



# **AQR Capital Management, LLC**

## **Part 2A of Form ADV: Firm Brochure**

Two Greenwich Plaza  
Greenwich, CT 06830  
Tel: (203) 742-3600  
Fax: (203) 742-3100  
Website: [www.aqr.com](http://www.aqr.com)

March 30, 2021

This brochure ("Brochure") provides information about the qualifications and business practices of AQR Capital Management, LLC ("AQR" or the "Adviser"), an investment adviser registered with the United States Securities and Exchange Commission (the "SEC"). If you have any questions about the contents of this Brochure, please contact us at 203-742-3600 or [info@aqr.com](mailto:info@aqr.com). The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

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

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

PURSUANT TO AN EXEMPTION FROM THE COMMODITY FUTURES TRADING COMMISSION ("CFTC") IN CONNECTION WITH ACCOUNTS OF QUALIFIED ELIGIBLE PERSONS, THIS BROCHURE OR ACCOUNT DOCUMENT IS NOT REQUIRED TO BE, AND HAS NOT BEEN, FILED WITH THE CFTC. THE CFTC DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A TRADING PROGRAM OR UPON THE ADEQUACY OR ACCURACY OF COMMODITY TRADING ADVISOR DISCLOSURE. CONSEQUENTLY, THE CFTC HAS NOT REVIEWED OR APPROVED THIS TRADING PROGRAM OR THIS BROCHURE OR ACCOUNT DOCUMENT.



## **Item 2 – Material Changes**

There have been no material changes to this Brochure since its most recent update on March 30, 2020. The Adviser routinely makes updates throughout this Brochure to update its assets under management and enhance and clarify the description of its business practices, risks, compliance policies and procedures, as well as to respond to evolving industry best practices.



### Item 3 – Table of Contents

Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	6
Item 6 – Performance-Based Fees and Side-by-Side Management .....	9
Item 7 – Types of Clients .....	11
Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss .....	12
Item 9 – Disciplinary Information .....	26
Item 10 – Other Financial Industry Activities and Affiliations .....	27
Item 11 – Code of Ethics, Participation or Interests in Client Transactions and Personal Trading .....	29
Item 12 – Brokerage Practices .....	32
Item 13 – Review of Accounts .....	37
Item 14 – Client Referrals and Other Compensation .....	38
Item 15 – Custody .....	40
Item 16 – Investment Discretion .....	41
Item 17 – Voting Client Securities .....	42
Item 18 – Financial Information .....	43
Additional Information – Notice to Canadian Clients .....	44



## Item 4 – Advisory Business

### Overview

AQR is a global investment management firm, founded in 1998, that takes a systematic research-driven approach to managing alternative and traditional strategies. The Adviser commenced operations as an investment adviser in January 1998 and has been registered with the SEC since May 13, 1998.

AQR is wholly owned by AQR Capital Management Holdings, LLC (“AQR Holdings”). AQR Holdings’ majority owner is AQR Capital Management Group, L.P. (“AQR Group”). AQR Holdings’ minority owner is Affiliated Managers Group, Inc. (“AMG”)<sup>1</sup>, a publicly traded holding company. The general partner of AQR Group is AQR Capital Management Group GP, LLC. Clifford S. Asness is the principal owner of AQR through such intermediate entities. Clifford S. Asness, David G. Kabiller and John M. Liew are founding principals of AQR.

### Advisory Services

AQR specializes in quantitative investment analysis, which relies on proprietary models, utilizing a set of value, momentum, and other factors, to generate views on positions and applying them in a disciplined and systematic process. AQR provides investment advice to its Clients (as defined below) on a variety of securities and instruments in accordance with agreed upon investment objectives and strategies.<sup>2</sup> AQR implements its investment strategies through the following investment vehicles and portfolios.

***Mutual Funds.*** AQR provides advisory services to investment companies registered under the Investment Company Act of 1940, as amended (the “Company Act”)—commonly known as mutual funds (each a “Mutual Fund” and collectively, along with their wholly-owned and controlled foreign corporation subsidiaries, “Mutual Funds”)—sponsored by AQR (the “AQR Mutual Funds”), and Mutual Funds sponsored by advisers unaffiliated with AQR (“Sub-Advised Mutual Funds”). AQR is the adviser to the AQR Funds, which is an open-end registered investment company, organized as a Delaware statutory trust on September 4, 2008 and is comprised of multiple active series (each a “Series Fund” which, together with their controlled foreign corporation subsidiaries, comprise the AQR Mutual Funds).

***UCITS.*** AQR provides advisory or sub-advisory services to certain European collective investment schemes pursuant to the Undertakings for Collective Investment in Transferable Securities—commonly known as UCITS funds—sponsored by AQR (the AQR UCITS Funds and AQR UCITS Funds II, collectively, “AQR UCITS”), and UCITS funds sponsored by management companies unaffiliated with AQR (“Sub-Advised UCITS”).

***Sponsored Funds and Managed Accounts.*** AQR provides advisory services to United States, Cayman Islands, and Luxembourg-domiciled privately placed investment vehicles (“Private Funds”), collective investment trusts (“CITs”), and to Australian investment vehicles (“Australian Funds”, and collectively with CITs and Private Funds, “Sponsored Funds”), as well as to separately managed accounts (together with Sub-Advised Mutual Funds and Sub-Advised UCITS, “Managed Accounts”).

AQR Mutual Funds, AQR UCITS, Sponsored Funds and Managed Accounts shall be collectively referred to herein as “Clients”.<sup>3</sup>

<sup>1</sup> AMG holds other equity and financial interests in certain other investment advisers unaffiliated with AQR. AMG does not have a controlling interest in AQR Holdings or a role with respect to the day-to-day business of AQR and as such is not a control person. Please see Item 14 – Client Referrals and Other Compensation for more information on AMG.

<sup>2</sup> AQR has an ownership interest in CNH Partners, LLC (“CNH”), a Delaware limited liability company and SEC-registered investment adviser (SEC Number 801-60678). CNH provides discretionary investment management services, specializing in global merger arbitrage, global convertible arbitrage and other event driven strategies. CNH serves as sub-adviser to certain AQR Clients. CNH receives a portion of the fees paid to AQR when acting as a sub-adviser. At times, AQR markets interests of Private Funds sponsored by CNH. In addition, in certain circumstances, AQR directs Clients to invest in CNH-advised vehicles. For additional information regarding CNH, please see Item 10 – Other Financial Industry Activities and Affiliations below.

<sup>3</sup> AQR or persons affiliated with AQR, from time to time and as permitted by applicable law, create seed or incubator funds (“Seed Funds”) in order to develop one or more performance track records in new investment products and/or strategies before offering them to outside investors. Each Seed Fund is either a Series Fund or Private Fund, though from time to time are formed as other vehicle types such as AQR UCITS.



AQR provides advice to Clients based on specific investment objectives and strategies. Under certain circumstances, AQR tailors advisory services to the individual needs or requirements of a Client. For example, certain institutional investors impose restrictions on their Managed Accounts, such as prohibiting certain securities or certain types of securities, or controlling sector and industry concentrations in their portfolios.

AQR also provides non-discretionary model portfolio recommendations to unaffiliated model portfolio platforms or sponsors ("Model Platforms"). Such model portfolio recommendations employ the same or similar strategies utilized for AQR's discretionary Clients and include baskets or portfolios of individual securities (Unified Managed Accounts ("UMA")). In addition, AQR also participates in Model Platforms in which AQR provides model portfolios that allocate exclusively to a number of Series Funds (Fund Strategist Program ("FSP")). AQR is not responsible for determining the suitability of AQR's strategy for the underlying clients of the Model Platforms and AQR does not determine the timing or manner of execution with respect to any of the securities or investments related to a model portfolio. Clients receiving model portfolio recommendations, their overlay managers, Model Platforms or others retain investment discretion to utilize the model portfolio recommendations, and may deviate from AQR's recommendations.

### **Assets Under Management**

As of December 31, 2020, AQR had approximately \$139,735,600,000 in Client net assets under management<sup>4</sup> ("AUM"), all of which were managed on a discretionary basis.

Similarly, AQR or persons affiliated with AQR, from time to time and as permitted by applicable law, create proprietary reference funds ("Reference Funds") to implement certain model portfolio strategies. For the avoidance of doubt, the term Clients includes Seed Funds and Reference Funds. In addition, AQR also advises certain other Clients whose assets include or are comprised solely of those of persons affiliated with AQR.

<sup>4</sup> Includes assets sub-advised by CNH.



## Item 5 – Fees and Compensation

AQR is compensated through various fee structures, including asset-based fees and performance-based fees.<sup>5</sup> Asset-based fees are typically annual fixed fees based on AUM. A performance fee is based upon a percentage of the net profits of the account being managed. Typically, when calculating net profits, performance fees are based on absolute or benchmark-relative returns over an agreed upon time period and are subject to high water marks or loss carryforwards. As more fully described below, AQR either bills or deducts fees in advance or in arrears, according to the terms of the pertinent investment management agreement or other governing documentation. Under certain circumstances, fees are negotiable.

### AQR Mutual Funds

Advisory fees for the AQR Mutual Funds range up to 1.45% of AUM (generally including, but not limited to, cash balances and cash invested in money market funds, closed end funds, and ETFs). Additional operating expenses apply. With respect to a Series Fund that allocates to other Series Funds, AQR receives compensation for managing the Series Fund indirectly through advisory fees received from the underlying Series Funds. If AQR selects underlying Series Funds with higher advisory fees, then AQR will receive more compensation. Detailed information concerning the AQR Mutual Funds is contained in each Series Fund's prospectus, which can be downloaded from <https://funds.aqr.com>. Each Series Fund is distributed by ALPS Distributors, Inc.

### AQR UCITS

Advisory fees for the AQR UCITS range from 0.075% to 1.40% of AUM (generally including, but not limited to, cash balances and cash invested in money market funds, closed end funds, and ETFs). Additional operating expenses apply. Certain AQR UCITS also include a performance fee of up to 30% of net profits. AQR and its affiliates reserve the right to enter into written agreements with investors ("Side Letters") in AQR UCITS sub-funds to waive or modify the standard fee terms of such sub-fund in respect to a particular investor. More information about the AQR UCITS can be found at [www.aqrucits.com](http://www.aqrucits.com).

### Sponsored Funds

The basic fee schedule for Sponsored Funds includes an annual fixed fee (or, in certain cases, a tiered fee schedule) of up to 2.00% of AUM (generally including, but not limited to, cash balances and cash invested in money market funds, closed end funds, and ETFs), typically payable either monthly or quarterly in advance. Certain fee schedules also include a performance fee of up to 30% of net profits.<sup>6</sup> Additional operating expenses apply. Investors in certain Sponsored Funds may be subject to initial "lock-up" periods or gates with respect to withdrawals/redemptions and incur withdrawal/redemption fees, in accordance with the provisions of the applicable fund documentation.

AQR and its affiliates enter into Side Letters with investors in Sponsored Funds ("Subscribers") to waive or modify the standard terms of such Sponsored Fund in respect of a particular Subscriber. Certain Subscribers are not charged any management fees, are not charged any performance fees, are charged fees in arrears rather than in advance or have a differing fee structure because of their overall relationship with AQR or its affiliates or their investment approach. In particular, certain Subscribers in a Private Fund that are employees, business associates and other "friends and family" of AQR, its affiliates or their personnel will typically not pay management fees or other performance fees in connection with their investment in a Private Fund or may pay a reduced rate. Consequently, fees charged to certain Subscribers may deviate from the standard fees disclosed in a Sponsored Fund's offering documents.

For its Sponsored Funds, AQR has the absolute discretion, subject to its fiduciary duty, to agree with Subscribers, particularly with respect to those Subscribers who are large or strategic investors, to waive or modify the application of any provision of a Sponsored Fund agreement (including, but not limited to, those relating to liquidity, investment capacity, fees, and transparency). Moreover, with respect to such Subscribers, AQR remains subject to its fiduciary obligations, its duties under the Investment Advisers Act of 1940 ("Advisers Act") and any terms negotiated through

<sup>5</sup> Throughout this Brochure, the term "performance fee" means performance fee or performance allocation, as applicable.

<sup>6</sup> For the avoidance of doubt, no Client is charged a combination of the highest advisory and performance fees set forth herein.



Side Letters. In some instances, Side Letters grant such Subscribers materially favorable terms relating to, among other things, liquidity, investment capacity, economic rights, fees, information and reporting rights, co-investment rights, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, veto rights, transfer rights and transparency. In addition, AQR reserves the right to waive or rebate all or a portion of its management fees and/or performance fees with respect to a Subscriber. Prospective Subscribers and existing Subscribers should consider these possible conflicts of interest in making their decision to invest or remain invested in a Sponsored Fund, as certain Side Letters can result in favoring some Subscribers over others and affect a Subscriber's expectations as to future return and risk.

AQR has agreed to provide certain Subscribers enhanced disclosure with respect to specific security positions, risk information and/or portfolio characteristics of Sponsored Funds. Accordingly, not all Subscribers will have the same degree of access to the type and/or frequency of individual position listings in connection with Sponsored Funds in which they invest.

### **Managed Accounts**

Generally, advisory fees for Managed Accounts are based upon a percentage of AUM and vary depending upon the nature of the portfolio to be managed and the strategy employed (e.g., international equity, multi-strategy). Fees are based upon the fee methodology agreed to with each Managed Account. Managed Account advisory fees generally range up to 1.45% of AUM (generally including, but not limited to, cash balances and cash invested in money market funds, closed end funds, and ETFs), payable at the end of either the month or the quarter. AQR and the Managed Account may agree upon a performance fee of up to 30% of net profits in addition to or in lieu of a fixed advisory fee. In some instances, additional operating expenses apply.

### **Model Portfolio Recommendations**

AQR receives fees for providing non-discretionary model portfolio recommendations to UMA Model Platforms. The fees are negotiated and vary in amount, as well as the frequency and timing of the payment. Additionally, for providing non-discretionary FSP model portfolio recommendations AQR receives management fees from the underlying Series Funds. If AQR selects underlying Series Funds with higher management fees, then AQR will receive more compensation.

