

Firm Brochure

(Part 2A of Form ADV)

AETOS ALTERNATIVES MANAGEMENT, LP

875 Third Avenue
New York, NY 10022
212-201-2500

2500 Sand Hill Road
Menlo Park, CA 94025
650-234-1860

www.aetos.com

This brochure provides information about the qualifications and business practices of Aetos Alternatives Management, LP. If you have any questions about the contents of this brochure, please contact us at: 212-201-2500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Registering with the United States Securities and Exchange Commission as an investment adviser does not imply a certain level of skill or training on the part of Aetos Alternatives Management, LP.

Additional information about Aetos Alternatives Management, LP is available on the SEC's website at www.adviserinfo.sec.gov

March 29, 2023

Item 2 *Material Changes*

There are no material changes to report since the previous annual updating amendment dated March 31, 2022.

Item 3 **Table of Contents**

Item 1:	Cover Page.....	i
Item 2:	Summary of Material Changes	ii
Item 3:	Table of Contents	iii
Item 4:	Advisory Business.....	Page 1
Item 5:	Fees and Compensation.....	Page 2
Item 6:	Performance-Based Fees and Side-By-Side Management.....	Page 3
Item 7:	Types of Clients	Page 3
Item 8:	Methods of Analysis, Investment Strategies and Risk of Loss	Page 4
Item 9:	Disciplinary Information	Page 22
Item 10:	Other Financial Industry Activities and Affiliations	Page 22
Item 11:	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 23
Item 12:	Brokerage Practices.....	Page 24
Item 13:	Review of Accounts	Page 24
Item 14:	Client Referrals and Other Compensation	Page 25
Item 15:	Custody	Page 25
Item 16:	Investment Discretion	Page 25
Item 17:	Voting Client Securities.....	Page 25
Item 18:	Financial Information.....	Page 26

Item 4 *Advisory Business*

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

Aetos Alternatives Management, LP (“AAM”) is a Delaware limited partnership that provides customized investment advisory services with respect to traditional and alternative investment strategies to institutions, investment companies and high net worth individuals.

AAM was originally formed as a Delaware limited liability company known as Aetos Alternatives Management, LLC in October 2001 and began advising and managing customized portfolios on behalf of clients in December 2001. Aetos Alternatives Management, LLC converted to a Delaware limited partnership known as Aetos Alternatives Management, LP in July of 2018.

AAM has three limited partners that each own 25% or more of its equity, which are Anne Casscells, Michael Klein and ACLP, LP.

B. *Describe the types of advisory services you offer.*

AAM offers asset allocation advice and manager and fund selection and monitoring with respect to a variety of client portfolios, including, among others, absolute return portfolios and broadly diversified portfolios for clients seeking to outsource the management of all of their investment assets (commonly known as “outsourced CIO” portfolios). For absolute return clients, AAM manages separate accounts and investment funds that are invested primarily in hedge funds and other types of alternative investment vehicles (collectively referred to throughout this Form ADV Part 2 as hedge funds). These absolute return offerings include portfolios that consist of hedge funds and managers that incorporate the consideration of sustainability and ESG (environmental, social and governance) factors in their fund portfolios or firms. Outsourced CIO client assets are invested in separate accounts and funds across a broad range of asset classes. AAM offers each of these services on a discretionary and non-discretionary basis.

For absolute return clients for whom a separate account is appropriate (typically larger clients seeking greater customization than available in a pooled vehicle), AAM provides a customized investment program for investment directly in alternative investments meeting the investment objectives and risk tolerance of the investor (a “Separate Account”). In constructing a Separate Account portfolio, AAM assesses a client’s investment objectives, liquidity needs and risk tolerance and advises the client with respect to its investment policies, asset allocation and manager selection as well as providing ongoing oversight of managers and consolidated portfolio reporting.

For other absolute return clients, AAM provides a customized investment program involving investment in one or more investment companies advised by AAM (the “Aetos Funds”). Each Aetos Fund is designed to provide exposure to a particular alternative investment strategy, including multi-strategy arbitrage, equity long/short, distressed investments, co-investments and ESG-themed equity long/short strategies. AAM will customize the investment of each client’s account by selecting the mix of Aetos Funds that appropriately meets the investment objectives and risk tolerance of the client.

For outsourced CIO clients, AAM works with each client to define the client’s investment objectives and policies, recommends appropriate asset allocations, evaluates and selects investment managers across a diversified range of traditional and alternative asset classes, and performs ongoing monitoring of investment managers and the overall portfolio. In performing these services, AAM takes into account a variety of factors, including the client’s liquidity requirements, risk tolerances, and liabilities and spending requirements, as well as current and anticipated market conditions.

AAM also advises clients with respect to direct investments in securities, real assets and other financial instruments in partnership with established hedge fund, private equity and other asset managers when AAM believes that such investments present the opportunity for attractive risk-adjusted returns. Such investments

are often co-investments offered by such asset managers in situations where liquidity, size or other limitations prevent the manager from providing all of the necessary capital from one or more of the manager's investment vehicles.

C. Explain how you tailor your advisory services to the individual needs of clients.

AAM tailors its advisory services to take into account specific investment criteria. For Separate Account clients, guidelines are typically agreed to at the outset of the relationship defining permissible investments and establishing ranges of exposure to specific types of investments. Examples of the criteria reflected in the guidelines include risk tolerance, liquidity, leverage, investment concentration, and client tax and regulatory considerations. For clients investing in the Aetos Funds, guidelines typically set forth agreed upon ranges of exposure to each Fund. AAM adjusts client investment exposures through allocations to direct investments in hedge funds and other vehicles for Separate Account clients, and for investors in the Aetos Funds, AAM adjusts such exposures through allocations among the different Aetos Funds.

D. Do you participate in wrap fee programs?

AAM does not participate in wrap fee programs.

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

As of December 31, 2022, AAM managed \$2,670,823,414 on a discretionary basis and \$4,394,042,773 on a non-discretionary basis.

Item 5 Fees and Compensation

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

As compensation for its advisory services to clients invested in the Aetos Funds, AAM charges an annual management fee calculated as a percentage of assets under management, and may also charge an annual performance-based fee calculated as a percentage of the net return in the client's account over a benchmark. Annual management fees may range from .55% to 1.15% of a client's assets invested in the Aetos Funds, and annual performance-based fees are typically up to 10% of the net return in the client's account for the calendar year. Performance-based fees may incorporate a hurdle rate and/or be calculated on a "high water mark" basis. Both the annual management fee and the annual performance-based fee are negotiable, primarily based on the size of a client's account, the nature of the services to be provided, and the client's preference regarding the combination of asset-based and performance-based fees. The management fee charged to a client's account will be reduced by the amount of any fees paid to AAM by the Aetos Funds with respect to the client's assets.

Fees charged to Separate Account clients are negotiable and will vary depending on the size of the investment and the nature and extent of the services to be provided. Such fees may include an annual asset-based management fee or a combination of an annual asset-based management fee and an annual performance-based fee.

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

Clients of AAM who invest in the Aetos Funds generally pay their investment advisory fees by redeeming fund shares and directing the proceeds be paid to AAM, although they may also elect to be invoiced directly. The investment advisory fees paid through such redemptions will be reduced by the amount of any fees paid to AAM by the Aetos Funds with respect to such client's account, which are paid to AAM by the Aetos Funds monthly in arrears. Management fees are typically paid quarterly in arrears, and performance-based fees, if any, are typically paid annually in arrears. Separate Account clients of AAM may elect to have their fees deducted from their account or to be invoiced for their fees. In either case, management fees are paid in

arrears either on a monthly or a quarterly basis and performance-based fees, if any, are typically paid annually in arrears.

