.

*Business Continuity and Disaster Recovery.* The Clients and their portfolio companies’ business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods, hurricanes and earthquakes), terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolonged power outages. Although the General Partner, AO and/or their affiliates have implemented various measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. If such business operations are disrupted or suspended for extended periods of time, the Funds may be adversely affected.

*Cyber Security Breaches and Identity Theft.* The General Partner, AO, their affiliates, Funds and their service providers’ information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, other security breaches and/or usage errors by their respective professionals. Although the General Partner, AO and/or their affiliates have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the General Partner, AO, their affiliates, one or more of the Funds, their service providers and/or their portfolio companies may have to make a significant investment to fix or replace them. The failure of these systems for any reason could cause significant interruptions in such parties’ operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the reputation of the General Partner, AO, their affiliates, and the Funds, subject any such entity and their respective affiliates to legal claims

and/or otherwise affect their business and financial performance. Specifically, cyber attacks and the failure of such systems may interfere with the processing of investor subscriptions or withdrawals, impact the Funds' ability to value its assets, cause the release of confidential information of the Funds, and/or subject the Funds to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. The Funds also may incur substantial costs for cyber-security risk management to prevent any cyber incidents in the future. The Funds and the investors could be negatively impacted as a result.

## **Conflicts of Interest**

*Allocation of Investment Opportunities.* AO may in the future manage other investment funds and/or managed accounts with similar or dissimilar investment strategies as those of the Funds and current Managed Account, creating the potential for conflicts of interest between its Clients, including with respect to the allocation of investment opportunities and management time, services and functions. It is expected that if AO manages other investment funds and/or managed accounts that employ investment programs that are similar to that of Clients, appropriate investment opportunities will generally be allocated among the Funds and/or Managed Account pro rata with respect to their net asset values.

AO may allocate investment opportunities among one or more Clients in any manner that it in its sole and absolute discretion determines to be necessary, desirable or appropriate; provided, however, such allocations shall be made in a manner that is fair and equitable to each account and in a manner consistent with AO's fiduciary obligations as an SEC-registered investment adviser. It is possible that one or more investment opportunities otherwise suitable for a Fund may be allocated in whole or in part to other managed accounts and/or pooled investment vehicles managed by the Firm or its affiliates.

The Principal, the investment team and other employees, officers, directors, or members of the General Partner and AO are not obligated to devote their full time to the Clients, but will devote such time as the Principal, the General Partner and AO, in their respective sole discretion, deem necessary to carry out the operations of the Clients effectively.

*Provision of Services by Affiliates.* The Funds have entered into an agreement with AO, which is an affiliate of the General Partner, to obtain certain investment advisory, administrative and other services in exchange for the payment of the Management Fee. The terms of the agreement were not negotiated at arm's length; however, the General Partner believes that the terms of such agreement are fair to the Funds.

*Industry Relationships.* As with many other private funds, as part of AO's business, the Principal, AO and its employees have developed relationships with third parties which have the potential to raise conflicts of interest. Such third parties include broker-dealers, sell-side analysts, buy-side analysts, lenders, consultants, expert network professionals, professional advisors (such as attorneys and accountants) and former employees of AO. Certain of these third parties will, on occasion: (i)



introduce investment opportunities to AO; (ii) arrange for, or facilitate the financing of, current and potential portfolio securities; (iii) provide industry information or security-specific information; or (iv) provide consulting, legal or advisory services to AO or the Funds. Such third parties also provide goods or services to or have business, personal, political, financial or other relationships with the Principal. In addition, such third parties are sometimes investors in the Funds or provide other significant business or investment services to AO or the Funds. These relationships have the potential to influence AO in deciding whether to select or recommend any such third party to perform services for the Funds. The cost of any services provided by such third parties will generally be borne by the Funds.

To the extent that the Managed Account pursues investment objectives similar to those described above in respect of the Funds, an investment in such Managed Account will involve risks and conflicts of interest similar to those described above.