### **Additional Information**

The investment terms offered to different Clients pursuing similar investment objectives in many cases differ, as do the investment terms offered to Subscribers in investment vehicles pursuing the same or similar investment objectives. For example, certain Managed Accounts have information sharing terms that are more extensive and/or timely than other Clients. As another example, certain Managed Accounts have different liquidity terms than other Subscribers pursuing the same or similar investment objectives in a Sponsored Fund. Similarly, certain Subscribers of Sponsored Funds managed as dedicated funds have information sharing terms that are more extensive and timely than other Subscribers in other funds. Additionally, certain such Subscribers are not subject to the same liquidity terms that apply to other funds. Prospective Subscribers and existing Subscribers should consider these possible conflicts of interest in making their decision to invest or remain invested in a Sponsored Fund, as certain Side Letters can result in favoring some Subscribers over others and affect a Subscriber's expectations as to future return and risk.

Advisory fees are negotiable for Clients or investors in certain circumstances and AQR from time to time enters into individual agreements with particular Clients or investors with respect to, among other things, the amount, the method of payment and timing of charging any management fee or performance fee. Generally, AQR deducts the management fee and/or performance fee from Private Funds, Series Funds, and sub-funds of the AQR UCITS by instructing such fund's administrator and/or custodian. Managed Accounts and UMA Model Platforms are either invoiced for advisory fees or they self-remit payment for those fees.

As noted above, fee arrangements may provide for the payment of monthly or quarterly advisory fees in advance or arrears. If termination of an advisory contract by the Client occurs during a month or quarter in which a fee is charged in advance, generally, such circumstances will result in the refund of a *pro rata* portion of the fee to the investor or Client for the remaining portion of the monthly or quarterly period, as the case may be.



AQR's fees are in addition to brokerage commissions, transaction fees, service provider fees, distribution fees, as applicable, and other related costs and expenses which will be incurred by Clients. Execution of Client transactions typically requires payment of brokerage commissions by Clients. Please see Item 12 – Brokerage Practices below for a description of the factors that AQR considers in selecting counterparties for the execution of transactions and determining the reasonableness of their compensation. Investment activity also involves other transaction fees and taxes payable by Clients, including but not limited to, sales charges, odd-lot differentials, transfer taxes, financial transaction taxes, wire transfer and electronic fund fees, overdraft fees and other fees and taxes on brokerage accounts and securities transactions. In addition, Clients incur certain charges imposed by custodians, prime brokers, counterparties, banks, governmental authorities, third-party investment consultants, attorneys and other third parties, such as custodial fees, consulting fees, administrative fees, auditing fees, legal and compliance fees, insurance fees, and transfer agency fees. Certain Clients also pay certain fees and/or expenses relating to governmental, regulatory, licensing, filing, or registration filings and their preparation, incurred in compliance with the applicable rules of any self-regulatory organization or any foreign, U.S. federal, state or local laws; to the extent permitted by applicable law, and subject to applicable client documentation, legal fees and costs arising in connection with litigation or a regulatory investigation; and extraordinary expenses or costs that the Client from time to time incurs.<sup>7</sup> Further details of these and other expenses are described in the Clients' offering documents.

Certain AQR employees are registered representatives of AQR Investments, LLC ("AQR Investments"), AQR's affiliated limited-purpose broker-dealer. As registered representatives, such AQR employees will engage in the marketing of shares of the Series Funds and/or interests of certain Private Funds or CITs, and will receive compensation for providing such services. In some instances, registered representatives receive additional compensation directly in connection with historical sales of shares of the Series Funds and/or interests of certain Private Funds or CITs. While AQR believes such compensation paid to AQR Investments and its employees is reasonable for the relevant activities, such compensation may not in each case be negotiated at arm's length and from time to time may be in excess of fees, commissions or other compensation that may be charged by an unaffiliated third party. Please see Item 10 – Other Financial Industry Activities and Affiliations below for a more detailed discussion of these AQR employees' role as registered representatives of AQR Investments.

<sup>7</sup> Some Clients hold memberships at their individual expense to exchanges operated by the CME Group. The terms of the CME membership include reduced transaction costs on derivative trades executed on the exchanges. As a result, Clients that are CME members pay reduced transaction costs and do not share transaction costs for aggregated orders on a *pro rata* basis with Clients that do not hold such memberships.



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

### Performance-Based Fees

As noted above, a performance fee represents an asset manager's compensation for managing a client account which is based upon a percentage of the net profits of the account being managed. Typically, when calculating net profits, performance fees are based on either absolute or benchmark-relative returns over an agreed upon time period, with performance fees subject to high water marks or loss carryforwards. In some instances, a performance fee represents all or a portion of AQR's standard fee arrangement. In other instances, AQR is compensated solely through an asset-based fee (*i.e.*, AQR is paid a percentage of the amount of assets in the account). AQR reserves the right to negotiate the rate of any applicable performance fees or asset-based fees on a case-by-case basis.

With respect to AQR's management of Client assets, performance fees give rise to certain conflicts of interest. Specifically, AQR's entitlement to performance fees in managing one or more accounts creates an incentive to take risks in managing those accounts that in certain circumstances AQR would not otherwise take in the absence of such fee arrangements. Additionally, since performance fees reward for performance in accounts which are subject to such fees, AQR has an incentive to favor these accounts over those that have only asset-based fees with respect to trading opportunities, trade allocation, and allocation of new investment opportunities. Generally, AQR addresses these conflicts by utilizing an investment allocation policy designed to treat all Clients fairly and equitably over time. Please see below and Item 12 – Brokerage Practices for more information.

### Side-by-Side Management

Side-by-side management of various types of accounts raises the possibility of favorable or preferential treatment of a Client account or a group of accounts arising from differences in fee arrangements, including favoring Clients with higher fee schedules over those with lower fee schedules. AQR has procedures designed and implemented in furtherance of its efforts to treat all Clients fairly and equitably over time. By utilizing these procedures, AQR believes that Clients that are subject to side-by-side management alongside other accounts are receiving fair and equitable treatment over time.

AQR simultaneously manages multiple types of investment vehicles, including the AQR Mutual Funds, AQR UCITS, Sponsored Funds, and Managed Accounts, in many instances according to the same or a similar investment strategy (*i.e.*, side-by-side management). The simultaneous management of these different investment vehicles gives rise to the types of conflicts described above, for example, the fees for the management of certain types of investment vehicles may be higher than for others or the liquidity terms may differ. Nevertheless, when managing the assets of such investment vehicles, AQR has a duty to treat all Clients fairly and equitably over time.

Although AQR has a duty to treat all Clients fairly and equitably over time, each Client will not necessarily be managed the same at all times. Specifically, there is no requirement that AQR use the same investment practices consistently or at the same time across all Clients. In general, investment decisions for each Client will be made independently from those of other Clients, and will be made based on the individual needs and objectives of each Client. In addition, different account guidelines, applicable laws and regulations, and/or differences within particular investment strategies leads, in some cases, to the use of different investment practices for accounts with a similar investment strategy or investing in the same securities. Portfolio managers know the size, timing and possible market impact of Client trades. A conflict of interest exists where portfolio managers could use this information to the advantage of certain accounts they manage and to the possible detriment of other accounts. AQR will not necessarily purchase or sell the same securities at the same time, in the same direction, or in the same proportionate amounts for all eligible accounts, particularly if different accounts have different amounts of investable cash available, different existing exposures, different liquidity requirements, different strategies, or different risk tolerances. In addition, some accounts purchase long positions in certain securities while other accounts simultaneously sell short or sell to reduce exposure to those same, similar or related securities. As a result, although AQR manages numerous accounts with similar or identical investment objectives, or may manage accounts with different objectives or strategies that trade in the same, similar or related securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, may differ from account to account and, accordingly, Client to Client. Changes to, or modifications in, the investment strategies employed by the Adviser may be implemented incrementally, rather than simultaneously, across Clients pursuing similar or identical investment objectives. In certain circumstances, investment opportunities that are in limited supply and/or have



limited return potential in light of administrative costs of pursuing such investments (e.g., IPOs, as defined below) are only allocated to Clients where the given opportunity is more closely aligned with the applicable strategy and/or trading approach.

Side-by-side management also affects instances where AQR provides model portfolio recommendations to Model Platforms. The timing of updates to model portfolios will not necessarily occur at the same time. In these circumstances, AQR's Reference Funds will typically commence trading before other recipients of model portfolio recommendations have received or had the opportunity to evaluate or act on AQR's recommendations. As such, model portfolio trades ultimately placed by such Model Platforms or others, for themselves, their clients, or for others may be subject to price movements, particularly with large orders or where the securities are thinly traded, that may result in those parties receiving prices that are less favorable than the prices obtained by AQR for its other Clients. Because AQR does not control the execution of transactions related to a model portfolio, AQR cannot attempt to control the market impact of such transactions to the same extent that it would for its discretionary Clients.

Please see Item 12 – Brokerage Practices below for a more detailed discussion of AQR's trade allocation and aggregation policy and procedures.



## Item 7 – Types of Clients

AQR provides investment management services to institutional clients including, but not limited to, investment companies, pooled investment vehicles, pension and profit sharing plans, charitable organizations, state or municipal government entities, other investment advisers, insurance companies, sovereign wealth funds and foreign official institutions, corporations or other businesses entities. Additionally, AQR provides investment management services to Sponsored Funds, AQR Mutual Funds and AQR UCITS, whose participants may include, but are not limited to, institutional investors as described above, as well as individuals and other investors.

AQR's investment minimums may vary according to investment strategy and vehicle (*i.e.*, Managed Account versus investment in a Sponsored Fund), and AQR maintains the ability to waive such minimums at its discretion. Generally, AQR's Managed Account minimums range from \$50 million to \$100 million depending on the investment strategy. The standard minimum investment required to invest in a Sponsored Fund is described in each Sponsored Fund's offering memorandum. The minimum investment required to invest in a Series Fund of the AQR Funds or in an AQR UCITS is described in each fund's prospectus. In addition, AQR reserves the right to waive investment minimums for particular Clients or Subscribers.



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

### Methods of Analysis

As noted in Item 4 – Advisory Business, AQR specializes in quantitative investment analysis, which relies on proprietary models, utilizing a set of valuation, momentum, and other factors, to generate views on securities and applying them in a systematic process.

Quantitative investment analysis is a method of evaluating securities and other assets by analyzing a large amount of traditional and non-traditional data through the use of algorithms—or models—to generate investment decisions. AQR's models may consider a wide breadth of factors, including, for example, traditional valuation measures, momentum indicators, price signals, Environmental, Social and Governance (“ESG”) implications, textual analysis of financial reporting and terms of trade information. These diverse sets of inputs, combined with AQR's proprietary signal construction methodology, optimization process, and trading approach, are the foundation of AQR's investment process.

AQR performs research internally. Once an investment approach is identified, AQR builds a model to test the strategy's viability. The model building process generally consists of two steps: (1) designing an investing strategy to implement the given approach; and (2) producing testable implications. AQR performs ongoing research to monitor and maintain the effectiveness of its models over time. External data (e.g., Refinitiv, Bloomberg and other data services) is used by AQR in developing its quantitative forecasting computer models.

In addition to quantitative investment analysis, AQR may also utilize discretionary and/or hybrid strategies through a combination of quantitative and fundamental techniques. There are certain risks specific to firms specializing in quantitative investment analysis. Please see below under “Investment Risks” for a summary of some of the risks specific to quantitative investment analysis.

### Investment Strategies

The Adviser utilizes several investment strategies, including both alternative and traditional investment strategies. With regards to alternative strategies, AQR offers both absolute return strategies, which target zero exposure to traditional markets, either at all times, or on average; and total return strategies, which maintain some exposure to traditional markets. AQR is committed to helping our clients achieve their ESG goals. Our primary objective for considering ESG issues is improving the risk/return trade-off of our clients' investments. AQR also offers tax-aware implementation of some of our strategies, which may help taxable investors better reach their after-tax investment goals. Each of AQR's investment strategies is managed by a team of portfolio managers in a manner consistent with our approach to investing.

Alternative		Traditional	
Absolute Return	Total Return	Equities	Fixed Income
<ul style="list-style-type: none"><li>• Absolute Return Strategy</li><li>• Arbitrage Strategies</li><li>• Credit Strategies</li><li>• Equity Market Neutral</li><li>• Global Macro</li><li>• Alternative Risk Premia</li><li>• Managed Futures</li><li>• Opportunistic</li><li>• Real Return</li><li>• Style Premia</li><li>• Tax Aware</li></ul>	<ul style="list-style-type: none"><li>• Diversified Growth Strategies</li><li>• Long-Short Equity</li><li>• Risk Parity</li><li>• Multi-Strategy</li></ul>	<ul style="list-style-type: none"><li>• Single-Style</li><li>• Multi-Style</li><li>• Enhanced</li><li>• Relaxed Constraint</li><li>• 3-Alpha</li></ul>	<ul style="list-style-type: none"><li>• Emerging Markets Hard Currency</li><li>• Global Aggregate</li><li>• Global Governments</li><li>• High Yield Corporates</li><li>• Investment Grade Corporates</li><li>• Unconstrained Bonds</li><li>• Core Plus</li></ul>

**Alternative Investment Strategies – Absolute Return**

*Absolute Return Strategy.* Provides exposure to highly diversified portfolios, aggregating nearly all of AQR's strategies in a multi-strategy format.

*Arbitrage Strategies.* Offers convertible, merger and event-driven arbitrage strategies, or a diversified portfolio combining these strategies.

*Credit Strategies.* Seeks positive absolute returns by investing both long and short in a diversified portfolio of credit instruments.

*Equity Market Neutral.* Employs a multi-factor, market-neutral investment process based on AQR's broadest global stock selection capabilities.

*Global Macro.* Invests in major asset classes based on prices and macroeconomic fundamentals, using a variety of quantitative and qualitative inputs.

*Alternative Risk Premia.* Seeks to efficiently capture a diversified set of classic hedge fund styles and deliver them to investors in a transparent and liquid vehicle.

*Managed Futures.* A diversified strategy that seeks to take advantage of price trends in global asset classes.

