



# Stone Ridge Asset Management LLC

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## Part 2A of Form ADV: Brochure

March 30, 2021

This brochure provides information about the qualifications and business practices of Stone Ridge Asset Management LLC (“Stone Ridge”). If you have any questions about the contents of this brochure, please contact us at (212) 257-4750. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration as an investment adviser does not imply any level of skill or training.

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

## **Item 2: Material Changes**

This brochure (this “Brochure”) is filed as the annual update to the Form ADV Part 2A of Stone Ridge Asset Management LLC (“Stone Ridge”). Stone Ridge last filed its Form ADV Part 2A with the SEC on March 30, 2020. Material changes to this Brochure since the March 2020 filing include amendments to the following item:

**Item 10 Other Financial Industry Activities and Affiliations** – Information regarding Stone Ridge Securities LLC, a broker-dealer that was a related person of Stone Ridge, has been removed, and information regarding New York Digital Investment Group LLC was added.

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## **Item 4: Advisory Business**

Stone Ridge is an investment management firm organized as a limited liability company under the laws of the State of Delaware and has been an SEC-registered investment adviser since 2012. Ross Stevens, the Chief Executive Officer of Stone Ridge, is the firm’s principal owner.

Stone Ridge serves as the investment adviser to various investment companies (each, an “Investment Company”) registered under the Investment Company Act of 1940, as amended (the “1940 Act”), each of which consists of one or more series (each, a “Registered Fund”), to various pooled investment vehicles the securities of which are not registered under the Securities Act of 1933, as amended (the “Securities Act”) and that are exempt from registration under the 1940 Act (each, a “Private Fund” and, together with the Registered Funds, “Funds”) and to Longtail

Insurance Holdings Ltd. (“Longtail Holdings”), an affiliated company that obtains exposure to the reinsurance risk premium through its operating reinsurance subsidiaries, and its affiliates. In addition, Stone Ridge offers investment advisory services to other investors through separately managed accounts (collectively “Managed Accounts”) that are exempt from registration under the 1940 Act and the Securities Act. We refer to the Funds, Longtail Holdings and its affiliates for which Stone Ridge provides investment advisory services and the investors whose assets are managed in any Managed Accounts herein collectively as “Clients.”

Stone Ridge generally has full discretionary authority over investment decisions made for its Clients, except for assets held in certain Managed Accounts over which it does not have discretionary authority. In connection with its investment advisory services, Stone Ridge’s advice to a Client is tailored according to the investment objectives, guidelines and requirements set forth in the Relevant Documents (as defined below) pertaining to Stone Ridge’s arrangements with that Client. In the case of the Registered Funds, such investment objectives, guidelines and requirements are described in the Registered Funds’ prospectuses and statements of additional information (“SAIs”) (each, as amended and/or supplemented from time to time, collectively, a “Prospectus”) and the investment management agreement between Stone Ridge and each Investment Company on behalf of each Registered Fund. In the case of the Private Funds, such investment objectives, guidelines and requirements are described in each Private Fund’s organizational and/or offering documents and the investment management agreement between Stone Ridge and each Private Fund. In the case of Managed Accounts, such investment objectives, guidelines and requirements are described in the investment management agreement between Stone Ridge and the relevant Client. In addition, Managed Account Clients receive materials providing information about specific investment opportunities in advance of making an investment decision. We refer to such Prospectuses, the Private Fund’s organizational and offering documents, the Managed Account Clients’ investment materials and all Clients’ investment management agreements herein as the “Relevant Documents.” All Clients should carefully review the Relevant Documents applicable to them. For more information on whether Clients may impose restrictions on investing in certain securities or types of securities, see Item 16.

In the case of the Funds, Stone Ridge provides investment advice directly to each Fund and not individually to any investor in any of the Funds.

As of January 31, 2021, Stone Ridge had \$8,951,452,551 in discretionary assets under management and \$1,470,623,631 in non-discretionary assets under management on behalf of Clients.