**C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.**

*Equity Securities.* The Master Fund invests in equity securities and expects to hold both long and short positions in such securities. Such investments will be subordinate to the claims of an issuer's creditors and, to the extent such securities are common securities, preferred stockholders. Dividends customarily paid to equity holders can be suspended or cancelled at any time. For the foregoing reasons, investments in equity securities can be highly speculative and carry a substantial risk of loss of principal. The Master Fund is permitted to invest in the registered and listed securities of U.S. companies, in unregistered securities that are privately offered, and in securities and other instruments of foreign corporations and foreign countries.

*"New Issue" Trading.* The Master Fund is permitted to engage in "new issues" trading. Investing in "new issues" poses unique risks arising out of their transient illiquidity, lack of trading history and concentration of ownership. In the event that the Master Fund elects to trade "new issues," investors and/or shareholders of a Fund that are "restricted persons" or "covered persons" under applicable rules of the Financial Industry Regulatory Authority (FINRA) may not be permitted to participate or participate fully in the returns generated by those trades.

*Hedging.* The Funds engage in a variety of hedging transactions. Hedges can be more difficult to implement than many other types of transactions, and the possibilities for errors can be greater than for other transactions.

*Options.* A Fund is permitted to engage in the trading of options. Such trading involves risks substantially similar to those involved in trading margined securities in that options are speculative and highly leveraged. Specific market movements of the securities underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference

between the premium received for the option and the price of the security underlying the option which the writer must purchase or deliver upon exercise of the option.

*Derivative Instruments.* The Funds could potentially create leverage via the use of instruments such as options and other derivative instruments. The value of a derivative depends largely upon price movements in the underlying asset; hence many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. In addition, there are a number of other risks associated with derivatives trading, such as increased exposure for the Funds, exposure to liquidity risks and counterparty risks. The Funds may invest in options, which can provide a greater potential for profit or loss than an equivalent investment in the underlying asset and may involve different risks than investing in directly in the underlying asset.

*Short Sales.* Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

In addition, short sellers are subject to the risk of a “short squeeze.” A short squeeze is a situation in which the short seller is prematurely forced out of a short position. The lender of a security used to cover a short generally has the right to demand the return of the security that has been loaned at any time. If a lender were to demand the return of securities that the Funds had borrowed, the Funds would be required to replace the borrowed securities by borrowing identical securities from another lender. If the Funds were unable to replace the borrowed securities, they would be required to close out the short sale by buying identical securities in the market in order to make delivery. In such event, the Funds could incur significant losses if the securities sold short had increased in value.

Although the Funds do not anticipate using borrowed money frequently, the Funds also could be forced to close out a short sale prematurely as a result of an increase in margin requirements, coupled with an inability to provide the required additional margin on short notice.

In addition, overall declines in market prices have increased short-selling activity and consequently increased the demand for borrowed securities. At the same time, a decrease in the federal tax rate applicable to certain stock dividends, which decrease is inapplicable to comparable payments made to individuals whose stocks are on loan to short sellers when such dividends are paid, is expected to decrease the supply of securities available for borrowing by short sellers. This increase in demand coupled with a decrease in supply can be expected to increase the cost of employing short sale strategies.

*Small Capitalization Companies.* The Funds may invest a substantial portion of their assets in the stocks of companies with small market capitalizations (any company with an equity market capitalization of \$2.5 billion or less). Such stocks involve higher risks in some respects than do investments in stocks of larger companies. The prices of small capitalization and even medium-capitalization stocks are often more volatile than prices of large capitalization stocks and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to long investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be illiquid. The small market capitalization stocks have, at times, significantly underperformed the large capitalization stocks and may do so in the future. A related concern for short sale risk is that smaller companies tend to be more readily acquired.

*Securities of Sub-Investment Grade Companies.* Special risks may arise if the Funds invests in the securities of sub-investment grade and highly leveraged companies. Although such investments may result in significant returns to the Funds, they involve a substantial degree of risk. If the “natural leverage” created by a company’s high level of borrowing should work against a Fund’s short position, the Fund’s losses would be heightened. Although the Funds may not do so frequently, should the Funds purchase distressed and/or non-performing debt securities, and subsequent to purchasing them find that they are no longer readily traded by broker-dealers, these securities may not show any return for a considerable period of time. Many distressed and/or non-performing securities ordinarily remain unpaid while the company is in bankruptcy and may not ultimately be paid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. As a result, if they are no longer readily traded by broker-dealers, such securities may have to be held for an extended period of time. There is no assurance that AO will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Fund invests, the Funds may lose its entire investment. Under such circumstances, the returns generated from the Funds’ investments may not compensate the investors adequately for the risks assumed.