C. Describe any other types of fees or expenses clients may pay in connection with your advisory services.

In addition to the fees payable to AAM outlined above, clients invested in the Aetos Funds indirectly bear their proportionate share of custody, administration, legal, accounting and other expenses of the Aetos Funds, which are payable directly by the Aetos Funds and thereby reduce the value of a client's Aetos Funds investment. Separate Account clients typically contract and pay for such services directly.

Both Aetos Fund and Separate Account clients also bear, indirectly, their proportionate share of the expenses of the funds and other vehicles in which they invest. These expenses typically include brokerage commissions, mark-ups, transaction-related taxes and other costs associated with trading, management and performance-based fees, borrowing costs, administration expenses, custody expenses, and legal and accounting expenses, among others.

D. If your clients either may or must pay your fees in advance, disclose this fact.

AAM's investment advisory fees are paid in arrears.

E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact.

There is no compensation payable to AAM or any supervised person of AAM for the sale of securities or other investment products.

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

AAM receives both asset-based and performance-based fees from clients. Not all clients pay a performance-based fee. AAM is agnostic with respect to how clients wish to structure their fees, and regularly proposes fee arrangements that include an asset-based fee only option and an asset-based plus performance-based fee option.

There are conflicts of interest that exist when an investment manager advises clients with different fee structures. In particular, such a manager will be incented to favor a performance-fee paying client in its investment decisions. AAM is aware of this conflict and has implemented the following procedures to insure that all clients are fairly and equitably allocated available investment opportunities regardless of fee structure:

1. All investment activity is reviewed by AAM's investment committee, which determines if the proposed investment will be made, and to which clients the proposed investment will be allocated. In the vast majority of circumstances, the investment opportunity is not capacity constrained and no conflict of interest exists.
2. AAM performs a trade allocation process taking into account factors including a client's investment objectives, investment guidelines, current portfolio exposures, liquidity constraints, and cash availability. Upon review of these factors, capacity constrained investments are allocated among client accounts in a manner that AAM believes is fair and reasonable, generally (but not in all cases) pro rata based on desired investment amount, among those clients for whom the investment is appropriate.
3. The results of the trade allocation process are documented in a trade allocation worksheet, and trade allocations are reviewed by the Chief Compliance Officer.

Item 7 *Types of Clients*

AAM provides investment advice to investment companies, public and corporate pension plans, endowments, foundations, trusts, and other institutional clients and high net worth individuals. The minimum account size is typically \$1,000,000, which may be waived for certain clients.

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

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

AAM allocates client capital among a select group of investment managers across a variety of strategies. For its absolute return clients, AAM's objective is to produce an attractive absolute return on invested capital, largely independent of the various benchmarks associated with traditional asset classes. Portfolios developed by AAM are intended to be vehicles through which investors can access a selection of institutional quality absolute return investments, constructed and monitored using dedicated resources and disciplined methodologies. For outsourced CIO clients, AAM works with each client to define the client's investment objectives and policies, recommends appropriate asset allocations, evaluates and selects investment managers across a diversified range of traditional and alternative asset classes, and performs ongoing monitoring of investment managers and the overall portfolio. Portfolios constructed by AAM are diversified to benefit from reduced exposure to any individual manager and/or strategy, and, subject to the liquidity constraints associated with particular investments, have the ability to shift their allocations among managers and/or strategies as market conditions may dictate.

AAM formulates asset allocation advice intended to meet a client's long- term return objectives, taking into account the client's risk tolerance and other considerations, and recommends investments with specific managers and in specific funds in each asset class. AAM continuously monitors the performance of the managers and funds selected and will periodically adjust allocations, subject to client investment guidelines, to rebalance the portfolio, increase or decrease exposures to particular funds or managers or tactically adjust the portfolio's asset allocation.

Specific information used in identifying and evaluating investment opportunities includes:

- The backgrounds of the key investment, financial and risk management professionals of the manager of an investment. This includes an assessment of their professional and personal backgrounds as well as their experience in managing investments in the proposed strategies. References are checked and information is gathered from a wide range of sources, which may include existing and former investors, former colleagues, counterparties, competitors as well as other related parties.
- The manager's investment philosophy and discipline, risk management, financial and back-office operations and the overall alignment of interests. The manager's organizational design must be consistent with the chosen investment strategy's requirements, which in turn must be consistent with the opportunities present in the current and foreseeable investment environment.
- The manager's track record in the proposed strategy, with particular attention to its performance throughout a complete market cycle, if such track record is available.
- The manager's appreciation for the drivers of return and the inherent risk within its discipline, with a focus on how the manager varies the investment process in recognition of different investment climates (i.e., its ability and willingness to appropriately modify its strategies or the risk level in the portfolio in response to any significant opportunities and/or risks presented).
- The manager's utilization of sustainability and ESG (environmental, social and governance) factors to the extent relevant to a manager's investment process.
- The manager's culture, reputation for integrity, and its dependence on key investment professionals.
- The structure and terms associated with a fund investment, including fees and expenses, liquidity terms, transparency and other legal and business terms.
- Perceived capacity constraints associated with the manager's investment strategy, as excessive assets under management (relative to strategy opportunity set and organizational design) may tend to degrade a

manager's ability to generate attractive risk-adjusted returns.

For client accounts that have an ESG-specific focus, AAM will consider a variety of ESG-related factors depending on the mandate, including the extent to which a manager incorporates various sustainability themes into its investment process, the manager's use of thematic investments related to climate change, the integration of material ESG factors as part of a manager's fundamental analysis of target companies and the consideration by a manager of the benefits of diversity, equity and inclusion by investing in women and minority-owned companies. For these accounts, AAM will also consider the manager's incorporation of ESG-related attributes and practices in its own business, including the diversity of the manager's employee base and ownership.

In addition, when identifying and evaluating co-investment opportunities, AAM considers the rationale for the co-investment's trading at a price below its perceived fair value, potential exit strategies, upside and downside scenarios and the likelihood of each, expected cash flows and expected timing until a liquidity event.

While AAM's investment process is designed to identify investment opportunities that will provide attractive risk-adjusted returns over a complete market cycle, clients should bear in mind that absolute return portfolios and portfolios of investments constituting other asset classes with respect to which AAM provides advice may be volatile, and there is a risk that investors in portfolios managed by AAM will lose money. Clients should consider this risk of a possible loss of capital when evaluating AAM.

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

General Economic and Market Conditions

The success of each client's investment program may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of investments held by clients. Unexpected volatility or illiquidity, such as the general market conditions that have occurred at times over the last several years, could impair a Fund's profitability or result in losses.

Highly Volatile Markets

Volatility in financial markets can affect the price and liquidity of securities held by hedge funds and can negatively impact the value of such holdings, particularly if a hedge fund becomes a forced seller at such times. In particular, the prices of commodities contracts and other derivative instruments in which hedge funds may invest, including futures and options, can be highly volatile. Price movements of forwards, futures, swaps and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Hedge funds are also subject to the risk of the failure of any exchanges on which their positions trade or of the clearinghouses for those exchanges, of any counterparty to a hedge fund's transactions or of any service provider to a hedge fund (such as a hedge fund's "prime broker" or "clearing broker"). In times of general market turmoil, even large, well-established financial institutions may fail rapidly with little warning.