*Opportunistic.* Identifies securities that show extreme undervaluation based on both our quantitative models, as well as a thorough qualitative review.

*Real Return.* Seeks to provide an inflation-hedging, positive real return through a diverse mix of strategies and assets.

*Style Premia.* Seeks to harvest the return premia from well-known factors such as value, momentum, carry and defensive across asset classes and geographies.

*Tax-Aware Strategies.* Seek to deliver particular alternative strategies with a focus on being tax-efficient and potentially tax-beneficial across an investor's entire portfolio.

**Alternative Investment Strategies – Total Return**

*Diversified Growth Strategies.* Offers a wide range of return sources including market risk premia, alternative risk premia, and alpha, with less of the reliance on rising prices for traditional assets that traditional diversified growth strategies can have.

*Long-Short Equity.* Employs our multi-factor investment process based on AQR's broadest global stock selection capabilities, while maintaining a consistent net long exposure to the market.

*Risk Parity.* Invests across global asset classes by risk allocation as opposed to capital, seeking to build a portfolio that is both broadly diversified, but not overly reliant on any single asset class.

*Multi-Strategy.* Offers a diversified approach to alternatives investing, seeking to provide broad exposure to several different AQR strategies at the same time.

**Traditional Investment Strategies – Equities**

*Single-Style.* Strategies that provide pure implementations of individual styles, such as defensive, momentum and value.

*Multi-Style.* These strategies harness the diversification and potential return benefits of investing in multiple well-known styles in an integrated fashion.

*Enhanced.* These strategies seek to provide consistent excess returns over common benchmarks. They combine established signals backed by academic evidence with proprietary signals based on rigorous research.



*Relaxed Constraint.* Strategies that build on the Enhanced strategy, but broaden the implementation universe through use of limited shorting in a 130/30 context while remaining beta-1 products.

*3-Alpha.* These strategies differentiate by recognizing the inherent risks and opportunities that come with global equity investing. They pair our Enhanced Strategy alongside dedicated country and currency models for integrated alpha opportunities.

#### ***Traditional Investment Strategies – Fixed Income***

*Emerging Market Hard Currency.* Seeks excess returns through country, maturity, and currency selection across hard currency and local currency markets. While the strategy includes local currency investments, it takes no beta to local currency debt, engages in no overall duration or spread timing, and targets a beta of one to its hard currency benchmark.

*Global Aggregate.* Seeks excess returns through country, maturity, credit, and currency selection. The strategy targets the credit and duration profile of the benchmark and so does not seek to engage in duration timing or sector selection.

*Global Governments.* This strategy seeks excess returns through country, maturity, and currency selection. It engages in minimal duration timing.

*High Yield Corporates.* Investment themes in this strategy are primarily expressed by within-industry security selection. It does not seek to engage in duration or credit timing.

*Investment Grade Corporates.* Seeks to outperform a core or long duration corporate benchmark. Our investment themes are primarily expressed by within-industry security selection. The strategy does not seek to engage in duration or credit timing.

*Unconstrained Bonds.* A cash-benchmarked bond strategy that seeks to deliver positive absolute returns with low correlation to traditional market betas. The strategy primarily utilizes a broad suite of relative value fixed income sub-strategies spanning interest rates, credit, and foreign exchange markets. It also includes a small, dynamic, and diversified allocation to fixed income market risks such as duration, credit, and securitized exposures.

*Core Plus.* Strategy that seeks excess returns through country, maturity, credit, and currency selection. Out-of-benchmark sectors are strictly used to increase security selection breadth, while still targeting the credit and duration profile of the benchmark, and so does not seek to engage in duration timing or sector selection.

#### ***Environmental, Social and Governance***

*ESG.* AQR's ESG investing framework is designed to allow for the application of multiple approaches to investment while adhering to the applicable principles of the United Nations Principles for Responsible Investment. In practice, investors pursue many different implementations and combinations to ESG investing. As a result, the AQR ESG framework incorporates both Responsible Asset Selection and Responsible Ownership methodologies.

***There can be no assurance that the objectives associated with any strategies described above will be met. At any time, AQR may add, remove, or modify any of the strategies it employs, and this includes any of the strategies discussed above. These methods, strategies, and investments involve risk of loss to Clients and Clients must be prepared to bear the loss of their entire investment.***

***The methods, strategies, and investments described herein apply to Clients and Model Platforms.***

#### **Investment Risks**

Some of the risks associated with AQR's investment strategies, and the securities and other assets utilized to implement those strategies, include, but are not limited to, those listed below.



***Arbitrage Transaction Risks.*** If the requisite elements of an arbitrage strategy are not properly analyzed or unexpected events or price movements intervene, losses can occur which can be magnified to the extent AQR is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable “spreads,” which can also be identified, reduced, or eliminated by other market participants.

***Below Investment Grade Securities Risk.*** Although bonds rated below investment grade (also known as “junk” securities) generally pay higher rates of interest than investment grade bonds, bonds rated below investment grade are high risk, speculative investments that may cause income and principal losses to Clients.

***Borrowing and Embedded Leverage.*** Some Clients allow secured and unsecured borrowing to the maximum extent allowable under applicable credit regulations. Like other forms of leverage, the use of borrowing can enhance the risk of capital loss in the event of adverse changes in the level of market prices of the assets being financed with the borrowings. Leverage may also take the form of financial instruments, including OTC derivative instruments which are inherently leveraged, and products with embedded leverage such as futures, options, short sales, swaps, and forwards, in which an investor can lose more money than the initial cost of the investment. The use of leverage allows the Clients to increase their exposure to assets, such that total assets may be greater than capital invested. However, the use of leverage may also magnify the volatility—or the likelihood of short-term changes in value—of any portfolio. The effect of the use of leverage in a portfolio may result in losses to the portfolio that exceed losses to the portfolio if such portfolio did not utilize leverage.

***Capacity Constraints.*** A number of conflicts of interest may arise as a result of the Adviser’s or portfolio manager’s management of a number of accounts with similar investment strategies. Often, an investment opportunity may be suitable for more than one Client, but may not be available in sufficient quantities for all such Clients to participate fully. Similarly, there may be limited opportunity to sell an investment held by multiple Clients. In circumstances where the amount of total exposure to a strategy or investment type across Clients is, in the opinion of the Adviser, capacity constrained, the availability of the strategy or investment type for one or more Client’s will be reduced in the Adviser’s discretion. A Client may therefore have reduced exposure to a capacity constrained strategy or investment type, which could adversely affect such Client’s return. The Adviser is not obligated to allocate capacity *pro rata* and may take its financial interest into account when allocating capacity among Clients. Among other things, capacity constraints in a particular strategy or investment type could cause a Sponsored Fund, Series Fund, or sub-fund of the AQR UCITS to close to all or certain new investors.

***Cash and Forward Trading.*** Cash and forward contracts for the trading of certain commodities, such as foreign currencies, may be entered into with banks and market makers. Although the banks and market makers may be subject to regulatory oversight by the CFTC, the SEC, the Financial Industry Regulatory Authority, Inc. (“FINRA”), the National Futures Association (“NFA”), the Federal Reserve Board, the Comptroller of the Currency, foreign regulators, and other Federal and state authorities, these regulatory agencies do not typically regulate the trading of cash commodities or forward contracts. In addition, such contracts are not traded on exchanges. As a result, there is no limitation on daily price movements of cash or forward contracts, and market makers are not required to make markets in any cash commodities. Also, certain customer protections will not be available to Clients in connection with any such trading. There have been periods during which certain market makers have refused to quote prices for cash commodities or forward contracts or have quoted prices with an unusually wide spread between the price at which the market maker is prepared to buy and the price at which it is prepared to sell. If this should occur, AQR might not be able to utilize effectively its cash and forward trading programs. This could result in significant losses to a Client.

***Commodities.*** Commodity investments are affected by business, financial market, or legal uncertainties. There can be no assurance that AQR will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on its commodity investments. Prices of commodity investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of a Client’s portfolio and the value of its investments. In addition, the value of the Client’s portfolio may fluctuate as the general level of interest rates fluctuates.



*Commodity Futures and Options.* Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events, and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a Client engaging in commodity futures trading. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to such Client. Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

*Convertible Securities Risk.* The market value of a convertible security performs like that of a regular debt security; that is, if market interest rates rise, the value of a convertible security usually falls. In addition, convertible securities are subject to the risk that the issuer will not be able to pay interest or dividends when due, and their market value may change based on changes in the issuer's credit rating or the market's perception of the issuer's creditworthiness. Since it derives a portion of its value from the common stock into which it may be converted, a convertible security is also subject to the same types of market and issuer risks that apply to the underlying common stock.

*Counterparty Risk.* Counterparty risk is the risk to each party of a contract that the counterparty will not live up to its contractual obligations. Clients could potentially incur a significant loss as a result of counterparty credit exposure should the counterparty fail to fulfill its obligations.

*Currency Risk.* Currency risk is the risk that changes in currency exchange rates will negatively affect securities denominated in, and/or receiving revenues in, foreign currencies. The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments and central banks. Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or reverse any potential gains from investments in securities denominated in a foreign currency or may widen existing losses.

*Cybersecurity Risk.* With the increased use of technologies such as the Internet to conduct business, the Adviser and its Clients are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyberattacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the Adviser, sub-adviser(s) and other service providers (including, but not limited to, accountants, law firms, custodians, transfer agents and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, impediments to trading, the inability of Clients and/or investors to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which a Client invests, counterparties with which a Client engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and other service providers for Clients) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While a Client's service providers may have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Adviser cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect a Client. As a result, Clients could be negatively impacted.

*Distressed Investments Risk.* The Adviser may utilize investments in distressed investments, which are or have been issued by companies that are, or might be, involved in reorganizations or financial restructurings,



either out of court or in bankruptcy. A Client's investments in distressed securities typically may involve the purchase of high-yield bonds, bank debt, corporate loans or other indebtedness of such companies. These investments may present a substantial risk of default or may be in default at the time of investment. The Client may incur additional expenses to the extent it is required to seek recovery upon a default in the payment of principal or interest on its portfolio holdings. In any reorganization or liquidation proceeding relating to an investment, the Client may lose its entire investment or may be required to accept cash or securities with a value less than its original investment. Among the risks inherent in investments in a troubled issuer is that it frequently may be difficult to obtain information as to the true financial condition of the issuer. The Adviser's judgments about the credit quality of a financially distressed issuer and the relative value of its securities may prove to be wrong.

*Emerging Markets Investments.* Investing in the securities or other instruments of issuers located in non-U.S. countries may involve certain risks not typically associated with investing in established economies or securities markets. Such risks may include (i) the risk of nationalization or expropriation of assets and confiscatory or other taxation; (ii) social, economic and political instability, including war; (iii) dependence on exports; (iv) less liquidity of securities markets; (v) significant currency exchange rate devaluations, fluctuations, and declines against the U.S. dollar; (vi) potentially higher rates of inflation (including hyperinflation) and rapid fluctuations in inflation; (vii) controls or restrictions on foreign investment and limitations on repatriation of invested capital and the Client's ability to exchange local currencies for U.S. dollars; (viii) a higher degree of governmental involvement in and control over the economies; (ix) government decisions to discontinue support for economic reform programs and imposition of centrally planned economies; (x) differences in accounting, auditing, financial reporting and record keeping standards which may result in the unavailability of material information about economies and issuers; (xi) less extensive regulatory oversight of securities markets, which, among other things, could lead to market manipulation; (xii) longer settlement periods for securities transactions; (xiii) less stringent laws regarding the protection of investors; (xiv) certain consequences regarding the maintenance of a Client's portfolio securities and cash with sub-custodians and securities depositories in such countries; (xv) difficulty in enforcing contractual obligations; (xvi) inexperience of financial intermediaries, lack of modern technology, and the lack of a sufficient capital base to expand business operations; and (xvii) less available information than is generally the case in the United States. All of the foregoing factors lead to greater market volatility.

*Equity Securities.* Equity securities fluctuate in value in response to many factors, including the activities, results of operations, and financial condition of individual companies; the business market in which individual companies compete; industry market conditions; interest rates; and general economic environments. In addition, events such as domestic and international political instability, terrorism and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by a Client.

*Environmental, Social and Governance Matters.* When ESG is a factor AQR considers in making an investment, there is no guarantee that AQR will successfully implement and make investments in companies that creates positive environmental, social or governance ("ESG") impact while enhancing long-term shareholder value and achieving financial returns. Considering ESG qualities when evaluating an investment may result in the selection or exclusion of certain investments based on AQR's view of certain ESG-related and other factors, carries the risk that AQR may underperform funds that do not take ESG-related factors into account because the market may ultimately have a different view of a particular company's performance than that anticipated by AQR.

*ERISA Considerations.* Certain Client assets may, at various times, be considered "plan assets" for the purposes of Title I of the U.S. Employee Retirement Income Security Act of 1974 ("ERISA") or Section 4975 of the Internal Revenue Code of 1986, as amended. Accordingly, during such periods, the administration and operation of any such Client would, among other things, become subject to ERISA's fiduciary duty and prohibited transaction rules. In such a case, the investment strategies employed by the Adviser for the Client will be subject to investment limitations and restrictions that would not otherwise be applicable and may materially impact the Client's performance.



***Execution/Implementation Risk.*** There can be no assurance that AQR's investment strategies will be successfully implemented. Failure to successfully implement AQR's investment strategies, due to errors related to the operation of quantitative models or otherwise, can lead to substantial losses or missed opportunities for gains for a Client. While AQR monitors client portfolios, there can be no assurance that risks associated with the implementation of investment strategies will be effectively managed.

***Fixed-Income and Debt Securities.*** Investment in fixed-income and debt securities, such as bonds, notes, and asset-backed securities, subject a Client to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

***Foreign Investments Risk.*** Foreign investments often involve special risks not present in U.S. investments that can increase the chances that an investment will lose money. For example, a Client may hold its foreign securities and cash in foreign banks and securities depositories, which may be recently organized or new to the foreign custody business and subject to only limited or no regulatory oversight. Changes in foreign currency exchange rates can affect the value of a portfolio. The economies of certain foreign markets may not compare favorably with the economy of the United States, and the governments of certain countries may prohibit or impose substantial restrictions on foreign investments in their capital markets or in certain industries. Many foreign governments do not supervise and regulate stock exchanges, brokers, and the sale of securities to the same extent as does the United States and may not have laws to protect investors that are comparable to U.S. securities laws. Settlement and clearance procedures in certain foreign markets may result in delays in payment for or delivery of securities not typically associated with settlement and clearance of U.S. investments.