## **Item 9 – Disciplinary Information**

**If there are legal or disciplinary events that are material to a client’s or prospective client’s evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.**

Like other registered investment advisers, AO is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor’s evaluation of AO or the integrity of AO’s management. There have been no legal or disciplinary events that would be material to our Clients’ or our prospective Clients’ evaluation of our advisory business or the integrity of our management.

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

**A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.**

Neither we nor any of our management personnel: (i) are registered as broker-dealers; or (ii) have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

**B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities, disclose this fact.**

Neither we nor any of our management personnel: (i) are registered as a futures commission merchant, commodity pool operator, commodity trading adviser or an associated person of the foregoing; or (ii) have any application pending to register with respect to any of the foregoing.

**C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.**

1. Broker-dealer, municipal securities dealer, or government securities dealer or broker
2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
3. Other investment adviser or financial planner
4. Futures commission merchant, commodity pool operator, or commodity trading adviser
5. Banking or thrift institution
6. Accountant or accounting firm
7. Lawyer or law firm
8. Insurance company or agency
9. Pension consultant
10. Real estate broker or dealer
11. Sponsor or syndicator of limited partnerships.

AO has no arrangements with a related person who is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company, other investment adviser or financial planner, futures commission merchant, commodity pool operator, commodity trading adviser,

banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships that are material to its advisory business or to the Funds or its investors. AO has and will continue to develop relationships with professionals who provide services it does not provide, including legal, accounting, banking, investment banking, tax preparation, insurance brokerage and other personal services. Additionally, some of these professionals are investors in the Clients, either personally or through their company.

As mentioned above in Item 4, AO is affiliated with the Funds' General Partner which is deemed registered with the SEC under the Advisers Act pursuant to AO's registration with the SEC. The General Partner together with AO operates as a single advisory business subject.

From time to time, AO receives training, information, promotional material, meals, gifts or prize drawings from vendors and others with whom we do business or to whom we make referrals. At no time will we accept any benefits, gifts or other arrangements that are conditioned on directing individual Client transactions to a specific security, product or provider. Similarly, AO employees and/or its affiliates on occasion speak at conferences and programs for potential investors interested in investing in hedge funds that are sponsored by the Master Fund's prime brokers and other broker-dealers. Through such capital introduction events, prospective investors have the opportunity to meet with AO. Neither AO nor any Fund compensates the prime brokers or broker-dealers for organizing such events or for investments ultimately made by prospective investors attending such events.

**D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.**

We do not recommend or select other investment advisers for our Clients.

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

**A. If you are an SEC-registered adviser, briefly describe your Code of Ethics adopted pursuant to SEC Rule 204A-1 or similar state rules. Explain that you will provide a copy of your Code of Ethics to any client or prospective client upon request.**

### **Code of Ethics**

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics that is based on principles of openness, honesty, integrity and trust and on the principle that we, and each of our personnel, owe a fiduciary duty to our Clients and a duty to comply with federal and state securities laws and all other applicable laws. The Code of Ethics sets forth the standards of conduct

expected of supervised persons and addresses personal trading and reporting of personal securities transactions, gifts and entertainment and outside business activities, among other topics. The Code of Ethics also includes a prohibition on insider trading and outlines strict policies that dictate how any such information is treated.

Employees of AO who violate the Code of Ethics will be subject to remedial actions, including, but not limited to, censure, suspension or dismissal. Employees are also required to promptly report any violations of the Code of Ethics of which they become aware.

We will provide a copy of our Code of Ethics, free of charge, to any investor or prospective investor upon request. Our Code of Ethics may be requested by contacting our Chief Compliance Officer, Michael Neiberg, at (212) 554-3112 or michael@aoasset.com.

**B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

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

AO and certain employees and affiliates of AO invest in and alongside the Funds, either through the General Partner, as direct investors in the Funds, or otherwise. A Fund or the General Partner, as applicable, generally exempts such person from all or a portion of the management fee or incentive allocation. For further details regarding these arrangements, as well as conflicts of interest presented by such arrangements, please see Items 5 and 6 above.