Hedge funds are subject to the risk that trading activity in securities may be dramatically reduced or cease at any time, whether due to general market turmoil, problems experienced by a single issuer, market participant or a market sector or other factors. If trading in particular securities or classes of securities is impaired, it may be difficult to properly value any assets represented by such securities. In particular, the credit markets have been experiencing extreme volatility and disruption from time to time over the last several years. Instability in

the fixed income markets has made it more difficult for a number of issuers of debt securities to obtain financing or refinancing for their investment or lending activities or operations. As a result of these volatile conditions in the credit markets, issuers of debt securities may be subject to increased costs for debt, tightening underwriting standards and reduced liquidity for loans they make, securities they purchase and securities they issue. These developments may also make it more difficult to accurately value debt securities.

Banking System Volatility

Hedge funds may maintain substantially all of their respective cash and cash equivalents in accounts with major U.S. and multi-national financial institutions, and their respective deposits at certain of these institutions may exceed insured limits, where applicable. Recent volatility in the banking system may impact the viability of such banking and financial services institutions. On Friday March 10, 2023, the U.S. Federal Deposit Insurance Corporation (the “FDIC”) was appointed receiver for Silicon Valley Bank (“SVB”) and created the Deposit Insurance National Bank of Santa Clara to protect SVB’s insured depositors. Similarly, on Sunday March 12, 2023, the FDIC was appointed receiver for Signature Bank and created Signature Bridge Bank, N.A. to protect depositors of Signature Bank. On Sunday March 12, 2023, the U.S. Department of Treasury (the “Treasury”), the FDIC and the Board of Governors of the Federal Reserve System (“Federal Reserve”) jointly announced that, upon recommendation from the board of the FDIC and the Federal Reserve, and in consultation with the President of the United States, Treasury Secretary Yellen approved actions enabling the FDIC to complete its resolution of SVB and Signature Bank in order to protect all of those banks’ depositors. To that end, on Monday March 13, 2023, the FDIC announced that it had created Silicon Valley Bridge Bank, N.A. (“SVB Bridge Bank”) and transferred all deposits (regardless of dollar amount) and substantially all of the assets of SVB to SVB Bridge Bank. Depositors and borrowers of SVB automatically became customers of SVB Bridge Bank. According to the FDIC, SVB Bridge Bank is a full-service “bridge bank” that will be operated by the FDIC in an action to protect all depositors of SVB as the FDIC markets the institution to potential bidders, and all depositors of SVB will be made whole. The FDIC recently took similar steps with respect to Signature Bank. On March 19, 2023, at the urging of Swiss authorities, UBS Group announced plans to acquire Credit Suisse Group. Subject to regulatory approval, UBS Group would absorb Credit Suisse Group and succeed to all assets and all liabilities of Credit Suisse Group.

In the event of failure of any of the financial institutions where a hedge fund maintains its respective cash and cash equivalents, there can be no assurance that such fund would be able to access uninsured funds in a timely manner or at all. Any inability to access, or delay in accessing, these funds could adversely affect the business and financial position of the hedge fund. The closing of SVB and Signature Bank, the acquisition of Credit Suisse Group by UBS Group at the behest of Swiss regulators, and any additional closures or resolution measures that may occur within the banking system, domestically and internationally, as well as the placement into receivership by the FDIC or other regulators, including foreign regulators, or bankruptcy, of any banks or other financial institutions, or a crisis of confidence in the industry by investors and consumers generally, in each case, will negatively impact the availability of certain financial services to their respective clients, which could include hedge funds or such financial service providers and may require such clients to establish new bank relationships. Such events may significantly increase hedge funds’ costs, negatively impact their ability to execute on pending transactions, including with respect to the ability to draw down amounts under credit facilities, and divert time, attention and resources away from the pursuit of a hedge fund’s investment strategy. Furthermore, such events may also increase counterparty risk, including raising the likelihood of defaults or bankruptcies by counterparties that rely on such bank relationships. Furthermore, governmental actions taken to protect depositors in a failing institution may result in the impairment (or elimination) of the value of classes of securities issued by such institution, including both stocks and bonds, which may be held by hedge funds. Depending on ongoing developments, regulatory guidance and timing, such events may significantly exacerbate the normal risks associated with hedge funds and result in adverse changes to, among other things: (i) general economic and market conditions; (ii) interest rates, currency exchange rates, and expenses associated with currency management transactions; (iii) demand for investments; (iv) availability of credit in certain markets; and (v) laws, regulations and governmental policies. In addition, such events may lead to financial system and participant regulatory reform, and such increased regulatory oversight may impose additional administrative burden and costs on hedge funds. The foregoing could materially adversely impact the operations of hedge funds and their financing and overall cash flow, acquisition, development and leverage

strategies and investment returns. It is currently unclear what the ultimate effect of the situation will be on the banking sector, private equity industry, real estate market and global financial markets as a whole.

General Risks of Securities Activities

All securities investing and trading activities involve the risk of loss of capital. While AAM and managers of funds in which AAM client assets are invested attempt to moderate these risks, there can be no assurance that such attempts will be successful or that clients will not suffer losses. The following discussion sets forth some of the more significant risks associated with investing in securities markets:

Illiquid Portfolio Investments

Hedge funds and other vehicles that client assets may be invested in may invest in securities that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be volatile and a fund 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. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at prices that are lower than similar securities that are not subject to restrictions on resale. In addition, certain securities may experience unexpected periods of illiquidity in typically liquid markets for such securities, thus exposing the fund to the foregoing risks even if a liquid market previously existed for such securities.

Equity Securities

Hedge fund investment portfolios may include long and short positions in common stocks, preferred stocks and convertible securities of U.S. and non-U.S. issuers. Hedge funds also may invest in depository receipts relating to non-U.S. securities. Equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities, and such fluctuations can be pronounced.

Special Purpose Acquisition Companies ("SPACs")

Hedge funds may invest in SPACs, which are newly incorporated companies with no operating results. Because SPACs lack operating histories, the underlying managers with whom AAM invests on behalf of its clients will have no basis upon which to evaluate a SPAC's ability to achieve its business objective of completing a business combination. Upon a SPAC's initial public offering, SPACs often have no plans, arrangements or understandings with any prospective target business concerning a business combination and may be unable to complete a business combination. Because SPACs have broad discretion to select potential business combinations (subject to industry, geographic or other limitations, if any), it is not possible for the underlying managers with whom AAM invests on behalf of its clients to ascertain all of the merits or risks of hedge funds investing in a particular SPAC. If a SPAC fails to complete its initial business combination or the target does not meet some or all of the intended criteria and guidelines, such combination may never generate any operating revenues or may not be successful. Moreover, the equity ownership in the SPAC may expire worthless or be worth significantly less than anticipated, which could also adversely impact the underlying managers with whom AAM invests on behalf of its clients.

Fixed-Income Securities; Non-Investment Grade Securities

The value of fixed-income securities will change in response to fluctuations in interest rates. Generally, fixed income securities decrease in value as interest rates rise and vice versa. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Valuations of other fixed-income instruments may fluctuate in response to changes in the economic environment that may affect future cash flows. Fixed income securities include, among other securities: bonds, notes and debentures issued by U.S. and non-U.S. corporations; debt securities issued or guaranteed by the U.S. Government or one of its agencies or instrumentalities or by a non-U.S. government; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed,

variable or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility resulting from, among other things, interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Hedge funds may invest in fixed income securities rated investment grade or non-investment grade and may invest in unrated fixed income securities. Non-investment grade debt securities are commonly referred to as "junk" or "high yield" securities, and are considered speculative with respect to the issuer's capacity to pay interest and repay principal. Non-investment grade debt securities in the lowest rating categories or unrated debt securities determined to be of comparable quality may involve a substantial risk of default or may be in default. Adverse changes in economic conditions or developments regarding the individual issuer are more likely to cause price volatility and weaken the capacity of the issuers of non-investment grade debt securities to make principal and interest payments than issuers of higher grade debt securities. An economic downturn affecting an issuer of non-investment grade debt securities may result in an increased incidence of default. In addition, because the market for lower grade debt securities may be thinner and less active than for higher grade debt securities, there may be limited liquidity in the resale market for lower grade debt securities.