***Futures Contracts Risks.*** Futures prices are highly volatile. An extremely high degree of leverage is typical of a futures trading account; as a result, a relatively small price movement in a futures contract price may result in substantial losses to a portfolio. Like other leveraged investments, any purchase or sale of a futures contract may result in losses in excess of the amount invested. Futures exchanges and trading facilities limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day no trades may be executed at prices beyond the daily limit. Futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the prompt liquidation of unfavorable positions and subject a portfolio to substantial losses. The CFTC and certain futures exchanges and trading facilities have established limits referred to as "speculative position limits" on the maximum net long or net short positions that any person may hold or control in certain futures contracts. All of the futures positions held by all Client accounts owned or controlled by AQR, CNH, and their principals may be aggregated with positions of each Client portfolio for the purpose of determining compliance with position limits. Trading instructions may have to be modified and positions held by a Client may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could adversely affect the operations and profitability of a portfolio.

***General Risks of Derivatives Use.*** Derivatives trading is highly speculative. Price movements of derivative contracts are influenced by, among other things, changing supply and demand relationships, governmental agricultural and trade programs and policies, and national and international political and economic events. Foreign currency forward prices are influenced by, among other things, changes in balances of payments and trade, domestic and international rates of inflation, international trade restrictions, and currency devaluations and revaluations. In addition, unless a portfolio is hedged against fluctuations in the exchange rate between the U.S. dollar and the currencies in which trading is done on some foreign exchanges, any profits that such a portfolio realizes in trading on such exchanges could be eliminated by adverse changes in the exchange rate, or such a portfolio could incur losses as a result of any such changes. Due to the low margin deposits normally required in derivatives trading, an extremely high degree of leverage is typical of a derivatives trading account.



As a result, a relatively small price movement in a derivatives contract price may result in substantial losses to a portfolio. Like other leveraged investments, any purchase or sale of a derivatives contract may result in losses in excess of the amount invested. Accordingly, relatively small derivatives positions have the potential to erode significantly or erase gains and compound losses in other investments held by a portfolio.

*Hedging.* There can be no assurances that a particular hedge is appropriate or that certain risk is measured properly. Further, while AQR may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Client portfolios than if AQR did not engage in any such hedging transactions.

*Illiquid Instruments.* Certain instruments, such as derivatives and other types of unregistered financial instruments, may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price, and the Adviser might only be able to liquidate these positions at highly disadvantageous prices, if at all. The market prices, if any, for such illiquid financial instruments tend to change rather quickly, and the Adviser may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Even those markets which the Adviser expects to be liquid can experience periods, possibly extended periods, of illiquidity. For some investments, the Adviser may be unable to predict with confidence what the exit strategy will ultimately be for any given position or that one will definitely be available. Exit strategies, which appear to be viable when an investment is initiated, may be precluded by the time the investment is ready to be realized due to economic, legal, political, or other factors.

*Interest Rate Risk.* Portfolios may be subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. AQR may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures, and/or interest rate options. However, there can be no guarantee that AQR will be successful in fully mitigating the impact of interest rate changes on the portfolios.

*Investment and Trading Risk Generally.* Investments in securities and other financial instruments and products that are subject to market forces risk the permanent loss of capital as a result of adverse market developments, which can be unpredictable. To the extent that a portfolio is concentrated in any one particular strategy, the risk of any incorrect investment decision is increased. Each strategy exposes the Client's capital to the risk of an extremely rapid and severe decline in value in the event of a sudden change in the level of volatility (e.g., a market crash) that is not anticipated by AQR.

*Leverage.* Certain of AQR's strategies utilize varying amounts of leverage, which involves the borrowing of funds from U.S. and non-U.S. brokerage firms, banks, and other institutions in order to be able to increase the amount of capital available for securities investments. Leverage may also be embedded in financial instruments, including futures and short sales, as well as OTC derivatives like options, swaps, and forwards, which enable investors to gain exposure to assets whose value exceeds the amount of capital necessary to obtain such exposure. Money borrowed will be subject to interest, costs and other fees, which may or may not be recovered by earnings on the securities purchased. A fund or account also may be required to maintain minimum average balances in connection with a borrowing or to pay a commitment or other fee to maintain a line of credit. Either of these requirements would increase the cost of borrowing over the stated interest rate. Unless the appreciation and income, if any, on assets acquired with borrowed funds exceed the costs of borrowing, the use of leverage will diminish the investment performance of a fund or account compared with what it would have been without leverage.

*LIBOR Transition.* Many financial instruments may be tied to the London Interbank Offered Rate, or "LIBOR" to determine payment obligations, financing terms, hedging strategies, or investment value. LIBOR is the offered rate for short-term Eurodollar deposits between major international banks. On July 27, 2017, the head of the UK Financial Conduct Authority ("FCA") announced a desire to phase out the use of LIBOR by the end of 2021. Regulators and industry working groups have suggested alternative reference rates, but global consensus is lacking and the process for amending existing contracts or instruments to transition away from



LIBOR remains unclear. There also remains uncertainty and risk regarding the willingness and ability of issuers to include enhanced provisions in new and existing contracts or instruments. As such, the transition away from LIBOR may lead to increased volatility and illiquidity in markets that are tied to LIBOR, reduced values of LIBOR-related investments, and reduced effectiveness of hedging strategies, adversely affecting Client performance. In addition, the alternative reference rate may be an ineffective substitute resulting in prolonged adverse market conditions for Clients.

*Liquidity Risk Generally.* Liquidity—or the ability to quickly sell an asset at its fair market value—is important to the Adviser’s investment strategies. Under certain market conditions, such as during volatile markets or when trading in a financial instrument or market is otherwise impaired, the liquidity of the Adviser’s portfolio positions may be reduced. In addition, the Adviser may, from time to time, hold large positions in a particular portfolio with respect to a specific type of financial instrument, which may reduce the portfolio’s liquidity. During such times, AQR may be unable to dispose of certain financial instruments, including longer-term financial instruments, which would adversely affect its ability to rebalance a portfolio or meet redemption requests. Under these circumstances the Adviser may be forced to dispose of financial instruments at reduced prices, thereby adversely affecting its performance. If there are other market participants seeking to dispose of similar financial instruments at the same time, the Adviser may be unable to sell such financial instruments or prevent losses relating to such financial instruments. Furthermore, if the Adviser incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. Finally, in conjunction with a market downturn, the Adviser’s counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Adviser’s credit risk to those counterparties.

*Market Disruption Risk.* Clients and investors could lose money due to the effects of a market disruption. Although multiple asset classes may be affected by a market disruption, the duration and effects may not be the same for all types of assets. In early 2020, the global outbreak of Coronavirus (or Covid-19) created enormous unprecedented economic and social uncertainty throughout the world. The ultimate impact of the Coronavirus outbreak (or of any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, but Coronavirus and the reactions to it have already had dramatic adverse effects on global, national and local economies and on financial markets, and there is a significant likelihood that that negative impact will persist for some time. Disruptions to commercial activity across economies due to the imposition of quarantines, remote working policies, “social distancing” practices and travel restrictions, and/or failures to contain the outbreak despite these measures, could materially and adversely impact our Clients’ investments, both in the near- and long-term in a variety of industries and regions or globally. Similar disruptions have occurred and may continue to occur in respect of our service providers and counterparties (including providers of financing). In addition, the outbreak of Coronavirus has contributed to, and may continue to contribute to, among other things, volatility in financial markets and regulatory changes such as short sale prohibitions, which may disrupt historical pricing relationships or trends, cause positions to become illiquid, disrupt the availability of financing or negatively impact the performance of our Client’s accounts. Governmental responses to the Coronavirus outbreak may be inadequate to limit the outbreak’s spread or to mitigate its impact on any nation’s economy or the global economy, and these responses could have adverse effects, intended and unintended on market structures and the overall, long term performance of markets. Geopolitical and other events, including war, terrorism, economic uncertainty, trade disputes, extreme weather and climate-related events, and other events affecting the financial markets, public health crises and related geopolitical events have led, and in the future may lead, to increased market volatility, which may disrupt US and world economies and markets and may have significant adverse direct or indirect effects on the fund and its investments.

*New Issues.* At times, AQR advises certain Clients to purchase equity securities issued through initial public offerings (“IPOs”). These include registered offerings under the Securities Act of 1933 (“new issues”). Pursuant to FINRA Rule 5130, “restricted persons” may not participate in gains or losses from new issues. As a result, investors who are not restricted persons may be allocated all, or a larger portion than their typical *pro rata* share, of the profits and/or losses related to new issue offerings. Under such circumstances, certain restricted persons will not receive gains from the new issue investment. Similarly, investors who are not restricted persons will receive more than their *pro rata* share of the losses from such an investment. When the Adviser



subscribes for securities issued in an IPO on behalf of multiple Clients, the Adviser will allocate the securities among the Clients in a method that the Adviser deems fair and equitable to participating Clients over time. New issue offerings, on occasion, experience rapid increases and/or decreases in market value following such an offering.

**Off-Balance Sheet Risk.** In the normal course of business, AQR may, on behalf of Clients, invest in financial instruments with off-balance sheet risk. These instruments include futures contracts, forward contracts, swaps, and securities and options contracts sold short. An off-balance sheet risk is associated with a financial instrument if such instrument exposes the investor to an accounting and economic loss in excess of the investor's recognized asset carrying value in such financial instrument, if any, or if the ultimate liability associated with the financial instrument has the potential to exceed the amount that the investor recognizes as a liability in the investor's statement of assets and liabilities. Additionally, in the normal course of business, AQR may purchase long positions in option contracts that do not have off-balance sheet risk. The risk that these financial instruments expose the investor to is not in excess of the investor's recognized asset carrying value in the statement of assets and liabilities.

**Options.** There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (paid to establish the short position) of the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

**Portfolio Risk.** AQR Clients are also subject to investment management risk, which is the risk that AQR's investment process, techniques and analyses do not achieve their desired results and the securities or other financial instruments selected for a particular Client will result in returns that are inconsistent with that Client's investment objective. Clients advised by AQR are subject to limitations on aggregate and/or portfolio level ownership interest across certain companies, commodities and sectors, arising from statutory, regulatory, self-regulatory organization requirements or company ownership restrictions. Furthermore, legislative, regulatory or tax developments affect AQR's investment techniques and/or opportunities in connection with managing the Client's assets and can also adversely impact the ability of the Client to achieve its investment objectives.

**Portfolio Turnover.** Active and/or frequent trading of securities and financial instruments within a portfolio may produce increased transaction costs, including brokerage commissions, fees, transaction taxes, and other transaction costs. Likewise, such active and/or frequent trading may result in short-term capital gains tax treatment.

**Regulatory Limitations on Investment Adviser Activity.** Various laws, rules, regulations and corporate requirements impose regulatory filing and/or other compliance obligations based on meeting, exceeding or falling below certain ownership or voting thresholds in publicly traded securities or engaging in certain other securities transactions such as short sales. Compliance with such filing and/or other requirements may result in additional costs to one or more Clients, the Advisor and/or its affiliates. In certain circumstances, AQR, on behalf of one or more of its Clients, will limit certain or all purchases or sales (including short sales), sell existing investments, or otherwise restrict, forgo, or limit the exercise of rights when AQR, in its sole discretion, deems it appropriate in light of potential operational costs, regulatory or corporate restrictions on ownership, voting rights, or other consequences resulting from reaching or exceeding the applicable threshold. Such limitations can be applied to securities, derivative instruments or other assets or instruments, including but not limited to,



futures, options, or swaps. The imposition of the types of restrictions noted above will, in certain circumstances, adversely affect one or more Clients' performance.

***Repurchase Agreements.*** Certain of AQR's strategies utilize repurchase transactions. In a repurchase transaction, a Client acquires a security from an approved counterparty and simultaneously agrees to resell it to the approved counterparty, at a price exceeding the purchase price by an amount that reflects an agreed-upon interest rate effective for the period during which the repurchase agreement is in effect. Repurchase agreements essentially constitute a form of borrowing secured by collateral in the form of securities and will have the effect of leveraging a Client's assets. These agreements may be entered into on an overnight, specified term or open-ended basis. These instruments increase the risk of loss due to the use of leverage and potential counterparty nonperformance.

***Reverse Repurchase Agreements.*** Certain of AQR's strategies utilize reverse repurchase transactions. In a reverse repurchase transaction, a Client sells a security to an approved counterparty and simultaneously agrees to repurchase it from the counterparty, at a price less than the sale price by an amount that reflects an agreed-upon interest rate effective for the period during which the reverse repurchase agreement is in effect. If the seller fails to repurchase the securities, a Client will suffer a loss to the extent proceeds from the sale of the underlying securities are less than the repurchase price. These instruments increase the risk of loss due to the use of leverage and potential counterparty nonperformance.

***Securities Lending.*** Some of AQR's Clients lend their portfolio securities to certain types of eligible borrowers in an attempt to increase income and/or total return. Each loan is secured continuously by collateral in the form of cash, high quality money market instruments, or securities issued by the U.S. government or its agencies or instrumentalities. Securities lending may be conducted by a securities lending agent, who maintains a list of broker-dealers, banks, or other institutions that it has determined to be creditworthy. AQR has the ability to request that a borrower be removed from the securities lending agent's "approved list". A Client will only enter into loan arrangements with borrowers on the approved list. Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, a portfolio may lose money and there may be a delay in recovering the loaned securities, as well as regulatory consequences. The portfolio could also lose money if it does not recover the securities and/or the value of the collateral falls, including the value of investments made with cash collateral. Securities lending also may have certain adverse tax consequences.