AO does not affect any principal securities transactions for Client accounts without the appropriate approval. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, knowingly buys from or sells any security to any advisory client. This also applies to any affiliates or controlling persons of the adviser (i.e., an owner, employee or affiliate of the adviser). The SEC also views cross trades between clients to be principal transactions if the adviser (and/or its affiliates, owners, or controlling persons) own, in the aggregate, 25% or more of either client. Agency cross transactions occur when an adviser or an affiliate arranges a transaction (i.e., acts as a “broker”) between two or more different funds or accounts that are managed by that same adviser or affiliate. Agency cross transactions can arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. An adviser is not “acting as a broker” if the adviser receives no compensation (other than the advisory fee earned in the ordinary course of managing the asset) for effecting the transaction and therefore is not considered to be conducting an agency cross transaction under Section 206(3)

From time to time, AO and its affiliates affect securities trades (including outright purchases and sales) between Clients. Any cross trading transactions conducted between the Funds and AO’s other Clients or affiliates will be made at the then market rate for similar transactions between unrelated parties and

only where an independent pricing mechanism (such as the last sales price on the exchange where the security is principally traded) is available. Transactions between Clients are effected for no consideration other than cash payment against prompt delivery of the relevant security or other instrument, at current market prices.

### **Conflicts of Interest**

In addition to the conflict of interest arising from trading by AO or its Principal or employees for their own accounts as discussed below, and conflicts relating to AO's receipt of performance-based compensation, which is discussed in Item 6 above, Clients or investors in the Funds are subject to additional conflicts of interest. The offering documents for each Fund details a complete description of what we believe to be the most significant conflicts of interest associated with an investment in a Fund. Investors should carefully consider the conflicts of interest described herein, as well as those outlined in the Feeder Funds' offering documents, prior to investing in a Fund.

If any matter arises that AO determines in its good faith constitutes an actual conflict of interest, AO will take such actions as necessary or appropriate, within the context of the applicable Funds' governing documents, to ameliorate the conflict.

The Firm, which is responsible for the investment decisions made on behalf of the Funds, may in the future be responsible directly or indirectly for investment decisions made on behalf of other investment vehicles and individual managed accounts. The Firm may take action with respect to the Funds that differs from that taken with respect to other pooled investment vehicles and the Managed Account currently advised by the Firm. We or our affiliates may give advice and recommend securities to certain Clients that may differ from advice given to, or securities recommended to, or bought or sold for, other Clients, even though their investment programs may be the same or similar. To the extent a particular investment is suitable for both a Fund and another Client, such investment will be allocated between the applicable Funds and such other Clients pro rata based on assets under management or in some other manner which the Firm determines is fair and equitable under the circumstances to all Clients.

The fact that the General Partner and AO's Principal and employees have financial ownership interests in the Funds creates a potential conflict in that it could cause AO to make different investment decisions than if such parties did not have such financial ownership interests. AO may have an incentive to favor accounts in which such persons have an interest with respect to trading opportunities, trade allocation and allocation of investment opportunities.

AO recommends that certain of its Clients invest a portion of their investable assets in other Clients, typically in connection with a master feeder fund structure. Such arrangements are described in the offering memoranda or other governing documents of the Feeder Funds.

**C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.**

### **Personal Trading**

We believe restricting our personnel's personal trading is one way of avoiding conflicts of interest between our Clients and our personnel. AO's employees are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information regarding publicly traded securities or communicating material non-public information about such securities to others. We have adopted rules intended to detect and prevent conflicts of interest that arise when our related persons own, buy or sell securities. Our Code of Ethics requires AO employees to place the interests of Clients first, and on an annual basis, each AO employee must certify that he or she has read and understands the Code of Ethics and has complied with its provisions. Each principal and employee of AO is required to adhere to AO's personal trading rules. These rules require, except with respect to certain exempted transactions, that AO's Principal and employees obtain prior written consent from AO's Chief Compliance Officer or his designee before effecting any securities transaction for their own accounts. The Chief Compliance Officer generally will not approve a transaction in an individual security except in narrow circumstances, such as the sale of pre-existing positions after an employee begins employment with us. The Principal and employees must furnish to AO's Chief Compliance Officer or his designee duplicate copies of their brokerage statements and/or a quarterly and annual holdings report.