Mortgage Backed and Other Asset Backed Securities

Hedge funds may invest in mortgage backed and other asset backed securities, which are subject to prepayment, credit and interest rate risks. Interest and principal payments on mortgage backed securities are made more frequently than payments on traditional debt securities, and principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time.

Mortgage backed securities are subject to varying degrees of credit risk, depending on whether they are issued by agencies or instrumentalities of the U.S. government (including those whose securities are neither guaranteed nor insured by the U.S. government) or by non-governmental issuers. Securities issued by private organizations may not be readily marketable, and since the deterioration of worldwide economic and liquidity conditions that became acute in 2008, mortgage backed securities have been subject to greater liquidity risk. These conditions may occur again. In the past, government actions and proposals affecting the terms of underlying home loans, changes in demand for products (e.g., automobiles) financed by those loans, and the inability of borrowers to refinance existing loans (e.g., subprime mortgages), have had, and may continue to have, adverse valuation and liquidity effects on mortgage backed securities. In addition, mortgage backed securities are subject to the risk of loss of principal if the obligors of the underlying obligations default in their payment obligations. The risk of defaults associated with mortgage backed securities is generally higher in the case of mortgage backed investments that include sub-prime mortgages.

Similar to mortgage backed securities, other types of asset backed securities may be issued by agencies or instrumentalities of the U.S. government (including those whose securities are neither guaranteed nor insured by the U.S. government), foreign governments (or their agencies or instrumentalities), or non-governmental issuers. These securities may be subject to risks associated with changes in interest rates and prepayment of underlying obligations similar to the risks of investment in mortgage backed securities. The risk of investing in asset backed securities has increased because performance of the various sectors in which the assets underlying asset backed securities are concentrated (e.g., auto loans, student loans, sub-prime mortgages, and credit card receivables) has become more highly correlated since the deterioration in worldwide economic and liquidity conditions referred to above.

Payment of interest on asset backed securities and repayment of principal largely depends on the cash flows generated by the underlying assets backing the securities and, in certain cases, may be supported by letters of credit, surety bonds, or other credit enhancements. The amount of market risk associated with asset backed securities depends on many factors, including the quality of the underlying assets, the level of credit support, if any, and the credit quality of any credit support provider. The obligations of issuers (and the obligors of underlying assets) also are subject to bankruptcy, insolvency and other laws affecting the rights and remedies of creditors. In addition, the existence of insurance on an asset backed security does not guarantee that principal and/or interest will be paid because the insurer could default on its obligations. In recent years, a significant number of asset backed security insurers have defaulted on their obligations. The market value of an asset backed security may be affected by the factors described above and other factors. The market value of asset

backed securities also can depend on the ability of their servicers to service the underlying collateral and is, therefore, subject to risks associated with servicers' performance. In some circumstances, a servicer's or originator's mishandling of documentation related to the underlying collateral (e.g., failure to properly document a security interest in the underlying collateral) may affect the rights of the security holders in and to the underlying collateral. In addition, the insolvency of entities that generate receivables or that utilize the underlying assets may result in a decline in the value of the underlying assets as well as costs and delays.

Certain types of asset backed securities may not have the benefit of a security interest in the related assets. For example, many securities backed by credit card receivables are unsecured. In addition, certain types of asset backed securities may experience losses on the underlying assets as a result of certain rights provided to consumer debtors under federal and state law.

CLO Investments

Clients may invest in collateralized loan obligation ("CLO") securities. CLOs are generally backed by a pool of assets (typically senior secured loans and other credit-related assets) that serve as collateral. The investors in a CLO ultimately bear the credit risk of the underlying collateral. Most CLOs issue securities in multiple tranches, offering investors various maturity and credit risk characteristics, often categorized as senior, mezzanine and subordinated/equity according to their degree of risk. If there are defaults or the relevant collateral otherwise underperforms, scheduled payments to senior tranches of such securities take precedence over those of mezzanine tranches, and scheduled payments to mezzanine tranches have a priority in right of payment to subordinated/equity tranches.

In addition to the general risks associated with investing in debt securities, CLO securities carry additional risks, including: (i) the possibility that distributions from collateral assets will not be adequate to make interest or other payments; (ii) the possibility that the quality of the collateral may decline in value or default; (iii) investments in CLO equity and subordinated debt tranches may be subordinate in right of payment to other more senior classes of CLO debt; and (iv) the complex structure of a particular security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results. The performance of a CLO may be adversely affected by a variety of factors, including the security's priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. In addition, the pricing of the pool of assets in a CLO depends on many structural characteristics and sometimes the pricing of a CLO may not fully reflect the value of the underlying assets. There are also the risks that the trustee of a CLO does not properly carry out its duties to the CLO, potentially resulting in loss to the CLO. In addition, the complex structure of the security may produce unexpected investment results, especially during times of market stress or volatility. Investments in structured finance securities may also be subject to liquidity risk.

Interest Rate Risk

Interest rates can change in response to the supply and demand for credit, government and/or central bank monetary policy and action, inflation rates, and other factors. In general, the price of a debt instrument falls when interest rates rise and rises when interest rates fall. The value of an instrument with a longer duration (whether positive or negative) will be more sensitive to changes in interest rates than a similar instrument with a shorter duration. Interest rate increases generally will increase the interest carrying costs to hedge funds and other vehicles that client assets may be invested in of borrowed money and leveraged investments. Recently, there have been inflationary price movements, which have caused markets to experience heightened levels of interest rate volatility and liquidity risk. The risks associated with rising interest rates may be particularly acute in the current market environment because the Federal Reserve Board recently raised rates and may continue to do so.

Non-U.S. Investments

Investing in securities of non-U.S. companies and countries, including emerging market countries, involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation and

nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict investment opportunities.

In addition, accounting and financial reporting standards that prevail in foreign countries generally are not equivalent to United States standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the United States. Moreover, an issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other. There is also less regulation, generally, of the securities markets in foreign countries than there is in the United States. In addition, unfavorable changes in foreign currency exchange rates may adversely affect the U.S. dollar value of securities denominated in foreign currencies or traded in non-U.S. markets. Hedge funds may, but are generally not required to, hedge against such risk, and there is no assurance that any attempted hedge will be successful.

In addition, risks of investing in securities of emerging markets issuers include: smaller market capitalization of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; and possible restrictions on repatriation of investment income and capital. In addition, foreign investors may be required to register the proceeds of sales; and future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies. Certain emerging markets also may face other significant internal or external risks, including a heightened risk of war, and ethnic, religious and racial conflicts. In addition, governments in many emerging market countries participate to a significant degree in their economies and securities markets, which may impair investment and economic growth, and which may in turn diminish the value of the securities in those markets. The considerations noted in the above two paragraphs are generally intensified for investments in emerging market countries.

European Economic Risk

European financial markets have experienced volatility in recent years and have been adversely affected by concerns about rising government debt levels, credit rating downgrades, and possible default on or restructuring of government debt. These events have affected the value and exchange rate of the euro. To the extent that clients invest in euro-dominated (or other European currency-denominated) securities, they may be subject to the risk of being exposed to a currency that may not fully reflect the strengths and weaknesses of the disparate European economies. The governments of several member countries of the European Union ("EU") have experienced large public budget deficits, which have adversely affected the sovereign debt issued by those countries and may ultimately lead to declines in the value of the euro. In addition, if one or more countries leave the EU or the EU dissolves, the world's securities markets likely will be significantly disrupted.