## **Item 5: Fees and Compensation**

The fees and expenses applicable to each Client are set forth in detail in that Client’s Relevant Documents. The fees that Stone Ridge charges to Fund Clients are non-negotiable. The fees Stone Ridge charges to Managed Account Clients are individually negotiated. Stone Ridge’s current practice is to bill fees to Registered Fund Clients on a monthly basis, to deduct fees from Private Fund Clients from time to time and to bill fees to Managed Account Clients’ assets on a monthly or quarterly basis. Clients also incur other fees and expenses, such as custodial fees and

expenses, audit fees and expenses, transfer agency fees and expenses and fund accounting fees and expenses, as applicable. Clients may incur brokerage and other transaction costs as described under Item 12 herein. A brief summary of fees and expenses is provided below.

### Registered Funds

Stone Ridge's investment advisory and other fees, if any, together with the expenses applicable to each Registered Fund are described in detail in the Prospectus for that Registered Fund.

### Private Funds and Managed Accounts

Stone Ridge's investment advisory and other fees, if any, together with the expenses applicable to each Private Fund are set forth in the Relevant Documents for each Private Fund. The specific fees payable to Stone Ridge and the specific expenses a Managed Account will bear are agreed upon by the parties and set forth in the Relevant Documents for that Managed Account.

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

Stone Ridge generally receives an asset-based advisory fee as compensation for investment advisory services provided to Clients. However, the terms of certain classes of investment in one Private Fund provide for a performance-based fee to be paid for investment advisory services provided to such Private Fund, as set forth in the Relevant Documents.

Performance-based fees give rise to certain conflicts of interest. Specifically, Stone Ridge's entitlement to performance-based fees in managing one or more Client accounts creates an incentive to take risks in managing those accounts that in certain circumstances Stone Ridge would not otherwise take in the absence of such fee arrangements. Additionally, because performance-based fees reward performance in accounts that are subject to such fees, Stone Ridge 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, Stone Ridge addresses these conflicts by utilizing an investment allocation policy designed to treat all Clients fairly and equitably. See Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading for more information.

## **Item 7: Types of Clients**

Stone Ridge's Clients are currently Registered Funds, Private Funds, Longtail Holdings and its affiliates and investors in Managed Accounts.

Please refer to the Relevant Documents for detailed information on the requirements for investing in a Registered Fund, Private Fund, or Managed Account.

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

Stone Ridge currently offers a suite of investment strategies. The Registered Funds' investment strategies include reinsurance, alternative lending, hedged equity, market risk transfer, style premium, single family rental real estate risk, healthcare royalties and bitcoin futures. The

investment strategies, methods of analysis and material risks applicable to each of the Registered Funds are described in detail in the relevant Registered Fund's Prospectus, which is publicly available on the SEC's website and at [www.stoneridgefunds.com](http://www.stoneridgefunds.com) or [hedgedequity.stoneridgeam.com](http://hedgedequity.stoneridgeam.com).

Stone Ridge sponsors and administers certain Private Funds. The Private Funds' investment strategies include reinsurance risk premium, alternative lending risk premium and healthcare royalties. Eligible investors considering an investment in a Private Fund will receive copies of the Relevant Documents describing the investment strategies, methods of analysis and material risks applicable to the Private Fund.

The investment strategies offered to investors through Managed Accounts include alternative lending and single family rental real estate. Eligible investors considering an investment in a Managed Account will receive copies of the Relevant Documents describing the investment strategies, methods of analysis and material risks applicable to the Managed Account.

Stone Ridge may offer the investment strategies described in the Registered Funds' Prospectuses or the Private Funds' Relevant Documents or other investment strategies to Managed Account Clients.

*There can be no assurance that the objectives associated with any of the strategies noted above and described more fully in the Client's Relevant Documents will be met. At any time, Stone Ridge may add, remove or modify any of the strategies it employs, including any of the strategies noted 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.*

#### **Item 9: Disciplinary Information**

Stone Ridge and its employees have not been involved in any legal or disciplinary events that would be material to an evaluation of Stone Ridge or its personnel.

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

In addition to being registered as an investment adviser with the SEC, Stone Ridge is registered as a commodity pool operator with the Commodity Futures Trading Commission ("CFTC") with respect to certain of the Registered Funds and their subsidiaries and as a commodity trading adviser with the CFTC with respect to an affiliate of Longtail Holdings.

In connection with the marketing of shares of the Registered Funds and interests in certain Private Funds, certain Stone Ridge employees are registered representatives of an unaffiliated broker dealer.