**D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

Our Code of Ethics requires pre-approval for all employee securities transactions, thus an employee wishing to purchase or sell a security for his or her own account at or about the same time that the Firm was also buying or selling the same securities for Client accounts would be required seek pre-approval from the Chief Compliance Officer for such transaction.

### **Item 12 – Brokerage Practices**

**A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).**

- 1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with**



**client securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.**

Pursuant to each Client’s investment advisory agreement, or other similar agreement, we are generally authorized to select the broker or dealer to effect transactions on behalf of our Clients. However, our selection of the broker or dealer is permitted to be tailored to a particular Client’s investment guidelines or restrictions, where appropriate. Accordingly, portfolio transactions will be allocated to brokers based on best execution and in consideration of such broker’s provision or payment of the costs of research and other services as determined in our judgment.

Consistent with our fiduciary duty to Clients, we have an obligation to seek the best price and execution of Client securities transactions when we are in a position to direct brokerage transactions. While not defined by statute or regulation, “best execution” generally means the execution of Client trades at the best net price considering all relevant circumstances.

We typically place trades for execution only with approved brokers or dealers. In selecting brokers to effect transactions for the Funds, we consider the following factors, among others: (i) our experience in evaluating the broker-dealer’s reliability and capability based on previous and pending transactions effected by the broker-dealer for AO; (ii) a broker’s execution capabilities with respect to the relevant type of order and access to the markets for the securities being traded; (iii) the strength of the broker-dealer’s research and analytic services as well as clearing and settlement capabilities; (iv) the commissions charged; (v) the broker’s reputation and responsiveness to requests for trade data and other financial information; (vi) the amount of business with each broker-dealer and the justification for directing trades to those broker-dealers, such as the quality of research provided by the broker-dealer; (vii) the gross compensation paid to each broker-dealer and the transaction costs incurred; (viii) the broker-dealer’s familiarity both with the investment practices generally and the techniques employed by AO; (ix) statistics or other information by independent consultants on the relative quality of executions/financial services of each broker-dealer; (x) the financial strength and stability of each broker-dealer; (xi) the broker-dealer’s ability to respond promptly to inquiries during volatile markets; (xii) the value of privacy considerations, liquidity, price improvement and lower commission rates on electronic communications; (xiii) the broker-dealer’s expertise in the particular markets and its general reputation and ability to execute an order in an appropriate time frame; (xiv) and access to the brokerage firm’s securities analysts in related areas that provide us with assistance in our investment decision-making process. We are not obligated to seek the lowest transaction charge, except to the extent that it contributes to the overall goal of obtaining the best execution for Clients. It is possible that a higher transaction charge on exchange and over-the-counter trades will be determined reasonable in light of the value of the brokerage execution and research products and services provided to us for the benefit of our Clients.

The Funds’ securities transactions generate brokerage commissions and other compensation, all of which the Funds, not AO, will be obligated to pay. AO has complete discretion in deciding what brokers and dealers the Funds will use and in negotiating the rates of compensation the Funds will

pay. In addition to using brokers as “agents” and paying commissions, the Funds at times buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns, and also at times buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers. Any sales charges payable to an agent in connection with the purchase of interests if applicable, is fully disclosed to the relevant investors. More information on our prime brokers and custodians is available in our Form ADV Part 1, Schedule D, Item 7.B(1). The Managed Account Client is involved in the selection of brokers used for its account.

The Principal and the Chief Compliance Officer are responsible for due diligence on best execution, including ensuring that we meet our best execution obligations, updating our best execution procedures whenever appropriate and considering any other best execution issues identified. The Principal and the Chief Compliance Officer generally meet on a quarterly basis to review the approved broker list and to review for best execution.