***Short Sales.*** A short sale involves the sale of a security that a portfolio does not own in the expectation of purchasing the same security (or a security exchangeable therefore) at a later date at a lower price. To make delivery to the buyer, the portfolio must borrow the security, and the portfolio is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the portfolio. In some cases, the lender may rescind the loan of securities and cause the borrower to repurchase shares at inflated prices, resulting in a loss. When a portfolio makes a short sale in the United States, it must leave the proceeds thereof with the broker, and it must also deposit with the broker an amount of cash or marketable securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are executed on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. The extent to which a portfolio will engage in short sales depends upon AQR's investment strategy and perception of market direction. In addition, global regulatory prohibitions on short sales may impair AQR's ability to implement its investment process. Such prohibitions may add additional constraints to a strategy, which may increase transaction costs as well as the time required to monitor compliance with the restrictions. There is the risk that the instruments borrowed by Clients in connection with short sales would need to be returned to the lenders on short notice. If such request for return of instruments occurs at a time when other short sellers of the same instrument are receiving similar requests, a "short squeeze" can occur, wherein Clients might be compelled, at the most disadvantageous time, to replace the borrowed instruments previously sold short with purchases on the open market possibly at prices significantly in excess of the proceeds received earlier in originally selling the instruments short. Purchasing instruments to close out the short position can itself cause the price of the instruments to rise further, thereby exacerbating any loss.



**SPACs Risk.** AQR may, on behalf of Clients, make use of stock, warrants, and other securities of special purpose acquisition companies ("SPACs") or similar special purpose entities that pool funds to seek potential acquisition opportunities. Unless and until an acquisition is completed, a SPAC generally invests its assets (less a portion retained to cover expenses) in U.S. Government securities, money market fund securities and cash; if an acquisition that meets the requirements for the SPAC is not completed within a pre-established period of time, the invested funds are returned to the entity's shareholders. Because SPACs and similar entities are in essence blank check companies without an operating history or ongoing business other than seeking acquisitions, the value of their securities is particularly dependent on the ability of the entity's management to identify and complete a profitable acquisition. Some SPACs may pursue acquisitions only within certain industries or regions, which may increase the volatility of their prices. In addition, these securities, which are typically traded in the over-the-counter market, can in certain circumstances be considered illiquid and/or be subject to restrictions on resale.

**Social, Political and Economic Uncertainty Risk.** The success of a Client's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Client's investments), currency exchange controls, as well as the national and international political circumstances (including wars, terrorist acts, security operations or civil unrest). These factors will in many instances affect the level and volatility of securities prices and the liquidity of Client's investments. Volatility or illiquidity could impair Client's profitability or result in losses. These impacts can be exacerbated by failures of governments and societies to appropriately respond to emerging events or threats, whether by greater governmental and regulatory involvement in the economy, financial markets or social factors that impact the economy, or by insufficient governmental or regulatory action, among other possibilities. For example, a Client may be exposed to the direct and indirect consequences of potential or actual political, economic, social and diplomatic changes. Clients could incur material losses even if AQR reacts quickly to difficult market conditions, and there can be no assurance that Clients will not suffer material losses and other adverse effects from broad and rapid changes in market conditions in the future.

**Tax Aware Risks.** The tax aware strategy is likely to benefit U.S. taxable investors and not necessarily U.S. tax-exempt or non-U.S. investors. U.S. tax-exempt or non-U.S. investors may forego potential profits because AQR will manage the portfolio taking into account U.S. tax consequences, which may not maximize the value of the assets for U.S. tax-exempt or non-U.S. investors. Furthermore, in seeking to maximize the tax advantages for U.S. taxable investors, AQR may advise holding positions for longer than it otherwise would in the absence of such tax advantages, notwithstanding the fact that such potential tax advantages are only relevant to U.S. taxable investors. Such actions may result in losses that it would not have incurred if tax advantages were not part of the investment strategy.

**Use of Swaps and Other Derivatives.** AQR may make use of swaps and other forms of derivative contracts. In general, a derivative contract (including options, as described above) typically involves leverage, *i.e.*, it provides exposure to potential gain or loss from a change in the level of the market price of a security, currency or commodity (or a basket or index) in a notional amount that exceeds the amount of cash or assets required to establish or maintain the derivative contract. Consequently, an adverse change in the relevant price level can result in a loss of capital that is more exaggerated than would have resulted from an investment that did not involve the use of leverage inherent in the derivative contract. Depending on the strategy, many of the derivative contracts used by AQR may be privately negotiated in the OTC market. These contracts also involve exposure to credit risk, since contract performance depends in part on the financial condition of the counterparty or the counterparty's guarantor. These transactions may also involve significant transaction costs.

The following risks relate to the Adviser's quantitative and statistical methods of analysis.

**Computer System Risks.** Throughout its investment management process and business operations, AQR relies on a variety of computer hardware and software systems and platforms, some of which may be proprietary while others may be licensed from third parties (such systems and platforms, collectively, "Computer Systems"). Incorrect data, including stale or missing data, hardware or software malfunctions,



programming inaccuracies, and similar errors may impair the performance of Computer Systems, which may negatively affect investment performance.

***Crowding/Convergence.*** There is significant competition among quantitatively-focused managers. To the extent that AQR's models come to resemble those employed by other managers, the risk that a market disruption that broadly affects the models of quantitatively-focused managers (including competitors of AQR) may adversely affect a Client is increased, as such a disruption could accelerate reductions in liquidity or rapid repricing due to simultaneous trading across a number of funds in the marketplace.

***Involuntary Disclosure.*** As described under "Model and Data Risk" and "Crowding/Convergence," AQR's ability to achieve its Client's investment objective is dependent in large part on its ability to develop and protect its models and proprietary research. The proprietary research and the Models and Data, defined below, are largely protected by AQR through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, extensive position-level public disclosure obligations (or disclosure obligations to Clients, exchanges, or regulators with insufficient privacy safeguards) and theft of research, technical specifications, and other data could lead to opportunities for competitors to reverse-engineer strategies, and thereby impair the relative or absolute performance of a Client's portfolio.

***Model and Data Risk.*** Given the complexity of AQR's investments and strategies, the Adviser relies heavily on quantitative models (both proprietary models developed by the Adviser, and those supplied by third parties), information and traditional and non-traditional data supplied or made available by third parties ("Models and Data"). Models and Data are used to construct sets of transactions and investments, to value investments or potential investments (whether for trading purposes, or for the purpose of determining the net asset value of a Client), to provide risk management insights, and to assist in hedging the Clients' investments, if applicable. When Models and Data prove to be incorrect or incomplete, including because data is stale, missing or unavailable, any decisions made in reliance thereon expose Clients to potential risks. For example, by relying on Models and Data, the Adviser may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful.

Some of the models used by AQR are predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses on a cash flow and/or a mark-to-market basis. In addition, in unforeseen or certain low-probability scenarios (often involving a market disruption of some kind), such models may produce unexpected results, which can result in losses to a Client's portfolio. Furthermore, because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend on the accuracy and reliability of the supplied historical data.

All models rely on correct data inputs. If incorrect data is entered into even a well-founded model, the resulting valuations will be incorrect. However, even if data is input correctly, "model prices" will often differ substantially from market prices, especially for securities with complex characteristics, such as derivative instruments.

***Obsolescence Risk.*** AQR's strategies are unlikely to be successful unless the assumptions underlying the models used to implement those strategies are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that profitable trading signals will not be generated. AQR's testing of its Models and Data are directed in part at identifying these risks, but there is no guarantee that these risks will be effectively managed. If and to the extent that the models do not reflect certain factors, and AQR does not successfully address such omission through its testing and evaluation and modify the models accordingly, major losses may result. AQR will continue to test, evaluate, and add new models, as a result of which the existing models may be modified from time to time. Any modification of the models or strategies will not be subject to any requirement that Clients receive notice of the change or that they consent to it. There can be no assurance as to the effects (positive or negative) of any modification of the models or strategies on a Client's portfolio.



*Operational Risk.* AQR has developed systems and procedures to manage operational risk. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked or accounted for, or other similar disruption in the Adviser's operations may cause a Client to suffer financial loss, the disruption of the Adviser's business, liability of Clients to third parties, regulatory intervention, or reputational damage to AQR. AQR relies heavily on its portfolio management, trading, financial, accounting, and other data processing systems. The ability of its systems to accommodate an increasing volume of transactions could also constrain the Adviser's ability to properly manage a Client's portfolio.

*Proprietary Trading Methods.* Because AQR's trading methods are proprietary, a Client will not be able to determine any details of such methods or whether they are being followed.

*Risk of Programming and Modeling Errors.* AQR's research and modeling process is extremely complex and involves financial, economic, econometric and statistical theories, research and modeling; the results of that process must then be translated into computer code. Although AQR seeks to hire individuals skilled in these functions and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product raises the chances that the finished model may contain an error. One or more of such errors could adversely affect a Client's portfolio and would generally not constitute a trade error subject to reimbursement under AQR's policies. Generally, AQR will not notify Clients or investors of non-compensable errors or incidents, including coding or data issues. AQR's testing of its Models and Data are directed in part at identifying these risks, but there is no guarantee that these risks will be effectively managed.

*Trading Decisions Based on Quantitative and Other Analysis.* AQR's portfolio management and trading decisions are based on quantitative models, signals, and other analyses. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisors' investment models and trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated. No assurance can be given that the Adviser's strategies will be successful under all or any market conditions.

*Trading Judgment.* The success of the proprietary valuation techniques and investment and trading strategies employed by AQR is subject to the judgment and skills of the portfolio managers, research teams and trading teams. Additionally, the abilities of the trading team with regard to execution and discipline are important to a Client's performance. There can be no assurance that the investment decisions or actions of the portfolio managers, researchers or trading personnel will be correct. Incorrect decisions or poor judgment may result in substantial losses to a Client.

The above summary does not purport to be a complete discussion of all the risks associated with a Client's specific mandate. A Client's offering memorandum or prospectus and supplemental disclosure document contains additional information with respect to the risks to which the Client will be subject.



## Item 9 – Disciplinary Information

It was alleged that as of the close of business on September 6, 2012, AQR violated futures contract position limits set by the CME Group in connection with the trading of European Gasoil Bullet Futures. It was further alleged that as of the close of business on January 15, 2013, AQR violated futures contract position limits set by the CME Group in connection with the trading of Crude Oil Financial Futures. On March 27, 2013 (and effective as of April 1, 2013), AQR voluntarily agreed, without admitting or denying any allegations, to a settlement with the New York Mercantile Exchange (“NYMEX”) Business Conduct Committee related to NYMEX Rule 562. AQR’s settlement consisted of the payment of \$85,000 to NYMEX by AQR.

It was alleged that on April 17, 2013, AQR violated futures contract position limits set by the CME Group in connection with the trading of Soybean Futures. On September 9, 2013 (and effective as of October 24, 2013), AQR voluntarily agreed, without admitting or denying any allegations, to a settlement with the Chicago Board of Trade (“CBOT”) Business Conduct Committee related to CBOT Rule 562. AQR’s settlement consisted of the payment of \$70,000 and a disgorgement of profits in the amount of \$925, both of which were paid to CBOT by AQR.

In May 2014 and July 2014, AQR notified the Swedish Financial Supervisory Authority (the “SFSA”) of net short positions in two Swedish issuers pursuant to the Regulation (EU) No. 236/2012 of the European Parliament and of the Council on short selling and certain aspects of credit default swaps (the “EU SSR”). These notifications were made unintentionally later than the next-day notification deadline specified in the EU SSR. In both cases, the delayed notifications were the result of unintentional error, and AQR submitted the notifications to the SFSA after AQR’s discovery of the issue. On April 2, 2015, AQR received notice that the SFSA had decided to impose a special fee of approximately \$2,300 and \$30,000 for the late notifications with respect to these two issuers. On May 25, 2015, the decision became legally binding and AQR paid the special fees following the issuance of invoices by the SFSA.

In June 2014 and October 2014, AQR notified the Netherlands Authority for the Financial Markets (“AFM”) of net short positions in two Dutch issuers pursuant to the EU SSR. These notifications were made unintentionally later than the notification deadline specified in the EU SSR. In both cases, the delayed notifications were the result of unintentional error, and AQR submitted the notifications to the AFM after AQR’s discovery of the issue. On April 28, 2015, AQR received a legally binding notice that the AFM had decided to impose an administrative fine of EUR 500,000 for the late notifications with respect to these two issuers, which AQR paid following the issuance of an invoice by the AFM.



## Item 10 – Other Financial Industry Activities and Affiliations

### Related Broker-Dealer

In connection with the marketing of shares of the Series Funds and interests in certain Private Funds and CITs, certain AQR personnel are registered representatives of AQR Investments, an affiliated SEC-registered broker-dealer, member of FINRA and the Securities Investor Protection Corporation. Please see Item 5 – Fees and Compensation above for a discussion of potential conflicts of interest with respect to such employees. AQR Investments does not: (1) engage in underwriting or market making activities; (2) handle or custody customer funds or securities; (3) engage in execution, clearance or settlement of transactions; or (4) hold investments.

### CFTC Registration Status

AQR is registered with the CFTC as a commodity pool operator and commodity trading adviser and is a member of NFA.

### Material Relationships or Arrangements with Industry Participants

AQR and CNH Capital Management, LLC (“CNH CM”) are members of CNH. CNH is a Delaware limited liability company, SEC-registered investment adviser (SEC Number 801-60678), CFTC-registered commodity trading adviser and commodity pool operator, and a member of the NFA. Mark L. Mitchell and Todd Pulvino are founding principals of CNH. CNH provides discretionary investment management services, specializing in global merger arbitrage, global convertible arbitrage, and other event driven strategies. CNH serves as sub-adviser to certain AQR Clients, including certain Series Funds. CNH utilizes the infrastructure of AQR for non-portfolio management functions.

CNH CM is not a registered investment adviser and does not have investment management agreements or discretionary authority over AQR or CNH clients. CNH provides AQR with research and investment management support services.