On January 31, 2020, the United Kingdom ("UK") withdrew from the EU (referred to as "Brexit"), creating economic and political uncertainty in its wake. The UK and the EU reached a preliminary trade agreement regarding the terms of their future trading relationship relating principally to the trading of goods, which became effective on January 1, 2021. However, negotiations are ongoing for matters not covered by the agreement and many aspects of the UK-EU trade relationship remain subject to further negotiation. Brexit has resulted in volatility in European and global markets and could have negative long-term impacts on financial markets in the UK and throughout Europe. There is considerable uncertainty about the potential consequences of Brexit, how negotiations of trade agreements will proceed, and how the financial markets will react. As this process unfolds, markets may be further disrupted. Given the size and importance of the UK's economy, uncertainty about its legal, political and economic relationship with the remaining member states of the EU may continue to be a source of instability.

It is possible that EU member countries that have already adopted the euro could abandon the euro and return to a national currency and/or that the euro will cease to exist as a single currency in its current form. The effects of such an abandonment or a country's forced expulsion from the euro on that country, the rest of the EU, and global markets are impossible to predict, but are likely to be negative. The exit of any country out of the euro would likely have an extremely destabilizing effect on all Eurozone countries and their economies and negatively affect the global economy as a whole, which may have substantial and adverse effects. In addition, under these circumstances, it may be difficult for a hedge fund to value investments denominated in euros or in a replacement currency.

Conflict in Ukraine

On February 24, 2022, Russia launched a large-scale invasion of Ukraine and, in response, the United States and other governments have imposed economic sanctions on certain Russian individuals, including Russian government officials and other government-linked individuals, and Russian corporate entities and financial institutions, banned certain Russian financial institutions from global payments systems that facilitate cross-border payments and have taken other economic and political measures. It is possible that such governments could institute broader sanctions or impose other economic and political measures on Russia, which could result in the immediate freeze of Russian securities and/or funds invested in prohibited assets and/or other consequences.

The extent and duration of the military action, the possibility of the conflict expanding beyond Ukraine and Russia, and resulting sanctions and other economic and political measures and future market disruptions in the region and worldwide are impossible to predict, but could be significant and have a severe adverse effect on the region and collateral effects globally, including significant negative impacts on the global economy and the markets for certain securities and commodities, such as oil and natural gas, as well as other sectors.

Real Estate Investments

To the extent that hedge funds invest in real estate securities or own real estate directly, they may be subject to certain risks, including, but not limited to, the burdens of ownership of real property, adverse local market conditions, the financial conditions of tenants, buyers and sellers of properties, changes in building, environmental, zoning and other laws, changes in real property tax rates, changes in interest rates and the availability of debt financing, changes in operating costs, negative developments in the local, national or global economy, risks due to dependence on cash flow, environmental liabilities, uninsured casualties, acts of God, acts of war (declared or undeclared), hostilities, terrorist acts, strikes and other factors which are beyond the control of the issuer or the manager investing in such securities or real estate.

Repurchase Agreements

If the seller under a repurchase agreement becomes insolvent or otherwise fails to repurchase the securities subject to such agreement, a hedge fund would have the right to sell the securities. This right, however, may be restricted, or the value of the securities may decline before the securities can be liquidated. In the event of the commencement of bankruptcy or insolvency proceedings with respect to the seller of the securities before the repurchase of the securities under a repurchase agreement is accomplished, a hedge fund might encounter a delay and incur costs, including a decline in the value of the securities, before being able to sell the securities. Repurchase agreements that are subject to foreign law may not enjoy protections comparable to those provided to certain repurchase agreements under U.S. bankruptcy law and they therefore may involve greater risks.

ESG Investment Strategy Risk

An ESG investment strategy limits the types and number of investment opportunities available for investment, including causing an ESG-focused portfolio to forego certain potentially profitable investment opportunities entirely, and, as a result, portfolios incorporating an ESG investment strategy will perform differently from, and may underperform, other portfolios that do not have an ESG focus, and the broad markets generally. There may be fewer investment opportunities available for an ESG-focused portfolio to invest in and there can be no

assurance that ample investment opportunities will be located and/or completed to satisfy a client's investment objective and criteria. Despite the due diligence performed by AAM, the investments ultimately made by managers selected for ESG-focused portfolios may not ultimately exhibit entirely positive or favorable ESG characteristics and AAM cannot guarantee that it will uncover all ESG risks in respect of the investment opportunities it considers. At any given time, there is a risk that unforeseen events may compromise the ESG profiles of investments in these portfolios.

Additionally, AAM's interpretation and application of its ESG standards is highly subjective and may evolve over time. An ESG-focused portfolio will be constructed based on AAM's assessment of ESG practices in accordance with its ESG policy, which may not be consistent with the views of any particular investor. The criteria by which ESG practices are assessed are evolving, which could result in greater expectations of AAM and cause AAM to undertake costly initiatives to satisfy such new criteria. Some investors may use ESG factors to guide their investment strategies and, in some cases, may choose not to invest with us if they believe our ESG policies and disclosures are inadequate.

Furthermore, there is an increasing focus from the SEC on ESG practices, and the SEC is considering new ESG disclosure requirements for public companies, and, potentially, other regulated entities. If we fail to satisfy the expectations of regulators, investors and other stakeholders, or our ESG initiatives are not executed as planned, our reputation and financial results could be adversely affected.

Global Health Risks

Outbreaks of disease, epidemics and public health issues, such as the outbreak of the novel coronavirus disease 2019 ("COVID-19") globally, continue to adversely impact global commercial activity and has contributed to significant volatility in financial markets. COVID-19 has negatively affected (and may continue to negatively affect or materially impact) the global economy, global equity and fixed income markets and supply chains (including as a result of quarantines and other government-directed or mandated measures or actions to stop the spread of outbreaks).

Due to the evolving and highly uncertain nature of the COVID-19 pandemic, it currently is not possible to estimate its impact precisely, and it may continue to impact the performance and liquidity of hedge funds and their investments and therefore the financial performance and liquidity of AAM and/or its clients. The U.S. federal government and the Federal Reserve, as well as certain foreign governments and central banks, have taken extraordinary actions to support local and global economies and the financial markets. Government actions to mitigate the economic impact of pandemics, such as the COVID-19 pandemic, have resulted or may in the future result in a large expansion of government deficits and debt, the long-term consequences of which are not known. A recurrence of an outbreak of any kind of epidemic, communicable disease, virus or major public health issue could cause a slowdown in the levels of economic activity generally (or push the world or local economies into recession), which would be reasonably likely to adversely affect the business, financial condition and operations of AAM and/or its clients. Should these or other major public health issues, including pandemics, arise or spread farther (or continue to worsen), AAM could be adversely affected by travel restrictions (such as mandatory quarantines and social distancing), additional limitations on AAM's operations and business activities and governmental actions limiting the movement of people and goods between regions and other activities or operations. Moreover, changes in interest rates, reduced liquidity or a slowdown in the United States or deterioration of global economic conditions may also adversely affect the financial performance of AAM and/or its clients. Further, extreme market volatility may leave AAM and/or its clients unable to react to market events in a prudent manner consistent with historical practices in dealing with more orderly markets.