As described above, Longtail Holdings is an affiliated company controlled by Stone Ridge's parent company that obtains exposure to the reinsurance risk premium through its operating reinsurance subsidiaries, including Longtail Re (Cayman) SPC Ltd., a Cayman Islands-licensed insurance company, and Longtail Underwriting Ltd., a Bermuda-licensed insurance agent. Certain subsidiaries of Longtail Holdings invest in strategies managed by Stone Ridge.

New York Digital Investment Group LLC (“NYDIG”) is an affiliated company controlled by Stone Ridge’s parent company. NYDIG, through its operating subsidiaries, including NYDIG Trust Company LLC, NYDIG Asset Advisory LLC and NYDIG Asset Management LLC, offers investment and technology solutions focused on bitcoin.

Certain employees of Stone Ridge also have responsibilities relating to the business of these related parties. See Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading for information regarding conflicts faced by Stone Ridge in managing strategies for multiple Clients.

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

Stone Ridge has adopted a Code of Ethics (the “Code”) designed to maintain high ethical standards of professional conduct at Stone Ridge and to comply with applicable federal securities laws. The Code applies to all of Stone Ridge’s employees and any other person who provides advice to a Client on behalf of Stone Ridge and is subject to Stone Ridge’s supervision and control.

Among other things, the Code requires covered personnel to pre-clear all transactions in certain covered securities, to pre-clear investments in limited offerings and initial public offerings and to disclose their personal securities holdings and transactions to Stone Ridge on a periodic basis. The Code further prohibits the improper use of material non-public information. Stone Ridge monitors the trading activity of covered personnel in an effort to detect behavior that may violate the Code of Ethics. Policies and procedures for reporting, investigating and treating violations are included in the Code.

Stone Ridge will provide a copy of its Code to any Client or prospective Client upon request. Please see the cover page to this brochure for contact information.

Stone Ridge and its related parties engage in a broad spectrum of activities. Various potential and actual conflicts of interest may arise in the ordinary course of our and their business activities. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts. Additional information regarding conflicts can be found in each Client’s Relevant Documents.

Stone Ridge and persons controlling, under the control of or under common control with Stone Ridge and employees of Stone Ridge (collectively, “Related Persons”) may be responsible for managing multiple accounts, including accounts of Stone Ridge or its affiliates. Such accounts may include Clients and accounts or investments owned by Stone Ridge or its affiliates or the portfolio managers of a Fund. Management of multiple accounts can present certain conflicts of interest, as described below.

From time to time, conflicts of interest arise as a result of Stone Ridge’s or its Related Persons’ management of the investments of multiple accounts. Some accounts might have similar or

different investment objectives or strategies than other accounts, or otherwise hold, purchase or sell securities or other assets or instruments that are eligible to be held, purchased or sold by another account, or may take positions that are opposite in direction from those taken by another account. In addition, investors in, or the owners of, certain accounts managed by Stone Ridge are also investors in Stone Ridge or its affiliates and/or have indicated an intention to invest additional assets in accounts managed by Stone Ridge and for which Stone Ridge will receive a management fee.

As a fiduciary, Stone Ridge owes a duty of loyalty to Clients and must treat each Client fairly. Stone Ridge and its Related Persons have adopted compliance policies and procedures that are designed to avoid, mitigate, monitor and oversee areas that could present potential conflicts of interest. As used in the remainder of this Item 11, “Stone Ridge” includes our Related Persons.

*Allocation of Limited Time and Attention.* Stone Ridge and its personnel who are responsible for managing multiple accounts may devote unequal time and attention to the management of those accounts. As a result, Stone Ridge may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of the accounts as might be the case if we were to devote substantially more attention to the management of a single account. The effects of this potential conflict may be more pronounced where accounts overseen by a particular portfolio manager have different investment strategies.

*Allocation of Investment Opportunities.* Conflicts of interest arise as a result of Stone Ridge’s or its affiliates’ management of a number of accounts with similar or different investment strategies. The terms of certain classes of investment in one Private Fund provide for a performance-based fee to be paid for investment advisory services provided to such Private Fund, which gives Stone Ridge an incentive to favor such Private Fund over other Clients.