David G. Kabiller is on the Board of Directors of Crow Family Holdings, a family office established to own and manage the wealth and direct the investments of, and provide various other services to, the Trammell Crow family and affiliated entities. Crow Family Holdings owns a minority, non-controlling ownership interest in CH Investment Partners, LLC an SEC registered investment adviser. Mr. Kabiller’s Board membership is independent of AQR and CNH. Crow Holdings and CH Investment Partners, LLC are not publicly traded companies.

AQR or affiliated entities may also from time-to-time act as general partner or managing member to certain Sponsored Funds formed as limited partnerships or limited liability companies. AQR or affiliated entities may act as general partner to both the master fund (the “Master Fund”) and the feeder fund (the “Feeder Fund”) in a Sponsored Fund that is set up in a master-feeder structure. The following AQR-affiliated entities serve as general partner or managing member to one or more Sponsored Funds:

- AQR Principal Global Asset Allocation, LLC
- AQR Capital Management GP II Ltd.
- AQR Capital Management GP Ltd.
- AQR Capital Management II, LLC
- AQR Capital Management III, LLC
- AQR Corporate Arbitrage GP, LLC
- AQR Investment Fund GP, LLC
- AQR Tax Advantaged GP, LLC
- AQR Tax Advantaged GP II, LLC



- AQR Tax Aware GP IV, LLC

AQR, where appropriate, may recommend that one or more Sponsored Funds or Series Funds invest in other Sponsored Funds or Series Funds, including funds sub-advised by CNH. Investments in affiliated funds may be made either through the Master Fund and/or Feeder Fund or one or more of the Series Funds. AQR also employs CNH to perform research and investment management support services.

AQR serves as the investment adviser to, and one related person serves on the Board of Trustees of, the AQR Funds. Subject to the overall authority of the Board of Trustees, AQR furnishes continuous investment supervision and management to the AQR Funds' portfolios and also furnishes office space, equipment and management personnel, including persons satisfactory to the Board of Trustees to serve as officers of the Series Funds, and also provides certain other administrative services to each Series Fund. CNH serves as the sub-adviser for the AQR Diversified Arbitrage Fund.

AQR owns AQR Pty Limited, an Australian propriety company domiciled in Sydney, Australia. AQR Pty Limited provides AQR with investment management marketing services in Australia under a Financial Services License with the Australian Securities and Investments Commission.

AQR also owns AQR Capital Management (UK Services) Limited ("AQR UK"), a United Kingdom private limited company incorporated on May 10, 2012 in England and Wales. AQR UK is the managing member of AQR Capital Management (Europe) LLP ("AQR Europe").

AQR Europe is a UK limited liability partnership that is authorized by the UK's FCA for advising, arranging, managing, dealing as agent (for professional investors only), and for managing unauthorized alternative investment funds (Firm FCA Ref. No. 567411). AQR Europe is domiciled in England and Wales and was formed on May 12, 2012. AQR Europe owns AQR Capital Management (DK Service) Aps ("AQR DK Service"), a Danish private limited company incorporated on July 1, 2012 and domiciled in Denmark. AQR DK Service provides AQR with research services in Denmark.

AQR Capital Management (Germany) GmbH ("AQR Germany"), incorporated in Germany and an affiliate of AQR, has received from the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") permission to provide financial services in the form of investment advice and investment brokering to clients in Germany and outbound passporting throughout the European Economic Area ("EEA") in respect of such authorizations.

AQR Capital Management (Asia) Limited is a wholly-owned subsidiary of AQR and is licensed to conduct Type 1 (Dealing in Securities) regulated activity in Hong Kong from the Hong Kong Securities and Futures Commission.

AQR Capital Management (Canada), LLC is also a wholly-owned subsidiary of AQR and is registered with Canadian securities regulators in Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Quebec, and Saskatchewan as an Exempt Market Dealer.



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

### **Code of Ethics**

AQR's officers, principals, and employees (collectively "Covered Persons") must abide by AQR's Business Conduct Manual and Code of Ethics (the "Business Conduct Manual"), which includes AQR's Personal Trading Policy (which is also applicable to members of their household).

Covered Persons may hold and transact in securities only if they comply with the Personal Trading Policy. AQR has implemented the Personal Trading Policy in order to reduce conflicts of interest between trading for Clients and the personal trading activities of Covered Persons. Covered Persons are permitted to invest in Series Funds, Sub-Advised Mutual Funds and Sponsored Funds, through their personal trading accounts, subject to certain restrictions. At times, Covered Persons invest in the same or related securities as those that AQR or an affiliate invests in for Clients, including doing so before, or at or about the same time as a Client transaction is effected. The Personal Trading Policy also prohibits certain personal transactions, imposes restrictions on personal trading, requires pre-clearance of certain personal trades, and requires Covered Persons to make certain reports regarding their personal trading and private investments.

AQR is firmly committed to making its Covered Persons aware of the requirements within AQR's Business Conduct Manual. All Covered Persons are provided with the Business Conduct Manual at the time of hire and must certify that they have received a copy of the Business Conduct Manual and have read and understand its provisions. Covered Persons are also required to certify at least annually that they have complied with the terms of the Business Conduct Manual. Additionally, AQR conducts periodic compliance training that addresses the requirements of the Business Conduct Manual.

Clients or prospective Clients may obtain a copy of the Business Conduct Manual upon request.

### **Client Transactions in Securities Where Adviser has a Material Financial Interest**

AQR, where appropriate, may recommend that one or more Sponsored Funds or Series Funds invest in other Sponsored Funds or Series Funds, or funds managed or sub-advised by CNH. In certain circumstances, CNH performs research and investment management support services for AQR. These practices create a conflict of interest because AQR or persons affiliated with AQR have an incentive to recommend its products to Clients based on its own financial interests or those of its affiliated persons, rather than solely the interests of a Client.

### **Investing in Securities Recommended to Clients**

When AQR determines that it would be appropriate for one or more Sponsored Funds, Series Funds, or other Clients, including Seed Funds or Reference Funds, to participate in an investment opportunity, AQR will seek to execute orders for all the participating accounts, Seed Funds and Reference Funds, on an equitable basis.

In certain circumstances, Clients take an opposite investment position (e.g., a long position versus a short position) in the same security held by other Clients (including Seed Funds or Reference Funds). Subject to applicable laws and/or Client restrictions, and in certain circumstances, AQR instructs on the purchase, sale or holding of a certain security or securities for a Client (including a Seed Fund or Reference Fund) while also instructing other Clients (including Seed Funds or Reference Funds) to enter into a different or opposite investment decision regarding the same security or securities. Hence, AQR sometimes directs the purchase or sale of the same securities for more than one advisory Client (including a Seed Fund or Reference Fund) account on the same day (including at the same time) in the same direction, the opposite direction, or a combination of the two directions. There are certain disadvantages when one or more Clients simultaneously seeks to buy or sell commonly held securities and other investment positions.

AQR will seek to allocate investment opportunities and trades fairly. "Fair" treatment does not mean identical treatment of all Clients. Rather, it means that AQR does not discriminate on an impermissible basis against one Client or group of Clients. When AQR transacts in securities or instruments for more than one Client, the investment opportunities and trades will be allocated in a manner consistent with AQR's policies and procedures. Please refer to Item 12 – Brokerage Practices for a description of AQR's trade aggregation and allocation procedures.



Certain AQR personnel maintain personal private investment holdings, which include private companies and/or private funds. Certain of these investments are maintained with third-party investment managers who sponsor investment vehicles that compete with AQR or that AQR or certain AQR affiliates may recommend to its clients. Furthermore, certain of these personal investments have terms that are more favorable than those routinely offered by the unaffiliated investment manager (e.g., reduced fees). These personal investments may give rise to potential or actual conflicts of interest between AQR's Clients on the one hand, and AQR and its affiliates, on the other hand. Accordingly, AQR's personal securities investment and reporting policies, which require the pre-approval from the Chief Compliance Officer, or his designee, on any personal private fund or private company investment, seek to address any potential or actual conflicts of interest relating to personal private investments.

### **Investing in Securities Issued by Clients, Counterparties, and Related Parties**

To the extent permitted by law and account guidelines, and in certain circumstances, AQR recommends the purchase, sale or holding of securities issued by companies with which AQR has business relationships, including but not limited to companies which are Clients, prospective Clients or which are affiliated with Clients, service providers, trading counterparties, lenders or investors. These transactions are subject to the requirements and limitations of the Code and related policies, as well as the requirements of the Advisers Act, the Company Act and/or other applicable laws.

### **Conflict of Interest Created by Contemporaneous Trading**

In certain circumstances, AQR, on behalf of a Client, including a Seed Fund or Reference Fund, will take a position that is different from, and potentially adverse to, a position taken by another Client, invest in a different security of an issuer's capital structure in which another Client is invested, invest in the same security but on different terms than another Client, obtain exposure to an investment using different types of securities or instruments than another Client, engage in short selling securities that another Client holds, vote securities in a different manner than another Client, and/or acquire or dispose of its interests at different times than another Client. This could have a material adverse effect on, or in some instances could benefit, one or more of such Clients, including Clients that are AQR affiliates, in which AQR has an interest, or which pay AQR higher fees or a performance fee. These transactions or investments by one or more Clients could dilute or otherwise disadvantage the values, prices, or investment strategies of such Clients. When AQR, on behalf of a Client, manages or implements a portfolio decision ahead of, or contemporaneously with, portfolio decisions of another Client, market impact, liquidity constraints, or other factors could result in such Client receiving less favorable pricing or trading results, paying higher transaction costs, or being otherwise disadvantaged. In addition, in connection with the foregoing, AQR, on behalf of a Client, is permitted to pursue or enforce rights or actions, or refrain from pursuing or enforcing rights or actions, with respect to a particular issuer in which another Client has invested, even though such actions or inaction could materially adversely affect such other Client.

Certain employees have invested their own monies in Sponsored Funds and/or Series Funds, including Seed Funds, managed by investment personnel of AQR and/or CNH. These funds hold, purchase, sell, or short the same investments in which other Clients have interests. From time to time, AQR or a related person buys or sells securities for Clients before, or at about the same time that AQR or a related person buys or sells the same securities for its own accounts. In order to minimize the conflicts stemming from situations where this type of contemporaneous trading might result in an economic benefit for AQR or its affiliated persons to the detriment of a Client, AQR has adopted the trade aggregation and allocation policies and procedures discussed in Item 12 – Brokerage Practices below and the Business Conduct Manual discussed above.

In addition, persons affiliated with AQR provide initial funding or otherwise invest in vehicles managed by AQR and/or CNH. When persons affiliated with AQR provide 'seed capital' or other capital for a fund, they do so with the intention of redeeming all or part of their interests at a particular future point in time or when they or AQR deem that sufficient additional capital has been invested in that fund.

### **Insider Trading/Material Nonpublic Information ("MNPI")**

All AQR employees are subject to the Business Conduct Manual's Policy to Prevent Insider Trading. This section of the Business Conduct Manual includes policies and procedures prohibiting the misuse of MNPI and is designed to prevent insider trading by an officer or employee of the Adviser. Additionally, employees are prohibited from



transacting in the securities of the relevant issuer while in possession of MNPI that has been obtained in breach of a duty of trust or confidence, and disclosing such MNPI to any person, including, but not limited to, family members.

In accordance with these policies, AQR maintains a "restricted list" that identifies any securities that cannot be purchased by AQR employees, including members of their household. The issuers named on this restricted list are coded as prohibited in AQR's and CNH's trading and portfolio compliance system, thus blocking the Adviser from trading in these securities without the consent of the Adviser's Chief Compliance Officer or his designee. In certain circumstances, a Client will be restricted from transacting in a security or instrument because of MNPI received in connection with an investment opportunity that is offered to other Clients. In other circumstances, a Client will not participate in an investment opportunity to avoid AQR or CNH from receiving MNPI that would restrict AQR or CNH from transacting in a security or instrument for another Client. These restrictions may adversely impact the investment performance of Client accounts.



## Item 12 – Brokerage Practices

Clients often grant AQR responsibility for selecting brokers to execute portfolio transactions on behalf of Clients as well as negotiating any commissions or spreads paid on such transactions, except with respect to providing model portfolio recommendations and for Clients that have entered into directed brokerage agreements. Securities transactions normally will be executed through brokers selected by AQR in its sole discretion without the consent of Clients. Before establishing a relationship with any counterparty, the Adviser's Global Trading group ("GT") will evaluate the counterparty based on selection factors including, but not limited to, those listed below. In addition, the Adviser's Counterparty Committee will review each proposed counterparty relationship. Only after due diligence is complete will the Counterparty Committee vote to approve a counterparty. The Counterparty Committee maintains a list of all counterparties approved to execute Client orders and will continue to review those counterparties on an on-going basis. The Best Execution Committee evaluates the selection factors listed below on an ongoing basis.

With regard to inducement rules under the recast EU Markets in Financial Instruments Directive ("MIFID II"), AQR takes a global unbundling approach and will not pay for external research and data out of Client assets.

### Brokerage Relationships

AQR's relationships with counterparties, particularly those affiliated with large financial services organizations, are complex. AQR uses various counterparties to execute orders, provide financing to investment vehicles managed by AQR on behalf of Clients, and also has other relationships with certain such firms including, but not limited to, the following examples:

- AQR invests certain Client assets in securities issued by counterparties or their affiliates;
- AQR provides investment management services to certain counterparties or their affiliates;
- Certain counterparties provide both internally-generated and third-party research to AQR;
- Certain counterparties refer prospective clients to AQR, serve as placement agents, or invest themselves in AQR's products.

Notwithstanding such relationships or business dealings with these counterparties, AQR has a duty to Clients to seek best execution when trading with these firms and has implemented policies and procedures to monitor its efforts in this regard.

### Selection Factors for Counterparties

**Best Execution.** Clients often grant AQR or its affiliates the authority to select the counterparty to be used for the purchase or sale of securities and investments. Consequently, AQR has a duty to seek best execution of transactions for Clients. "Best execution" is generally understood to mean the most favorable cost or net proceeds reasonably obtainable under the circumstances.