Our policy is to only use “soft” or commission dollars to the extent that such expenses fall within Section 28(e) of the Securities Exchange Act of 1934, as amended (“Section 28(e)"). Section 28(e) provides a “safe harbor” to investment managers that use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the Firm in performing investment decision-making responsibilities. Conduct outside of the safe harbor afforded by Section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. Items for which we may use soft dollars, and that fall within the safe harbor, include, but are not limited to: (i) advice as to the value of securities and the advisability of investing, purchasing or selling securities; (ii) analysis and reports concerning issuers, securities, economic factors and trends, portfolio strategy and performance of accounts; (iii) research reports analyzing the performance of a particular company or stock; (iv) discussions with research analysts relating to the advisability of investing in securities; (v) meetings with corporate executives to obtain oral reports on the performance of a company; (vi) seminars or conferences that provide substantive content relating to issuers, industries and securities; (vii) software that provides analyses of securities portfolios or algorithmic trading strategies or is used to transmit orders or account data; (viii) corporate governance research if reporting or analyzing issuers; (ix) financial newsletters and trade journals that are not targeted to a wide, public audience; (x) effecting securities transactions and performing functions incidental to such transactions, such as clearance, settlement, net pricing, online pricing, block trading, block positioning; or (xi) post-trade communications and activities, including settlement instructions to custodians, matching of information and short-term custody.

We may from time to time enter into formal or informal arrangements with certain brokers (“Soft Dollar Brokers”) whereby the provision of research or brokerage execution services is explicitly dependent on the level of commissions and underwriting concessions generated by the Clients. Using a broker who provides us with research or other “soft-dollar” benefits may cause Clients to pay commissions higher than the commissions charged by broker-dealers who do not so provide.

In addition, we have entered into client commission arrangements (“CCAs”) with certain brokers and may enter into additional CCAs with other brokers in the future. Under the CCAs, a portion of the commissions charged by the brokers is allocated to an account (each, a “CCA Account”) that is available to pay for eligible third-party research selected by us. Since commission rates in the United States are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates at times results in higher transaction costs than would otherwise be obtainable. The availability of these non-monetary benefits could influence AO to select one broker rather than another to perform services for our Clients.

Research services received from Soft Dollar Brokers will be used to supplement and augment our own research capabilities, and will directly assist us in our investment decision-making process. Section 28(e) permits products and services obtained by soft dollars to be used for any or all of our Clients. Accordingly, the Clients that provide the brokerage transaction charges for which such products and services are provided or that engage in the securities transactions generating such charges do not necessarily receive the direct benefit of specific services. Instead, we may receive a benefit because we do not have to produce or pay for the research, products or services ourselves. Therefore, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our Clients’ interest in receiving most favorable execution. In selecting Soft Dollar Brokers to initiate soft dollar transactions, we will consider the capabilities of the Soft Dollar Broker to provide best execution.

All products and services that are paid for with Client transaction charges will be of the type authorized by Section 28(e). Any “mixed-use” services that are used for both research and non-research purposes (e.g., trade analytical software that is used for administrative services) are allocated appropriately, with documentation to support such allocation decisions. All products and services that are paid for with soft dollars are reviewed and approved to ensure the product or service provides lawful and appropriate assistance in the performance of our investment decision-making activities. In addition, a determination is made that the amount of the commissions paid is reasonable in light of the value of the products or services provided.

**2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.**

AO recognizes that it may have an incentive to favor broker-dealers that provide capital introduction services to AO or refer investors. AO receives asset-based fees and accordingly would receive a financial benefit from the increase in assets under management that result from capital introduction services and investor referrals. Similarly, AO receives an incentive fee and accordingly could receive a larger incentive fee in any given profit period as a result of an increase in assets under management that results from capital introduction services and investor referrals. The potential for higher fees presents a potential conflict in that hawse have an incentive to favor broker-dealers that provide

services that have a direct impact on fees even if those broker-dealers rate unfavorably in other categories.

We address this potential conflict by periodically reviewing our broker-dealer arrangements and evaluating each broker-dealer's performance in a variety of categories. Such reviews are expected to enable AO to determine when broker-dealers that outperform in capital introduction and investor referrals also underperform in other areas. In such situations, AO may provide heightened scrutiny to its relationship with such a broker-dealer.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. It is possible that actual brokerage business received by any broker will be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above. A broker is not excluded from receiving business because it has not been identified as providing research services.