Special Investment Instruments and Techniques

Hedge fund managers may utilize a variety of special investment instruments and techniques to hedge investment portfolios against various risks (such as changes in interest rates or other factors that affect security values) or for non-hedging purposes to pursue a hedge fund's investment objective. These strategies may be executed through derivatives transactions. Certain of the special investment instruments and techniques are speculative and involve a high degree of risk, particularly in the context of non-hedging transactions.

Derivatives

Derivatives are financial instruments the value or return of which is based on the performance of an underlying asset, index, interest rate or other investment. Derivatives may be volatile and involve various risks different from, and, in certain cases, greater than, the risks presented by more traditional investments. Special risks may apply to instruments in the future that cannot be determined at this time or until such instruments are developed. Certain swaps, futures, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, limitations on deliverable supplies, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk, government regulation and intervention, and operations risk.

The use of a derivative instrument requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. In particular, the use and complexity of derivatives requires the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to an investment portfolio and the ability to forecast price, interest rate or currency rate movements correctly. In addition, derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets a hedge fund may not be able to close out a position without incurring a loss. Although both over-the-counter and exchange-traded derivatives markets may experience lack of liquidity, over-the-counter non-standardized derivative transactions are generally less liquid than exchange-traded instruments. The illiquidity of the derivatives markets may be due to various factors, including congestion, disorderly markets, limitations on deliverable supplies, the participation of speculators, government regulation and intervention, and technical and operational or system failures. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions.

The prices of many derivatives, including many options and swaps, are highly volatile. Price movements of options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of options and swap agreements also depends upon the price of the securities or currencies underlying them.

Call and Put Options

There are risks associated with the sale and purchase of call and put 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 plus the premium received. 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 securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium invested in the call option. 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 (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option less the premium received. The seller of an uncovered put option assumes the risk of a 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 the entire premium invested in the put option.

Hedging Transactions

Hedge funds may utilize a variety of financial instruments, such as options, interest rate swaps, caps and floors, futures, forward contracts and other derivatives to seek to hedge against declines in the values of their portfolio positions as a result of changes in currency exchange rates, certain changes in the equity markets and market interest rates and other events. Hedging transactions may also limit the opportunity for gain if the value of the

hedged portfolio positions should increase. It may not be possible to hedge against a change or event at a price sufficient to protect assets from the decline in value of the portfolio positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain changes or events at all. While a hedge fund may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, or the risks of a decline in the equity markets generally or one or more sectors of the equity markets in particular, or the risks posed by the occurrence of certain other events, unanticipated changes in currency or interest rates or increases or smaller than expected decreases in the equity markets or sectors being hedged or the nonoccurrence of other events being hedged against may result in a poorer overall performance than if the hedge fund had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, hedge funds may not seek to or may not properly establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the transaction from achieving the intended hedge.

Counterparty Credit Risk

Many markets are "over-the-counter" or "inter-dealer" markets. The participants in these markets are typically not subject to credit evaluation and regulatory oversight as are "exchange-based" market participants. To the extent a hedge fund invests in over-the-counter swaps and other derivative or synthetic over-the-counter instruments that are not cleared through a central counterparty, it is assuming a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those associated with transactions effected on an exchange and/or cleared through a central counterparty, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement and benefit from segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections. This exposes a hedge fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing losses. Such counterparty risk is accentuated in the case of contracts with longer maturities where there is a greater risk that a specific event may prevent or delay settlement, or where a hedge fund has concentrated its transactions with a single or small group of counterparties. The ability to transact business with any one or number of counterparties, the lack of any independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses. In addition, hedge funds are subject to the risk that a counterparty may be unable to settle a transaction due to such counterparty's insolvency, inability to access sufficient credit, or other business factors.

Leverage; Margin

Hedge funds generally are also permitted to borrow money, and may directly or indirectly borrow funds from brokerage firms and banks. Borrowing for investment purposes is known as "leverage." Hedge funds may also incur "leverage" by using options, swaps, forwards and other derivative instruments. Leverage has the effect of potentially increasing losses. Any event that adversely affects the value of an investment, either directly or indirectly, could be magnified to the extent that leverage is employed. The use of leverage may magnify the volatility of changes in the value of an investment, especially in times of a "credit crunch" or during general market turmoil. The cumulative effect of the use of leverage, directly or indirectly, in a market that moves adversely to the investments of the entity employing the leverage could result in a loss that would be greater than if leverage were not employed. In addition the available borrowing rate may affect investment results, and a lender may terminate or refuse to renew any credit facility into which a hedge fund has entered. If a hedge fund is unable to access additional credit, it may be forced to redeem investments at inopportune times.

In general, the anticipated use of short-term margin borrowings results in certain additional risks. For example, should the securities that are pledged to brokers to secure margin accounts decline in value, or should brokers increase their maintenance margin requirements (i.e., reduce the percentage of a position that can be financed), then the hedge fund could be subject to a "margin call," pursuant to which the fund must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a precipitous drop in the value of the assets, a hedge fund might not be able to

liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, thereby incurring substantial losses. In the most recent market turmoil (particularly since late 2008), numerous hedge funds faced margin calls and were required to sell large portions of their investments in rapid fashion to meet these calls. In addition, the most recent market turmoil and weakened position of many financial services companies have forced many such companies to reduce or terminate the credit they have extended to hedge funds, which has in turn forced many hedge funds to deleverage in similar fashion. A substantial number of hedge funds have been forced to liquidate as a result. If a hedge fund is required to deleverage in such fashion, its returns will likely be substantially reduced, and it may be forced to liquidate entirely if it cannot meet its margin calls or otherwise cover its outstanding indebtedness. For these reasons, the use of borrowings for investment purposes is considered a speculative investment practice. Furthermore, exchange-traded derivatives and over-the-counter derivative transactions submitted for clearing through a central counterparty will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC or U.S. Commodity Futures Trading Commission ("CFTC") mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared over-the-counter derivatives.

Short Selling

Short selling involves selling securities that are not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows an investor to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of theoretically unlimited loss, as the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Some market participants seek to exploit short-sellers by identifying and buying large quantities of securities that are significantly shorted in an attempt to benefit from the price increase that the participants expect when the short sellers buy the securities to cover the short sales. If these so-called "short squeezes" are executed successfully, as described above, a hedge fund may be forced to cover their short position at a disadvantageous time regardless of the fund's view of the true value of the securities, thereby causing significant losses. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. For these reasons, short selling is considered a speculative investment practice. In addition, short selling may be limited by future legal and regulatory changes. Various international regulatory bodies, including the United Kingdom's Financial Services Authority, also promulgated restrictions on short selling at that time. The SEC's temporary ban on short selling of such stocks has since expired, but similar restrictions and/or additional disclosure requirements may be promulgated at any time, especially if market turmoil reoccurs. Such restrictions may adversely affect the returns associated with short selling. The SEC has subsequently adopted amendments to Regulation SHO under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that restrict the ability to engage in a short sale at a price that is less than or equal to the current best bid if the price of the covered security has decreased by 10% or more from the covered security's closing price as of the end of the prior day (a "short sale-related circuit breaker"). Furthermore, the SEC has recently proposed new rules that, if adopted, would require certain market participants to collect and submit short sale-related data to the SEC on a monthly basis.

Distressed Securities

Certain of the companies in whose securities a hedge fund may invest may be in transition, out of favor, financially leveraged or troubled, or potentially troubled, and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation. These characteristics of these companies can cause their securities to be particularly risky. The companies' securities may be considered speculative, and the ability of the companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within the companies. A hedge fund's investment in any instrument is typically not subject to any minimum credit standard and a significant portion of the obligations and preferred stock in which a hedge fund may invest may be less than investment grade (commonly referred to as junk bonds), which may result in greater risks than they would if investing in more highly rated instruments.