In seeking best execution, the selection of executing brokers and their respective capabilities on behalf of Clients shall be evaluated by GT and the Best Execution Committee. Each broker evaluation shall be conducted by GT and consider factors including, but not limited to, those described below. The determining factor is not necessarily the lowest possible commission cost, but whether the transaction represents the best qualitative execution overall. The Best Execution Committee has determined that the following factors, to the extent applicable, should be considered in determining whether a broker provides best execution: competitiveness of commission rates or spreads; execution capabilities; clearance and settlement capabilities; access to various market centers; expertise in executing trades for a particular security type; reputation and business practices; overall quality of broker services, including responsiveness and technology support; ability or willingness to maintain and commit adequate capital; and the size and volume of the broker's order flow.



Recognizing the value of these factors, AQR may select counterparties that charge a commission in excess of that which another counterparty might have charged for effecting the same transaction. AQR is not obligated to choose the counterparty offering the lowest available commission rate if, in AQR's reasonable judgment, the total cost or proceeds from the transaction may be less favorable than what may be obtained elsewhere or if a higher commission is justified by the service provided by another counterparty.

**Additional Considerations.** When selecting brokers to execute Client trades, employees may not consider factors that are based on a personal benefit or conflicts of interest (e.g., directing execution as a means of compensating others for personal favors). In addition, employees are required to disclose to the Compliance Department any related person of the employee who is employed by or affiliated with a bank, broker-dealer, futures broker or commodities broker, which may present a potential conflict of interest.

The AQR Mutual Funds will not compensate a broker or dealer for any promotion or sale of shares of the AQR Mutual Funds by direction to the broker or dealer of the AQR Mutual Funds' portfolio securities transactions, or any remuneration (including, but not limited to, any commission, mark-up, mark down, or other fee) received or to be received from the portfolio transactions effected through any other broker or dealer (see Rule 12b-1(h) under the Company Act). However, the AQR Mutual Funds are permitted to use a broker or dealer that promotes or sells the AQR Mutual Funds' shares, provided the business arrangement is in compliance with the conditions required by applicable law.

**Review of Counterparty Execution.** AQR has implemented internal controls and procedures to address the conflicts of interest associated with its brokerage practices. To determine that it is receiving best execution for its transactions over time, AQR will obtain information as to the general level of commission rates being charged by the brokerage community, from time to time, and will periodically evaluate the overall reasonableness of brokerage commissions paid on Client transactions by reference to such data. To the extent AQR has been paying higher commission rates for its transactions, AQR will determine if the quality of execution and the services provided by the counterparty justify these higher commissions.

AQR's Best Execution Committee is responsible for the design, implementation and oversight of the Firm's best execution governance framework, which includes controls, processes and systems designed to provide reasonable assurance that best execution is achieved for all Clients. The Best Execution Committee reviews commission rates by broker, country, and investment type per Client as part of its overall responsibility. Counterparty effectiveness is evaluated on cost, connectivity, operational performance and other related factors. Moreover, the Counterparty Committee reviews credit quality and operational viability of the Adviser's clearing and execution counterparties.

**Client Restrictions.** Certain Client imposed restrictions that constrain AQR's operational efficiency and/or broker selection will impact AQR's ability to achieve best execution in certain circumstances.

**Directed Brokerage.** AQR generally does not recommend, request, or require that Clients direct AQR to execute transactions through a specified counterparty. However, from time to time, a Client will direct AQR to use a particular counterparty for all or a percentage of trades (a "directed brokerage arrangement"). The Client should consider the costs and disadvantages that may occur if a directed brokerage arrangement is employed, such as higher commissions, less than favorable execution, and/or exclusion from trade opportunities. It is AQR's practice not to negotiate commission rates with directed counterparties unless expressly requested by the Client.

Clients with directed brokerage arrangements thus should consider the following: they may pay higher commissions on some transactions than might be attained by AQR or receive less favorable execution on some transactions, or both; they may not be able to participate in the allocation of initial public offerings; AQR may wait to begin to execute transactions with directed counterparties until non-directed brokerage orders are completed; and they may not generate returns equal to those Clients that do not have directed brokerage arrangements. Further, Clients who designate the use of particular counterparties should understand that they may lose the possible advantage which non-designating Clients derive from aggregation of orders for several



Clients as a single transaction for the purchase or sale of a particular security. Accordingly, a Client with a directed brokerage arrangement should determine whether or not the specified counterparty could provide adequate price and execution for its transactions.

**Prime Brokerage.** Many Clients have one or more prime brokers through which the Client's trade clearance and financing is coordinated. Certain prime brokers also provide AQR with research, reporting, and analysis tools as part of their services.

**Step-Outs.** In certain circumstances, AQR uses "step-out trades" when AQR determines that the step out trades facilitate better execution for certain Client trades. Step-out trades are transactions which are placed at one counterparty and then "given up" or "stepped out" by that counterparty to another counterparty. Step-out trades may benefit the Client by finding a natural buyer or seller of a particular security so that AQR can trade a larger block of shares more efficiently. Unless directed otherwise by the Client, AQR may use step-out trades for any Client.

**Soft Dollar Arrangements.** The term "soft dollars" refers generally to the practice by investment advisers of paying for research and brokerage services using brokerage commissions generated by the execution of trades for their clients' accounts. AQR does not currently use soft dollars in connection with any of the Clients we advise. To the extent AQR does use soft dollars in the future, we expect that such use will fall within the safe harbor afforded by Section 28(e) of the Securities Exchange Act of 1934, as amended.

**Brokerage for Client Referrals.** AQR does not select counterparties based on or related to Client referrals or in connection with past or future placement of investors into AQR Mutual Funds, AQR UCITS, or Sponsored Funds. Certain broker-dealers host conferences and events for prospective investors. On occasion, representatives of AQR speak at these "capital introduction" events and meet with prospective investors. AQR accepts subscriptions from certain investors who also provide services to Clients, including brokers and their affiliates. Relationships such as these could be viewed as creating a conflict of interest that potentially could affect AQR's ability to seek best execution. While AQR's relationship with broker-dealers may influence it in deciding whether to use such brokers in connection with trading, financing and other activities of Clients, AQR will not commit with any broker to allocate a particular amount of brokerage to that broker. In addition, AQR will not select any broker for trading purposes based upon any distribution related activity of that broker or one of its affiliates on a Client's behalf. AQR conducts best execution reviews on a regular basis in an effort to mitigate potential conflicts of interest with brokerage relationships, and to provide reasonable assurance that AQR obtains best execution for all Clients.

**Trade Aggregation and Allocation.** As a fiduciary, AQR and its personnel must exercise due care to reasonably ensure that it places the interests of its Clients first and to allocate investment opportunities fairly and equitably and in accordance with regulatory requirements. The timing, size, and frequency of trading in a Client's portfolio will be determined by a number of factors, including, but not limited to: (1) investment objectives and guidelines; (2) regulatory restrictions; (3) risk tolerance including exposure control; (4) liquidity needs; (5) redemptions and subscriptions; (6) distance from target exposure; (7) composite dispersion; and (8) daily trading limits. If a Client portfolio is scheduled to trade on the same day as a separate, but similar, Client portfolio, trading may be aggregated.

As discussed in Item 6 – Performance-Based Fees and Side-By-Side Management above, side-by-side management of various types of portfolios raises the possibility of favorable or preferential treatment of a portfolio or a group of portfolios arising from differences in fee arrangements. AQR has implemented specific controls built on two general principles: (1) fair allocation of a trade opportunity, and (2) fair allocation of price. Depending upon the particular instrument, the trade opportunities in which a Client will participate are determined by AQR's quantitative investment models, as they prescribe the specific appetites based on pre-determined parameters and measures for individual instruments based on the particular Client's investment objectives and other considerations. In certain circumstances, certain investment opportunities (e.g., new issuances of fixed income instruments) may be allocated to some eligible Clients and not others, depending on existing holdings, investment strategies or other pre-determined criteria. Upon completion of this process, a set of transactions are identified that are then either traded in aggregate with other accounts with similar



objectives or traded individually. When evaluating trade opportunities, AQR's considerations include the expected liquidity available in the market relative to the size of the overall trades AQR will effect on behalf of Clients. AQR will also consider the expected impact of trade activity on behalf of Clients or other persons for which AQR does not exercise investment discretion, including persons who receive model portfolios or other persons whom AQR expects to trade in the same instruments, if any. Taking into consideration the anticipated trading activity by these accounts has the potential of reducing the amount of trading that AQR estimates that it will be able to implement for Clients for which it exercises discretion and could extend the period necessary for AQR to implement investment ideas for such Clients.

If AQR has determined to invest at the same time for more than one account, AQR will under certain circumstances, but is not obligated to, aggregate or "bunch" orders to obtain best execution, negotiate more favorable commission rates, or allocate equitably among Clients differences in prices and commissions or other transaction costs than might have been obtained had such orders been placed independently. Under this aggregation procedure, transactions will generally be averaged as to price and allocated among Clients *pro rata*, based on the original purchase and sale orders placed for each Client on any given day, and transaction costs, with limited exceptions, will be shared *pro rata* based on each Client's participation in the transaction. To the extent that AQR determines to aggregate Client orders for the purchase or sale of investments, AQR shall do so in a fair and equitable manner and consistent with its duty to seek best execution. AQR shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that AQR determines not to aggregate Client orders, Clients will under certain circumstances be subject to different prices and commissions or other transaction costs compared to what they would have obtained had such orders been placed on an aggregate basis.

AQR targets its daily trading volume for a given security in the applicable investable universe under prevailing market conditions. If an aggregate order on behalf of more than one Client cannot be fully executed under prevailing market conditions, AQR will allocate the instruments traded among the different Clients on the basis in which it considers equitable. In these circumstances, each Client would generally pay (or receive), in connection with the purchase (or sale) of securities by more than one Client, the average price per unit acquired (or sold), which may be higher (or lower) than if it had acted alone, and it may otherwise not be able to execute an investment decision as effectively as it could have if it had acted alone.

In the event that AQR determines that a *pro rata* allocation for partially executed aggregate orders (*i.e.*, a "partial fill") is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include, but are not limited to: (1) when only a small percentage of the order is executed, interests may be allocated to the Client with the smallest order or the smallest position or to a Client that is out of line with respect to target weightings relative to other Client portfolios, with similar mandates, including if the imbalance is due to a cash subscription; (2) an allocation may be given to a Client when the Client has limitations in its investment guidelines which prohibit it from purchasing other instruments that are expected to produce similar investment results and can be purchased by other Clients; (3) if a Client reaches an investment guideline limit and cannot participate in an allocation, interests may be reallocated to other Clients (this may be due to unforeseen changes in a Client's assets after an order is placed); (4) with respect to sale allocations, allocations may be given to Clients low in cash, including to satisfy a cash redemption; (5) in cases when a *pro rata* allocation of a potential execution would result in a *de minimis* allocation in one or more Clients, AQR may exclude the Client(s) from the allocation and the transactions may be executed on a *pro rata* basis among the remaining Clients; (6) in cases when there is a minimum tradeable lot size, the transaction may be allocated first based on the minimum lot size for the security type and then the remainder shall be allocated *pro rata* per applicable portfolio guidelines (unless such *pro rata* allocation would not meet the security's minimum lot size, where applicable, in which case that portfolio may be excluded from the allocation; and (7) in cases where a small proportion of an order is executed in all Clients, interests may be allocated to one or more Clients on a random basis.

As noted above, in certain circumstances AQR will utilize a Reference Fund to implement the specific model portfolio strategy and generate orders. Trades entered on behalf of the Reference Fund may be aggregated with other Client trades. AQR expects to deliver the model portfolio of a specific strategy to Model Platforms in a manner and within a timeframe agreed upon in the applicable agreement, generally, after AQR has completed



all of its trading activity on behalf of AQR's own Clients in the same or similar strategies, including any applicable Reference Fund.

**Cross Trades.** Cross trades occur when AQR arranges for the purchase and sale of a security between certain types of Clients at an AQR specified price. Under certain conditions, AQR is permitted to enter into cross trades provided they are executed in compliance with the Advisers Act and, if pertinent, the Company Act.

**Principal Trades.** To the extent that AQR engages in a principal transaction covered by Section 206(3) of the Advisers Act due to the ownership interest in a Client by AQR, its affiliates or its personnel, AQR will comply with the requirements of Section 206(3) of the Advisers Act, including that AQR will notify the applicable Client (or an independent representative of the Client) in writing of the transaction and obtain the Client's consent (or the consent of an independent representative of the Client). Section 206(3) of the Advisers Act only applies with respect to principal transactions involving the purchase or sale of securities (and not, for the avoidance of doubt, commodities, currencies or many of the other financial instruments in which a Client may trade).

**Incident Handling Policy.** AQR classifies trade errors pursuant to its own error correction policies and procedures as those orders executed by GT without instructions or not in accordance with AQR portfolio management team's instructions that impact a Client's account. Discernible net realized losses incurred by a Client(s) due to such a trade error or due to AQR's breach of a Client guideline or a regulatory requirement (subject to the applicable terms of the investment management agreement) are generally reimbursable by AQR. However, process enhancements, errors or other incidents that occur in connection with AQR's design, programming or use of models and/or data sources in the investment management process that may negatively impact a Client's portfolio are deemed "process incidents". Process incidents are not considered trade errors subject to reimbursement under AQR's policies and are assessed on a case-by-case basis, in AQR's discretion based on factors it considers reasonable. In addition, operational events may occur in connection with other activities, unrelated to the Firm's investment management process (e.g., net asset value calculation and cash flow recognition.) The Firm addresses operational events on a case-by-case basis, in its discretion based on factors it considers reasonable, including regulatory requirements, contractual obligations, and business practices. The Firm in its discretion may reimburse discernable net realized losses incurred by a Client due to an operational event.

While AQR will attempt to correct the error promptly, correction of errors may be delayed in certain cases where investigation of the error is necessary or where consultation with a particular Client is sought. AQR will not use another Client's account to reimburse trade errors, nor will commission or "soft dollars" (to the extent there are any) be used to correct Adviser trade errors.

In general, it is AQR's policy to notify clients of incidents corrected post-settlement that violate a guideline and certain errors that are otherwise compensable. Generally, AQR will not notify clients of non-compensable errors or incidents. AQR may agree to comply with a specific Client's policies regarding the handling of errors that may be different from the policies set forth above.