### **3. Directed Brokerage.**

We do not permit any directed brokerage arrangements on behalf of the Funds but do allow the Managed Account Client to select its own broker-dealer or custodian.

**B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.**

We aggregate the orders of our Clients for trade execution and thereafter allocate the securities on an average price basis to such Clients. More specifically, each Client that participates in an aggregated order will participate at the average share price for all of our transactions in that security or other instrument on a given business day and transaction costs will be shared pro rata based on each Client's participation in the transaction. No Client will be favored over any other Client as a result of such aggregation. Brokerage commission rates will not be reduced because of such aggregation. In some instances, average pricing may result in higher or lower execution prices than otherwise obtainable by a single Client.

## **Item 13 – Review of Accounts**

**A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.**

Our Principal and investment professionals review the portfolios of our Clients to consider whether a portfolio should change investments based on various factors, including but not limited to, changes in company fundamentals, advisers, key industry personnel, analysts, news and press releases, general market conditions and assessment of the financial consequences of world events derived from general

information or such other material as is appropriate under the particular circumstances. Michael Neiberg, our Chief Compliance Officer, conducts periodic reviews of the portfolios to determine if they are consistent with applicable investment objectives and restrictions. Mr. Neiberg also reviews records of Client accounts to ensure that AO is trading in conformity with all applicable guidelines as established by such Client.

In addition, Mr. Neiberg reviews records of trades placed for the Funds and Managed Account on a regular basis. The portfolio accounts are also reviewed on a regular basis by AO's third party administrator, JPMorgan Hedge Fund Services, to price the portfolio based on independent third party pricing sources or methodologies approved by AO. The third party administrator also ensures that our records are in agreement with those of our custodians.

**B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.**

Client reviews on an other-than-periodic basis would occur in the event of performance anomalies and market volatility.

**C. Describe the content and indicate the frequency of regular reports you provide to Clients regarding their accounts. State whether these reports are written.**

AO provides to its Fund investors the following written reports: (i) annually, within 120 days after the end of the fiscal year, an audited financial statement prepared in accordance with United States generally accepted accounting principles ("GAAP") as promulgated by the Financial Accounting Standards Board ("FASB"), accompanied by the report of the independent certified public accounting firm; (ii) unaudited monthly statements regarding estimates of net asset value corresponding to each investor's investment; (iii) annual tax information necessary for completion of the tax return (K-1); and (iv) a quarterly newsletter prepared by AO's Principal, Mr. Romano. All reports are sent to investors in writing and are delivered electronically by the Firm's third party administrator. Investors in the Managed Account will receive reports as specified in the investment advisory agreements relating to such Managed Account.

Upon request, certain investors may receive additional information and reporting that other investors may not receive, and such information may affect an investor's decision to request a withdrawal or redemption from its account.

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

**A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of**

**interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

We do not receive any monetary compensation or any other economic benefit from a non-Client for our provision of investment advisory services to a Client.

**B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.**

As of the date of this brochure, we do not have any arrangement with a third party whereby we directly or indirectly compensate such person for Client or investor referrals.

As mentioned above in Items 10 and 12, from time to time, AO personnel speak at conferences and programs for potential investors interested in investing in hedge funds which are sponsored by the Fund's prime brokers or other broker-dealers. Through such capital introduction events, prospective investors have the opportunity to meet with AO and its employees. Neither AO nor the Funds compensate the prime brokers or broker-dealers for organizing such events or for investments ultimately made by prospective investors attending such events.

## **Item 15 – Custody**

**If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.**

Rule 206(4) of the Advisers Act (the "Custody Rule") requires that pooled investment vehicles which AO advises either undergo a GAAP financial statement audit by an auditing firm registered with and subject to examination by the Public Company Accounting Oversight Board ("PCAOB") or be subject to a surprise custody examination also by a PCAOB registered auditing firm. By the General Partner's ability to deduct fees from investor accounts, AO is deemed to have custody over its Fund's assets. In order to comply with the Custody Rule, the AO Funds are audited annually by Ernst & Young, a PCAOB registered auditing firm, and AO delivers to the Funds and their respective limited partner investors a copy of the annual audited financial statements within 120 days of the fiscal year-end. Investors in the Funds should carefully review such financial statements.