When Stone Ridge or its affiliates purchase or sell securities or other assets or instruments for more than one account, the trades must be allocated in a manner consistent with their fiduciary duties. Stone Ridge and its affiliates attempt to allocate investments in a fair and equitable manner over time among accounts, with no account receiving preferential treatment over time. To this end, Stone Ridge and its affiliates have adopted policies and procedures that are intended to provide Stone Ridge and its affiliates with flexibility to allocate investments in a manner that is consistent with their fiduciary duties. There is no guarantee, however, that the policies and procedures adopted by Stone Ridge and its affiliates will be able to detect and/or prevent every situation in which an actual or potential conflict may appear.

An investment opportunity may be suitable for multiple accounts, but may not be available in sufficient quantities for all of the accounts to participate fully. If Stone Ridge identifies a limited investment opportunity that may be suitable for multiple accounts, the opportunity may be allocated among these several accounts; as a result of these allocations, there may be instances in which an account will not participate in a transaction that is allocated among other accounts or an account may not be allocated the full amount of an investment opportunity. Similarly, there may be limited opportunity to sell an investment held by multiple accounts. In addition, different account guidelines and/or differences within particular investment strategies may lead to the use of different investment practices for accounts with a similar investment strategy. Whenever

decisions are made to buy or sell securities or other assets or instruments by an account and one or more of the other accounts simultaneously, Stone Ridge and its affiliates may aggregate the purchases and sales of the securities or other assets or instruments. Stone Ridge and its affiliates will not necessarily purchase or sell the same securities or other assets or instruments 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 capital under management by Stone Ridge or its affiliates, different amounts of investable cash available, different strategies or different risk tolerances. As a result, although Stone Ridge and its affiliates may manage different accounts with similar or identical investment objectives, or may manage accounts with different objectives that trade in the same securities or other assets or instruments, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, may differ from account to account, and the trade allocation and aggregation and other policies and procedures of an account or Stone Ridge and its affiliates could have a detrimental effect on the price or amount of the securities or other assets or instruments available to an account from time to time. Because the aforementioned considerations may differ among multiple accounts, the investment activities of such accounts may differ considerably from time to time. In addition, an account could be disadvantaged because of activities conducted by Stone Ridge or its affiliates for other accounts, or by Stone Ridge or its affiliates for their own accounts, as a result of, among other things, the difficulty of liquidating an investment for more than one account where the market cannot absorb the sale of the combined positions.

As a result of regulations governing the ability of certain Clients of Stone Ridge and its affiliates to invest side-by-side, it is possible that an account may not be permitted to participate in an investment opportunity at the same time as another account managed by Stone Ridge or its affiliates. These limitations may limit the scope of investment opportunities that would otherwise be available to an account. The decision as to which accounts may participate in any particular investment opportunity will take into account applicable law and the suitability of the investment opportunity for, and the strategy of, the applicable accounts. It is possible that an account may be prevented from participating due to such investment opportunity being more appropriate, in the discretion of Stone Ridge and its affiliates, for another account. Similarly, Stone Ridge may choose or be required to take certain actions (including disposing of investments owned by an account and/or other Clients or impose limitations on the amount of investments it may acquire and/or voting and other rights it can exercise in respect of such investments) due to such issues, obligations or potential conflicts.

Without limiting the generality of the foregoing, prior to offering an investment strategy to Clients, Stone Ridge may make investments for its own account in assets in which that strategy will invest in order to test the investment strategy and/or the related infrastructure and its service providers. Stone Ridge may also make new investments in securities appropriate for investment by a Client following commencement of investment operations of such Client. In addition, Stone Ridge has made, and may from time to time make, investments in one or more issuers from or to which Stone Ridge may buy or sell securities for a Client's account. Stone Ridge may invest in entities that may provide financial or other services for a Client's account.

*Conflicts of Interest Among Strategies.* At times, Stone Ridge may determine that an investment opportunity may be appropriate for only some of the accounts for which Stone Ridge exercises investment responsibility, or may decide that certain of the accounts should take differing



positions with respect to a particular security or other asset or instrument. In these cases, Stone Ridge may place separate transactions for one or more accounts which may affect the market price of the security or other asset or instrument or the execution of the transaction, or both, to the detriment or benefit of one or more other accounts. Similarly, Stone Ridge or its affiliates may take positions for their proprietary accounts that are similar to or different from those taken by one or more Clients.