## Item 13 – Review of Accounts

AQR's portfolio managers, client administration analysts, and the Compliance Department frequently communicate with the trading and portfolio management staff to review the status of, and to provide instructions or guidance concerning, pending transactions for, and overall performance of, each Client's account. The level of review and guidance provided by AQR's portfolio management personnel varies based upon facts and circumstances specific to individual Clients. Generally, a review of a Client's account includes specific securities held, adherence to investment guidelines, and account performance.

Although AQR reviews each Client's account on a regular basis, there are facts and circumstances which will prompt *ad hoc* reviews. Significant market events affecting the prices of one or more securities held by a Client, changes in investment objectives or guidelines of a particular Client, or specific arrangements with particular Clients or investors may trigger more frequent reviews of a particular Client's account.

In addition, various investment committees of the Adviser are responsible for monitoring investment strategies employed by the respective portfolios. These committees generally have an overall responsibility for monitoring the portfolios' investments.

Subscribers in Sponsored Funds are generally furnished (i) as soon as practicable after the end of each fiscal year, written annual reports of the relevant Sponsored Fund(s) that include audited financial statements prepared in accordance with U.S. generally accepted accounting principles or other acceptable accounting principles; and (ii) on a basis no less frequently than quarterly, written unaudited reports on the operations of the relevant Sponsored Fund(s) which include a statement of the net asset value of the Subscriber's interest in such Sponsored Fund(s). Subscribers in Sponsored Funds receive reports from AQR pursuant to the terms of each Sponsored Funds' offering memoranda or investor Side Letter.

Managed Account Clients receive regular written reports from their custodian and receive operational reports from AQR upon request or as required in the investment management agreement.

Investors in AQR Mutual Funds receive certain written quarterly and other periodic reports of investment companies authorized for public offer and sale, which are available on the SEC's website at [www.sec.gov](http://www.sec.gov) and certain of these reports are also posted to the AQR Mutual Funds website <https://funds.aqr.com>. In addition, on or about 15 days following the end of each calendar quarter, each Series Fund will make available on the AQR Mutual Funds website, a complete uncertified schedule of its portfolio holdings as of the end of the quarter.

Investors in AQR UCITS receive regular written reports from AQR in accordance with the principles established in the UCITS directives.



## Item 14 – Client Referrals and Other Compensation

### Relationships with Consultants

Many of AQR's Clients and prospective Clients retain investment consultants to advise them on the selection and review of investment managers. AQR has certain Clients that were introduced to AQR through consultants. These consultants or their affiliates may, in the ordinary course of their investment consulting business, recommend AQR's investment advisory services or otherwise place AQR into searches or other selection processes for a particular client.

AQR has extensive dealings with investment consultants, both in the consultants' role as adviser for their clients and through independent business relationships. Specifically, AQR provides consultants with information on portfolios it manages for its mutual clients, pursuant to its Clients' directions. AQR also provides information on its investment styles and performance to consultants, who use that information in connection with searches they conduct for their clients. AQR also responds to "Requests for Proposals" from prospective clients in connection with those searches. In addition, in certain circumstances:

- AQR invites consultants to events or other entertainment hosted by AQR.
- AQR pays registration or other fees for the opportunity to participate, along with other investment managers, in consultant-sponsored industry forums or conferences. These conferences or forums provide AQR with the opportunity to discuss a variety of business topics with consultants, Clients, and prospective Clients.
- In some cases, AQR serves as investment adviser for the accounts of consultants or their affiliates or as adviser or sub-adviser for funds offered by consultants and/or their affiliates.

In general, AQR relies on each consultant to make appropriate disclosure to its clients of any conflict that the consultant believes to exist due to its relationship with AQR.

### Relationships with Brokers

As discussed in Item 12 – Brokerage Practices, AQR currently does not have any soft dollar arrangements. AQR does receive research and brokerage services from certain counterparties that execute trades for Clients. As noted in Item 12 – Brokerage Practices, with regard to inducement rules under MiFID II, AQR takes a global unbundling approach and pays for external research and data out of its own assets. AQR has a duty to seek overall best execution of transactions for Clients and has instituted internal controls and procedures designed to ensure that AQR is receiving best execution for Client transactions over time, taking into account all pertinent factors.

### Other Relationships

In certain cases, AQR compensates certain third parties for investor referrals from AQR's own resources. In other cases, and as disclosed in the relevant fund offering materials, compensation for such third-party investor referrals is paid for by the relevant fund or by the relevant investor.

AQR is a party to Client Service/Marketing Agreement(s) with one or more subsidiaries of AMG, under which the AMG subsidiaries market certain of AQR's investment strategies to wholesale clients and provide client services to AQR's Clients in certain countries.

As discussed in Item 5 – Fees and Compensation, certain employees of AQR receive additional compensation directly in connection with historical sales of shares of the Series Funds and/or interests of certain Private Funds or CITs. Any such activities will be consistent, as pertinent, with Rule 206(4)-3 under the Advisers Act or other applicable law. The cost of these referral fees is paid entirely by AQR and is not borne by the referred investor.

AQR and/or certain Sponsored Funds have engaged external placement agents for placement of new fund interests. Placement agents that introduce investors to a Sponsored Fund are subject to a conflict of interest to the extent that they will be compensated in connection with their introduction activities. If a prospective investor is introduced to a Sponsored Fund through a placement agent, appropriate disclosure will be made to such prospective investor regarding the arrangement, if any, with such placement agent. If any placement agent receives



compensation for its services, such compensation would be made on a fully disclosed basis as outlined in the Sponsored Fund's offering documentation.

In certain circumstances, AQR (or an affiliate) makes payments out of its own resources to certain financial intermediaries or their affiliates based on sales or assets attributable to the intermediary, or such other criteria agreed to by AQR in connection with the sale or distribution of a Series Fund's shares and/or the administration of shareholder accounts. AQR selects the intermediaries to which it or its affiliate makes these payments. These additional payments to intermediaries, which are sometimes referred to as "revenue sharing" payments, may represent a premium over payments made by other fund families, and investment professionals may have an added incentive to sell or recommend a Series Fund or a share class of the Series Fund over others offered by competing fund families. In certain circumstances, AQR makes other payments to broker-dealers and/or financial intermediaries to the extent permitted by SEC and FINRA rules and by other applicable laws and regulations, such as paying registration or other fees for the opportunity to participate, along with other investment managers, in industry-sponsored industry forums or conferences. These conferences or forums provide AQR with the opportunity to discuss a variety of business topics with industry participants, consultants, Clients, and prospective Clients.



## Item 15 – Custody

AQR is deemed to have custody of the assets of Private Funds and AQR UCITS by virtue of AQR's or its affiliates' control over such funds' assets or role as general partner and/or managing member of such funds. Investment advisers with custody of client funds or securities are required to comply with the requirements of Rule 206(4)-2 of the Advisers Act. AQR does not have actual physical custody of any investor funds or securities invested in such funds; rather, all such assets are held in the name of each of the applicable funds by an independent qualified custodian. Each applicable fund is audited annually by an independent public accountant, and investors receive annual financial statements within 120 days following such fund's fiscal year end, as required by applicable law.<sup>8</sup>

AQR does not custody the assets of the Managed Accounts. Managed Accounts must make their own arrangements for custody of securities. Such custodians may be broker-dealers, prime brokers, banks, trust companies, or other qualified institutions. The qualified custodian will typically provide the separately managed accounts with at least quarterly account statements relating to the assets held within the account advised by AQR. Each Managed Account should carefully review the qualified custodian's statement upon receipt to determine that it completely and accurately states all holdings in the account and all account activity over the relevant period. Any discrepancies identified by a Managed Account should be immediately reported to AQR and the qualified custodian.

In addition to the account statements provided by qualified custodians to AQR's Managed Accounts, AQR also provides account statements to Managed Accounts on a periodic basis, as agreed upon between the Managed Accounts and the Adviser. These statements are intended to complement, not replace, the statements provided by the Managed Account's qualified custodian. As such, AQR encourages Managed Accounts to compare the statements provided to them by AQR against those provided to them by their qualified custodians who hold the assets of their accounts, and to report any questions, concerns, or discrepancies to both the Adviser and the qualified custodian promptly. AQR's statements may vary from custodial statements based on accounting procedures, reporting dates, and/or valuation methodologies of certain securities. However, please note that custodian statements reflect the official books and records for the Managed Accounts.

<sup>8</sup> Private Funds that rely on CFTC Rule 4.7 provide their Subscribers with annual reports within 90 days of the Sponsored Fund's fiscal year end.



## Item 16 – Investment Discretion

AQR generally provides investment advisory services on a discretionary basis to Clients, though as noted above in Item 4 – Advisory Business, AQR does provide non-discretionary model portfolio recommendations to Model Platforms.

Prior to assuming discretion in managing a Client's assets, the Adviser enters into a written investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

The agreement gives the Adviser the authority to determine the timing and amount of securities and other instruments to be purchased and sold for the Client account (subject to restrictions on AQR's activities set forth in the applicable agreement, any written investment guidelines and applicable law). Because of the differences in Client investment objectives and strategies, risk tolerances, tax status, liquidity considerations, and other criteria, there may be differences among Clients in invested positions and amounts held. Please see Item 12 – Brokerage Practices.

From time to time, certain securities, non-securities contracts and/or other investment instruments that are or were held by Clients are the subject of a class action or other legal proceeding. AQR utilizes the services of Financial Recovery Technologies ("FRT") to identify, analyze, assert and file claims in class actions and other legal proceedings on behalf of its UCITS Funds, Sponsored Funds and Series Funds and any Managed Accounts that have expressly delegated such authority to AQR. FRT retains a percentage of any recovery, subject to certain maximums, as payments for the claims that it files on behalf of AQR Clients.



## Item 17 – Voting Client Securities

AQR's authority to vote proxies for its Clients, if granted, is established by its investment advisory agreements or comparable documents. AQR has established proxy voting policies and procedures, and AQR's Compliance Department monitors the proxy voting process. The proxy voting procedures are designed to ensure that proxies are voted in the Clients' best interest. AQR will generally vote proxies according to the proxy voting guidelines adopted by AQR and agreed upon with an independent third-party proxy voting advisor. From time to time, AQR will determine to vote a particular proxy contrary to the agreed upon voting guidelines which could give rise to potential conflict of interest. AQR's Proxy Voting Policy includes guidelines to identify and resolve conflict of interests related to voting proxies on behalf of AQR's Clients.

AQR's authority to vote proxies for its Clients is not a material component of any of AQR's investments or strategies. AQR typically follows a systematic, research-driven approach, applying quantitative tools to process fundamental information and manage risk, significantly reducing the importance and usefulness of the proxies AQR receives and votes, or causes to be voted, on behalf of its Clients. Additionally, from time to time, AQR may not or may not be able to cast a vote prior to the cutoff date for reasons including, but not limited to, timing of transferring proxy information or account setup. AQR does not view non-voted proxy ballots to be a material issue for either the Clients or AQR's investment strategies.

In certain circumstances, Clients are permitted to direct their votes in a particular solicitation. A Client that wishes to direct its vote in a particular solicitation shall give reasonable prior written notice to AQR indicating such intention and provide written instructions directing AQR to vote in regard to the particular solicitation. Where such prior written notice is received, AQR will vote proxies in accordance with such written instructions received from the Client on a best effort's basis. Upon request, AQR will provide a Client with a copy of its proxy voting policies and procedures and information on how the Client's proxies were voted.



## **Item 18 – Financial Information**

This Item is not applicable.



## Additional Information – Notice to Canadian Clients

AQR Capital Management, LLC hereby provides notice that the Firm has filed to rely, and is actively relying on the International Adviser Exemption in the provinces of Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Quebec, and Saskatchewan, pursuant to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (“NI 31-103”). For purposes of such exemption, AQR is required to advise you of the following:

1. AQR Capital Management, LLC is not registered as an adviser in any province or territory of Canada;
2. the jurisdiction of AQR Capital Management, LLC’s head office and principal place of business is the state of Connecticut, United States;
3. all or substantially all of AQR Capital Management, LLC’s assets are or may be situated outside of Canada;
4. there may be difficulty enforcing legal rights against AQR Capital Management, LLC in Canada because it is resident outside Canada and all or substantially all of its assets are or may be situated outside of Canada;
5. the full name and address of AQR Capital Management, LLC’s agents for service of process in each of the exempted jurisdictions of Canada, can be found below.

Please note that our agents for service are solely for purposes of serving upon us notices, pleadings, subpoenas, summons or other proceedings arising out of or relating to or concerning our activities.

Should you have any questions or require any information, please contact us at 203-742-3600 or [info@aqr.com](mailto:info@aqr.com).

AQR Capital Management, LLC has appointed the following agents for service of process in the Canadian provinces listed below:

Jurisdiction	Agent for Service of Process
Alberta	<b>Osler, Hoskin &amp; Harcourt LLP</b> Suite 2700, Brookfield Place 225 – 6 <sup>th</sup> Avenue S. W. Calgary, AB T2P 1N2
British Columbia	<b>Osler, Hoskin &amp; Harcourt LLP</b> 1055 West Hastings Street Suite 1700 The Guinness Tower Vancouver, BC V6E 2E9
Manitoba	<b>MLT Aikins LLP</b> 30th Floor, 360 Main Street Winnipeg, MB R3C 4G1
Nova Scotia	<b>Stewart McKelvey</b> Queen’s Marque 600-1741 Lower Water Street Halifax, NS B3J 0J2
Ontario	<b>Osler, Hoskin &amp; Harcourt LLP</b> 100 King Street West 1 First Canadian Place, Suite 6200 Toronto, ON M5X 1B8



**Jurisdiction**

**Agent for Service of Process**

**Québec**

**Osler, Hoskin & Harcourt LLP**  
1000 rue de la Gauchetière Street West  
Suite 2100  
Montréal, QC H3B 4W5

**Saskatchewan**

**McDougall Gauley LLP**  
1500 – 1881 Scarth Street  
Regina, Saskatchewan SK S4P 4K9