We do not accept physical custody of Client money or securities; called capital is directly sent or wired to AO's custodial accounts that are listed in our Form ADV Part 1, Schedule D, Section 7.B.(1). We receive monthly statements from all of our custodians on behalf of the Funds.

We do not have custody of the Managed Account's assets.

## **Item 16 – Investment Discretion**

**If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

AO and its General Partner have discretionary authority based on the documents that govern each Fund to buy and sell securities or other investments on behalf of the Funds, and to determine the amount of such investments to be bought and sold. Investment advice is provided directly to the Funds, subject to the discretion and control of the General Partner, and not to investors in the Funds individually. Managed Account advice is provided as per the terms of the Managed Account's governing documents.

The terms upon which AO serves as an investment manager of a Fund and Managed Account are set out in the governing document entered into by AO with respect to the relevant Fund or Managed Account. Such governing documents generally contain a power of attorney that grants AO or its General Partner certain powers related to the orderly administration of the affairs of the Funds and in the case of the Managed Account, over the investment decisions made on behalf of trading in the Managed Account. Once an investor executes these documents, with limited exceptions such as certain conflicts of interest as discussed elsewhere in this brochure and in each Client's governing documents, AO is not required to contact an investor prior to transacting any business in such Fund or Managed Account. AO's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. AO's authority to trade securities on behalf of the Managed Account may also be limited by the Managed Account's specific trading parameters or restrictions.

An investor can seek to impose limitations on AO's authority through a side letter agreement and the Firm may choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed upon an investor's investment must be presented to AO in writing and agreed to by AO and such investor. Other investors are not provided with consent rights regarding such side letter agreements.

## **Item 17 – Voting Client Securities**

**A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you**

**voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.**

We have, and in the future will continue to accept, the authority to vote on matters regarding our Clients' securities. As such, we have adopted policies and corresponding procedures to comply with Rule 206(4)-6 of the Advisers Act and with our fiduciary obligations (such policies and procedures, the "Proxy Voting Policies").

We are committed to voting proxies in a manner consistent with the best interest of our Clients. We have retained the services of Broadridge Investors Communication Solutions, Inc. ("Broadridge"), a proxy service firm, to serve as our proxy voting administrator and to assist in proxy voting and proxy management, including the resolutions of any conflicts of interest. Broadridge provides us with research, proxy voting guidelines and proxy voting suggestions on a case-by-case basis, taking into account whether the proposed vote is likely to enhance the value of the Client's security. Broadridge provides us with specific guidelines based on jurisdiction and the respective proposal at issue.

There may be instances when we do not vote in accordance with Broadridge's recommendation due to the specific circumstances of the Client's Proxy in question. In addition, there may be instances when we refrain from voting a proxy, such as when we determine that the cost of voting the proxy exceeds the expected benefit to the Client and would not be in the Client's best interest. We cannot anticipate every situation, and certain issues are better handled on a case-by-case basis.

If at any time we become aware of a conflict of interest relating to a particular proxy proposal, we have established procedures which permit us to engage a third party to recommend a vote with respect to the proxy based on application of our Proxy Voting Policies. Alternatively, we are permitted to form a committee ("Conflict Committee") to address material conflicts of interest in voting Client proxies. The Conflict Committee is permitted to determine how to vote any proxy if we have a material conflict of interest in voting. Any such vote must be consistent with the best interest of the Client. In making the proxy voting determination, the Conflict Committee will take reasonable steps, under the circumstances, to attempt to insulate the proxy voting determination from the material conflict. We will keep required records regarding our proxy voting activities.

Clients may obtain a copy of our Proxy Voting Policies, and/or information regarding how a proxy was voted, by contacting our Chief Compliance Officer, Michael Neiberg, at (212) 554-3112 or [michael@aoasset.com](mailto:michael@aoasset.com).

**B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.**

Not applicable.



## **Item 18 – Financial Information**

**A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.**

We do not require prepayment or solicit more than \$1,200 in fees per Client six months or more in advance.

**B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.**

We have no financial condition that is reasonably likely to impair our ability to meet contractual and fiduciary commitments to our Clients or investors.

**C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.**

We have not been the subject of a bankruptcy petition at any time during the past ten years.