Conflicts may also arise in cases when accounts invest in different parts of an issuer's capital structure, including circumstances in which one or more accounts own private securities or obligations of an issuer and other accounts may own public securities of the same issuer. Actions by investors in one part of the capital structure could disadvantage investors in another part of the capital structure. Additionally, such conflicts may arise, for example, when funds or Clients of Stone Ridge invest in (i) securities or other instruments issued by a particular issuer, and in certain assets owned by such issuer; and (ii) have different exposures to an issuer or particular risk or set of risks.

In addition, purchases or sales of the same investment may be made for two or more accounts on the same date. There can be no assurance that an account will not receive less (or more) of a certain investment than it would otherwise receive if this conflict of interest among accounts did not exist. In effecting transactions, it may not be possible, or consistent with the investment objectives of accounts, to purchase or sell securities or other assets or instruments at the same time or at the same prices.

*Selection of Service Providers.* Stone Ridge or its affiliates may be able to select or influence the selection of service providers to Clients, including the brokers and dealers that are used to execute securities or other transactions for the accounts that they supervise. In addition to executing trades, some brokers and dealers may provide Stone Ridge or its affiliates with brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), which may result in the payment of higher brokerage fees than might have otherwise been available. These services may be more beneficial to certain accounts than to others. In addition, Stone Ridge or its affiliates have received and may receive loans or other services from service providers to Clients. Although such services are negotiated at arm's length, they pose conflicts of interest to Stone Ridge or its affiliates in selecting such service providers.

*Related Business Opportunities.* Stone Ridge or its affiliates may provide more services (such as distribution or recordkeeping) for some types of accounts than for others. In such cases, Stone Ridge or its affiliates may benefit, either directly or indirectly, by devoting disproportionate attention to the management of accounts that provide greater overall returns to Stone Ridge and its affiliates. In addition, capital that certain of the Registered Funds invest in issuers of reinsurance-related securities may be invested by that issuer in other strategies managed by Stone Ridge or its affiliates, and Stone Ridge or its affiliates may earn a management fee in connection with managing those strategies. To the extent that Stone Ridge or its affiliates know that the issuer has the ability to invest capital from certain of the Registered Funds in strategies managed by Stone Ridge or its affiliates, this creates an incentive for Stone Ridge to invest those Funds' assets in such securities. In addition, insurance and reinsurance companies that are counterparties to issuers of insurance-linked securities in which certain of the Registered Funds invest in Stone Ridge or its affiliates or in other funds or accounts managed by Stone Ridge or its affiliates,

which could create an incentive for Stone Ridge to invest those Registered Funds' assets in such securities. A Client account invests in bitcoin-related derivatives, and affiliates of Stone Ridge own and trade bitcoin and bitcoin-related derivatives for their own account, and in the ordinary course of their business provide bitcoin-focused asset management, custody, trading, financing and technology services to their clients.

*Broad and Wide-Ranging Activities.* Stone Ridge engages in a broad spectrum of activities and may expand the range of services that it provides over time. Stone Ridge will generally not be restricted in the scope of its business or in the performance of any such services (whether now offered or undertaken in the future), even if such activities could give rise to conflicts of interest, and whether or not such conflicts are described herein. In the ordinary course of its business activities, including activities with third-party service providers, lenders and/or counterparties, Stone Ridge may engage in activities where the interests of Stone Ridge may conflict with the interests of Clients. As noted in Item 10, certain employees of Stone Ridge, including certain portfolio managers, also have responsibilities relating to the business of one or more related parties. These employees are not restricted in the amount of time that may be allocated to the business activities of Stone Ridge's related parties, and the allocation of such employees' time between Stone Ridge and its related parties may change over time.