A bankruptcy filing may have adverse and permanent effects on a company in whose securities a hedge fund may invest. Further, if the proceeding is converted to a liquidation action, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. In addition, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to appear and be heard, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of a hedge fund (in its role as a creditor). Certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors and administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that a hedge fund's influence with respect to a class of securities can be lost by virtue of the size of its claim relative to the claims of the entire class.

Certain debt instruments could be subject to U.S. federal, state or applicable non-U.S. bankruptcy laws or fraudulent transfer or conveyance laws, if such securities were issued with the intent of hindering, delaying or defrauding creditors or, in certain circumstances, if the issuer receives less than reasonably equivalent value or fair consideration in return for issuing such securities. If a court were to find that the issuance of the securities was a fraudulent transfer or conveyance, the court could void the payment obligations under the securities, further subordinate the securities to other existing and future indebtedness of the issuer or require a hedge fund to repay any amounts received by it with respect to the securities. In the event of a finding that a fraudulent transfer or conveyance occurred, a hedge fund may not receive any payment on the securities. If a hedge fund is found to have interfered with the affairs of a company in which the hedge fund holds a debt investment to the detriment of other creditors or common shareholders of such company, the hedge fund may be held liable for damages to injured parties or a bankruptcy court. While hedge funds typically attempt to avoid taking the types of action that would lead to such liability, there can be no assurance that such claims will not be asserted or that a hedge fund will be able to successfully defend against them. Moreover, such debt may be disallowed or subordinated to the claims of other creditors or treated as equity. Where any hedge fund has representatives on the boards of a portfolio company, such involvement may also prevent the hedge fund from freely disposing of its debt investments and may subject the hedge fund to additional liability or result in re-characterization of its debt investments as equity.

Insofar as a hedge fund's portfolio includes obligations of non-United States obligors, the laws of certain foreign jurisdictions may provide for avoidance remedies under factual circumstances similar to those described above or under different circumstances, with consequences that may or may not be analogous to those described above under U.S. federal or state laws. Changes in bankruptcy laws (including U.S. federal and state laws and applicable non-U.S. laws) may adversely impact a hedge fund's securities.

Legal and Regulatory Risks

Legal and regulatory changes could occur which may materially adversely affect investments. The regulation of the U.S. and non-U.S. securities and futures markets and investment funds has undergone substantial change over the past decade and such change may continue. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), signed into law in July 2010, contained significant changes to the existing regulatory structure in the United States and was intended to establish rigorous oversight standards to protect the U.S. economy and American consumers, investors and businesses. The Dodd-Frank Act required most over-the-counter swaps to be executed on a regulated exchange or execution facility and cleared through a central counterparty, which may result in increased margin requirements and costs. In addition, the Dodd-Frank Act required additional regulation of hedge fund managers, including requirements for certain such managers to register as investment advisers under the Investment Advisers Act and to disclose various information to regulators about the positions, counterparties and other exposures of the hedge funds managed by such managers. In addition to the regulatory requirements imposed by the Dodd-Frank Act, on August 16, 2012, the European Market Infrastructure Regulation (EU No. 648/2012) ("EMIR") came into effect. EMIR

introduces certain requirements with respect to derivative contracts which apply primarily to financial counterparties such as EU authorized investment firms, credit institutions, insurance companies, undertakings for collective investment in transferable securities and alternative investment funds managed by EU authorized alternative investment fund managers, and non-financial counterparties ("NFCs") which are entities established in the EU that are not financial counterparties. Broadly, EMIR's requirements are (i) mandatory clearing of OTC derivative contracts declared subject to the clearing obligation through a duly authorized central counterparty; (ii) risk mitigation techniques with respect to uncleared OTC derivative contracts; and (iii) reporting and record-keeping requirements with respect to all derivative contracts. These additional requirements add costs to the legal, operations and compliance obligations and may increase the amount of time that hedge funds spend on non-investment related activities.

Further, in the event that a client's interest in any hedge fund which invests in any derivative instruments regulated under the U.S. Commodity Exchange Act, as amended (the "CEA"), including futures, swaps and options, exceeds a certain threshold, AAM may become subject to regulation under the CEA, and may be required to register as a "commodity pool operator" and/or "commodity trading advisor" with the CFTC.

As a result of the implementation of the Dodd-Frank Act, over-the-counter derivatives dealers are also subject to business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. These margin and regulatory requirements increase the overall costs for derivatives dealers. Dealers can be expected to try to pass those increased costs along, at least partially, to market participants such as hedge funds in the form of higher fees or less advantageous dealer marks.

While many of the Dodd-Frank Act's reforms have already been implemented, certain reforms are still pending. It is unknown in what form, when and in what order significant regulatory initiatives may be implemented or the impact any such implemented regulations will have on hedge funds, the markets or instruments in which hedge funds invest or the counterparties with whom they conduct business.

Furthermore, it is unclear whether the Biden Administration and/or the U.S. Congress will undertake and successfully adopt new legislative or executive actions that could affect hedge funds, their investments and/or their counterparties. The SEC has proposed a number of new rules and amendments to existing rules under the Investment Advisers Act that would impose new requirements on advisers to private funds, including hedge funds, related to quarterly statements, financial statement audits, prohibited activities and preferential treatment of certain investors. If the new rules and amendments are adopted as proposed, the greater regulatory scrutiny and the implementation of such requirements may increase exposure to potential liabilities and are likely to substantially increase transaction and regulatory compliance costs. The effect of any additional actions taken pursuant to the Dodd-Frank Act or other regulatory changes, while impossible to predict, could also be substantial and adverse.

The EU Markets in Financial Instruments Directive and related regulations and subsidiary legislation ("MiFID II"), which came into effect on January 3, 2018, is expected to have a significant impact on the European capital markets. MiFID II increases regulation of trading platforms and firms providing investment services in the European Union. Among its many market infrastructure reforms, MiFID II has brought in: (i) significant changes to pre-trade and post-trade transparency obligations applicable to financial instruments admitted to trading on EU trading venues (including a new transparency regime for non-equity financial instruments); (ii) an obligation to execute transactions in shares and derivatives on an EU regulated trading venue; and (iii) a new focus on regulation of algorithmic and high frequency trading. These reforms may lead to a reduction in liquidity in certain financial instruments, as some of the sources of liquidity exit European markets and may result in significant increases in transaction costs. Other regulatory changes, such as an increase in the scope of commodities and commodity derivatives regulation, including position limits and position management powers could similarly lead to liquidity reduction and/or an increase in costs and spreads in the European commodities markets. Although the full impact of these reforms is difficult to assess at present, it is possible that the resulting changes in the available trading liquidity options and increases in transactional costs may have an adverse effect on client investment programs.