*Variation in Compensation.* A conflict of interest arises where the financial or other benefits available to Stone Ridge differ among the accounts that Stone Ridge manages. The structure of Stone Ridge's management fee, performance allocation or incentive fee differs or may differ among accounts (such as where certain accounts pay higher management fees or a performance allocation or incentive fee), which means Stone Ridge might be motivated to help certain accounts over others. In addition, a portfolio manager or Stone Ridge might be motivated to favor accounts in which such portfolio manager has an interest or in which Stone Ridge and/or its affiliates have interests. Similarly, the desire to maintain or raise assets under management or to enhance Stone Ridge's performance record or to derive other rewards, financial or otherwise, could influence Stone Ridge to lend preferential treatment to those accounts that could most significantly benefit Stone Ridge.

*Material Non-public Information.* From time to time, Stone Ridge may come into possession of material non-public information concerning a company in which a Client has, directly or indirectly, invested, or proposes to invest, or an existing or potential counterparty to a transaction with a Client, and the possession of such information may limit the investment activities of such Client. For example, a Client may be restricted from investing in securities that present an attractive opportunity or disposing of securities of an existing portfolio company that it would prefer to sell in the event that Stone Ridge has material non-public information about the issuer of such securities. The Code includes policies and procedures designed to prohibit the misuse of material non-public information. Stone Ridge is generally prohibited from trading for Clients or themselves, or recommending trading in securities of a company, while aware of material non-public information about any security or the issuer of such security, and from disclosing such information to any person not entitled to receive it.

*Client Transactions in Entities Managed by Stone Ridge.* Stone Ridge may under some circumstances recommend to Clients, or buy or sell for Client accounts, securities issued by entities advised or managed by Stone Ridge. For example, Stone Ridge may buy shares of a

Stone Ridge Registered Fund for the account of another Stone Ridge Registered Fund or a Managed Account, where appropriate. Such transactions give rise to a conflict of interest because they afford Stone Ridge the opportunity to earn a management fee on the assets held by the Client in the relevant Managed Account and also on the underlying assets in the Registered Fund in which such Client invests. As another example, Stone Ridge may buy for a Client's account securities issued by an entity that Stone Ridge expects may in turn invest in a different entity or Managed Account advised or managed by Stone Ridge. In this second example, to the extent that Stone Ridge expects that the issuer may invest capital invested by a Client in other strategies managed by Stone Ridge, it creates an incentive for Stone Ridge to buy such securities for such Client's account. In such situations or others that may give rise to similar potential conflicts of interest, Stone Ridge would ensure that all Client transactions were made in the best interests of the Client and would disclose the potential conflict, to the relevant Client or Clients to whom such recommendations are made.

Any conflicts of interest that arise between a Client, on the one hand, and Stone Ridge or another Client, on the other hand, will be discussed and resolved on a case-by-case basis by senior officers of Stone Ridge. Any such discussions will take into consideration the interests of the relevant parties and the circumstances giving rise to the conflict. Clients should be aware that conflicts will not necessarily be resolved in favor of the Client.

*Certain Potential Conflicts Relating to Expenses.* The allocation of fees and expenses among the multiple Client accounts advised by Stone Ridge will often require Stone Ridge to exercise its discretion to select an allocation method it determines to be appropriate in light of the particular facts and circumstances. Stone Ridge will be subject to conflicts of interest in making such determinations, and there can be no assurance that any allocations (i) will reflect a Client's pro rata share of such expenses based on the amounts invested (or anticipated to be invested) and/or the market value of the investment held (or anticipated to be held) by each Client account advised by Stone Ridge, or (ii) will be in proportion to the number of participating accounts advised by Stone Ridge or the proportion of time spent on each such account. Similarly, the determination of whether an expense (for instance, the fees and expenses of service providers who work on account-related matters) is appropriately borne by a Fund (or a specific class of shares) or Stone Ridge often cannot be resolved by reference to a pre-existing formula and will require the exercise of discretion, and Stone Ridge will be subject to conflicts of interest in making such determinations.

*Agency Cross Trades and Principal Transactions.* An agency transaction occurs when Stone Ridge, acting as agent for a person other than the Client, knowingly buys a security from or sells a security to a Client's account. A principal transaction occurs when Stone Ridge, acting for its own account, knowingly buys a security from or sells a security to a Client's account. Agency cross trades and principal transactions give rise to conflicts of interest between Clients and between Clients and Stone Ridge.

Stone Ridge's practice is to engage in these types of transactions in very limited circumstances and when the proposed transaction is in the best interest of each Client involved. In connection with any such transaction, Stone Ridge will comply with the requirements of the Investment

Advisers Act of 1940 and/or the requirements of the Investment Company Act of 1940, as applicable, and its policies and procedures.

## **Item 12: Brokerage Practices**

Stone Ridge places orders for Client transactions through multiple brokers and dealers. In so doing, Stone Ridge will place trades for execution only with approved brokers or dealers with the goal of obtaining for Clients the most favorable price and execution available. A Client may pay higher commissions than the lowest available when Stone Ridge believes it is reasonable to do so. In seeking the most favorable price and execution, Stone Ridge, having in mind a Client's best interests, considers all factors it deems relevant, including price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker-dealer involved and the quality of service rendered by the broker-dealer in that or other transactions. Although Stone Ridge is permitted to use a broker-dealer that sells shares of a Registered Fund to effect transactions for Clients' portfolios, Stone Ridge will not consider the sale of Registered Fund shares as a factor when selecting broker-dealers to execute those transactions.

There is generally no stated commission in the case of securities traded on a principal basis in the over-the-counter markets, but the price paid by Clients usually includes an undisclosed dealer commission or markup. In underwritten offerings, the price paid by Clients includes a disclosed, fixed commission or discount retained by the underwriter or dealer. Transactions on U.S. stock exchanges and other agency transactions involve the payment by Clients of negotiated brokerage commissions. Such commissions vary among different brokers. Also, a particular broker may charge different commissions according to such factors as the difficulty and size of the transaction. Transactions in non-U.S. securities generally involve the payment of fixed brokerage commissions, which are generally higher than those in the United States. Stone Ridge's brokerage committee periodically reviews commissions paid by Clients to evaluate reasonableness in light of services received.

It has for many years been a common practice in the investment advisory business for advisers of investment companies and other institutional investors to receive research and brokerage products and services (together, "services") from broker-dealers that execute portfolio transactions for the Clients of such advisers. Consistent with this practice, Stone Ridge is permitted to receive services from broker-dealers with which Stone Ridge places the Clients' portfolio transactions. These services, which in some cases also may be purchased for cash, may include, among other things, such items as general economic and security market reviews, industry and company reviews, evaluations of securities, recommendations as to the purchase and sale of securities, and services related to the execution of securities transactions. To the extent that Stone Ridge receives such services, Stone Ridge benefits, because it does not have to produce or pay for the services, and thus the receipt of such services may create an incentive for Stone Ridge to select or recommend a broker-dealer based on its interests in receiving the services, rather than on Clients' interests in receiving most favorable execution. The advisory fees paid by the Clients are not reduced because Stone Ridge receives such services. Services provided by broker-dealers chosen by Stone Ridge to execute portfolio transactions for one Client

may be useful to Stone Ridge in providing services to its other Clients, although not all of these services may be necessarily useful and of value to Stone Ridge in advising its Clients. To the extent Stone Ridge uses such services it will use them for the benefit of all Clients, to the extent reasonably practicable. Currently, Stone Ridge does not direct Client transactions to a particular broker-dealer because the broker-dealer provides soft dollar benefits to Stone Ridge.

In reliance on the “safe harbor” provided by Section 28(e) of the Exchange Act, Stone Ridge may cause a Client to pay a broker-dealer that provides “brokerage and research services” (as defined for purposes of Section 28(e)) to Stone Ridge an amount of commission for effecting a securities transaction for that Client in excess of the commission that another broker-dealer would have charged for effecting that transaction if Stone Ridge makes a good faith determination that the commissions are reasonable in relation to the value of brokerage and research services provided, viewed in terms of either a particular transaction or Stone Ridge’s overall responsibilities to all discretionary accounts.

Aggregation, or “bunching,” describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Stone Ridge generally executes transactions for its Clients on an aggregated basis when Stone Ridge believes that to do so will allow it to obtain best execution, including the ability to negotiate more favorable commission rates or other transaction costs that might have otherwise been paid had such orders been placed independently. Stone Ridge may determine not to aggregate orders, including if (i) it determines that aggregation is not appropriate, for example, because of market conditions, (ii) portfolio managers must effect the transactions at different prices, making aggregation unfeasible or (iii) tax, legal, regulatory or administrative reasons lead the portfolio manager to determine not to aggregate orders.

### **Item 13: Review of Accounts**

Stone Ridge investment and operations personnel monitor and review Client accounts on a periodic basis to ensure consistency with each Client’s investment objective and strategy as set forth in its Relevant Documents. In addition, Stone Ridge provides the board of trustees of the Investment Companies with quarterly reports that provide, among other things, information about compliance with applicable investment strategies and restrictions, brokerage commissions and distribution-related expenses. Stone Ridge also provides additional information or reports as requested by the Investment Companies’ board of trustees. Registered Fund investors receive annual and semi-annual shareholder reports. Private Fund investors generally receive written quarterly or monthly investment reports and annual audited financial reports, though the information received by investors in any particular Private Fund may differ as specified in each Private Fund’s Relevant Documents. The information received by Managed Account Clients differs as specified in each Managed Account’s Relevant Documents, but typically includes written performance summaries, account summaries or accounting reports on a monthly or quarterly basis.

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

None.

**Item 15: Custody**

If at any time a broker-dealer, bank or other qualified custodian sends quarterly, or more frequent, accounts statements directly to Clients, Clients will receive account statements from that custodian and should carefully review those statements. If at any time Clients also receive account statements from Stone Ridge, Clients are urged to compare the account statements they receive from the qualified custodian with those they receive from Stone Ridge.

**Item 16: Investment Discretion**

Stone Ridge typically exercises discretionary authority on behalf of its Clients, with the exception of certain Managed Account Clients and subject, in the case of the Registered Funds, to oversight by the board of trustees of the relevant Investment Company. In the case of the Registered Funds and Private Funds, Stone Ridge's authority and duties are described in the applicable investment management agreement, each of which typically grants Stone Ridge a broad power of attorney to act on behalf of the relevant Registered Fund or Private Fund in carrying out such authority and duties. Other Clients may impose such limitations as they deem fit on the discretionary authority they grant Stone Ridge to manage their assets.

**Item 17: Voting Client Securities**

Stone Ridge's Clients generally have delegated responsibility for decisions regarding proxy voting for securities they hold to Stone Ridge. Stone Ridge votes Client proxies in accordance with its Proxy Voting Policies and Procedures, which provide that Stone Ridge's primary objective is to make such voting decisions in the best interests of Clients. Stone Ridge has selected an unaffiliated third-party proxy research and voting service (the "Proxy Voting Service") to assist it in researching, recordkeeping and voting of proxies. Although Stone Ridge intends to vote consistently with the voting recommendation of the Proxy Voting Service, upon the recommendation of the applicable portfolio manager(s), Stone Ridge may determine to override any recommendation made by the Proxy Voting Service or abstain from voting. Stone Ridge may determine not to vote a proxy if (i) the effect on the applicable economic interests or the value of the portfolio holding is insignificant in relation to Client accounts (individually or in the aggregate); (ii) the cost of voting the proxy outweighs the possible benefit to the applicable Client, including situations where a jurisdiction imposes share blocking restrictions that may affect the ability of the portfolio managers to effect trades in the related security; or (iii) Stone Ridge otherwise has determined that it is consistent with its fiduciary obligations not to vote the proxy.

In instances where Stone Ridge determines that a material conflict of interest exists between Stone Ridge and a Client with respect to a proxy vote, Stone Ridge's Chief Compliance Officer has final decision-making authority regarding Stone Ridge's course of action for the proxy. In such instances, the CCO will seek to cause the proxy to be voted in a manner consistent with the Client's best interests.

Clients generally cannot direct Stone Ridge's proxy votes. In the case of the Registered Funds, further details regarding proxy voting policies can be found in the relevant Registered Fund's Prospectus. A complete copy of Stone Ridge's policies and procedures governing the voting of

proxies, together with information regarding how particular proxies were voted, will be provided to Clients upon request by calling (212) 257-4750.

**Item 18: Financial Information**

Stone Ridge is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to its Clients and has not been the subject of a bankruptcy petition at any time during the past ten years.

**Item 19: Requirements for State-Registered Advisers**

Item 19 is not applicable to Stone Ridge.