Failure of Futures Commission Merchants and Clearing Organizations

Hedge funds may deposit funds required to margin open positions in derivative instruments subject to the CEA with a clearing broker registered as a "futures commission merchant" ("FCM"). The CEA requires an FCM to segregate all funds received from customers with respect to any orders for the purchase or sale of U.S. domestic futures contracts and cleared swaps from the FCM's proprietary assets. Similarly, the CEA requires each FCM to hold in a separate secure account all funds received from customers with respect to any orders for the purchase or sale of foreign futures contracts and segregate any such funds from the funds received with respect to domestic futures contracts. However, all funds and other property received by a clearing broker from its customers are held by the clearing broker on a commingled basis in an omnibus account and may be freely accessed by the clearing broker, which may also invest any such funds in certain instruments permitted under the applicable regulations. There is a risk that assets deposited by a hedge fund with any swaps or futures clearing broker as margin for futures contracts or cleared swaps may, in certain circumstances, be used to satisfy losses of other clients of the clearing broker. In addition, the assets of a hedge fund may not be fully protected in the event of the clearing broker's bankruptcy, as the hedge fund would be limited to recovering only a pro rata share of all available funds segregated on behalf of all the clearing broker's customer accounts. Similarly, the CEA requires a clearing organization approved by the CFTC as a derivatives clearing organization to segregate all funds and other property received from a clearing member's clients in connection with domestic futures, swaps and options contracts from any funds held at the clearing organization to support the clearing member's proprietary trading. Nevertheless, with respect to futures and options contracts, a clearing organization may use assets of a non-defaulting customer held in an omnibus account at the clearing organization to satisfy payment obligations of a defaulting customer of the clearing member to the clearing organization. As a result, in the event of a default by the clearing broker's other clients or the clearing broker's failure to extend its own funds in connection with any such default, a hedge fund may not be able to recover the full amount of assets deposited by the clearing broker on its behalf with the clearing organization.

Cybersecurity

Clients, hedge funds and their service providers may be prone to operational and information security risks resulting from breaches in cybersecurity. A breach in cybersecurity refers to both intentional and unintentional events that may result in the loss of proprietary information, data corruption, or the loss of operational capacity. Breaches in cybersecurity include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cyber-attacks. Cybersecurity breaches may adversely impact clients or the hedge funds in which they invest. For instance, cybersecurity breaches may interfere with the processing of investor transactions, impact the ability to calculate net asset value, cause the release of private investor information or confidential business information, impede investment activities, subject clients or hedge funds to regulatory fines or financial losses and/or cause reputational damage.

Furthermore, the SEC has proposed a new cybersecurity rule that would require registered investment advisers to adopt and implement formal cybersecurity policies, report significant cybersecurity incidents to the SEC, and provide enhanced disclosure of cybersecurity risks and incidents to investors. If adopted as proposed, the rule is expected to increase the time and resources that AAM its personnel will be required to devote to cybersecurity reporting and compliance matters.

Systems Risk

AAM will rely heavily on proprietary and third party computer programs and other systems in connection with its activities on behalf of clients. These systems are used in a wide variety of circumstances, including, without limitation, to provide administrative and other services, to monitor investment portfolios and to generate risk management and other reports that are critical to the oversight of investment activities. There can be no assurance that AAM will be in a position to verify all of the risks associated with, or the reliability of, such systems. In addition, while AAM has implemented a disaster recovery plan, there can be no guarantee that in the event of a natural disaster or other unforeseen circumstance such a plan will effectively mitigate damage to the systems relied upon by AAM. Any defects, viruses, failures or interruptions of such systems may materially and adversely affect investments.

Terrorist Action

There is a risk of terrorist attacks on the United States and elsewhere causing significant loss of life and property damage and disruptions in the global market. Economic and diplomatic sanctions may be in place or imposed on certain states and military action may be commenced. The impact of such events is unclear, but could have a material effect on general economic conditions and market liquidity, which could materially and adversely impair an investment.

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

For its absolute return clients, AAM recommends investments in hedge funds and other alternative investments not typically described as hedge funds (such as certain funds structured for investments in illiquid assets). Investing in such funds does involve certain risks that are different from the risks involved in investing directly in securities and financial instruments, some of which are outlined above. Certain of these risks are described below:

Reliance on Managers

Because AAM will not have the ability to direct a manager's investment activities once an investment is made, AAM and its clients will be dependent upon the expertise of the manager to successfully execute the intended investment program. Notwithstanding AAM's efforts to evaluate a manager's operational control environment and monitor a manager's investment activities, there remains a risk that a manager will be unsuccessful in carrying out the stated investment program. Additionally, managers are often highly dependent on key personnel, and the investment program can be placed at risk in the event of the death, incapacitation or departure from the firm of key persons. AAM evaluates a manager's entire organization to underwrite this key person risk, but key person risk cannot be fully mitigated.

Reliance on Service Providers

Investments in hedge funds are also dependent upon hedge fund counterparties and other businesses that are not controlled by AAM and that provide services to the hedge fund in which AAM invests. Examples of service providers include, but are not limited to, administrators, custodians, auditors, prime brokers and legal counsel. Errors are inherent in the business and operations of any service provider, and although AAM will seek to transact with hedge fund managers whose counterparties and service providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct by service providers could have a material adverse effect on a clients' investments.

Fund Liquidity

Investments in hedge funds are often subject to an initial lock-up period during which time clients cannot withdraw their investment. These lock-up periods are typically one year or longer, depending upon the asset class. After the expiration of the lock-up period, withdrawals are permitted on a periodic basis, generally ranging from monthly to annually. Such withdrawals may be subject to "gates", which limit the amount of the investor's assets that may be withdrawn on any single date. Additionally, certain client's investment objectives and guidelines may include allocations to less liquid alternative investment funds, which do not permit any redemptions and require that an investment be maintained until all fund assets are liquidated. It is important that clients consider their cash flow needs when considering an investment in hedge funds and other alternative investment vehicles. Additionally, liquidity restrictions may prevent AAM from reallocating assets rapidly in response to market changes and such withdrawal limitations may also restrict AAM's ability to terminate investments that are poorly performing or have otherwise have had adverse changes.

Side Pockets

Some hedge funds may hold a portion of their assets in "side pockets" which are sub-accounts in which certain assets (which generally are illiquid and/or hard to value) are held and segregated from the hedge fund's other assets until some type of realization event occurs. Side pockets thus have restricted liquidity, potentially extending over a much longer period than the typical liquidity an investment in the hedge fund may provide. Should AAM seek to liquidate an investment in a hedge fund that maintains these side pockets, it may not be able to fully liquidate the investment without delay, which could be considerable. In such cases, a client will not receive the investment proceeds attributable to the side pocket until the side pocket is liquidated or deemed liquid by the hedge fund, which will restrict the client's ability to withdraw its assets.

Leverage

The use of leverage by a hedge fund may result in the hedge fund controlling substantially more assets than the hedge fund has equity and can expose the hedge fund to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the hedge fund not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the hedge fund's assets, the hedge fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

Portfolio Transparency

Hedge funds typically do not provide investors with complete portfolio transparency, so an investor in hedge funds will not know exactly what underlying securities comprise its investment portfolio. AAM seeks to invest client assets with hedge fund managers who provide sufficient portfolio information to allow for effective portfolio monitoring. This information may include material holdings, exposure reports by geography, sector, and strategy or such other category as is appropriate for the investment strategy, and leverage, among other factors, or some combination of the above. The availability of this type of information varies with respect to each hedge fund investment.

Valuation

Hedge funds generally provide valuation information on at least a monthly basis. Because hedge funds typically do not provide position-level portfolio transparency, it is not possible for a hedge fund investor to independently verify a hedge fund's reported net asset value. To reduce the likelihood of encountering valuation concerns, AAM generally seeks to invest client assets in hedge fund strategies that do not have excessive exposure to hard-to-price securities. AAM also conducts comprehensive due diligence on the back office control functions of hedge fund managers. This due diligence includes an assessment of the internal control environment inherent in the manager's processing of trades and reporting of returns. AAM also reviews the role of third party administrators and, to a lesser extent, valuation agents, in independently reporting and/or validating fund returns for each underlying fund manager. This review includes an examination of SSAE16 or other due diligence documentation where available. AAM also receives and reviews annual audited financial statements of hedge fund investments.

In addition, AAM maintains a pricing committee that meets monthly to review the reported valuations received from hedge funds. At each monthly meeting of the Pricing Committee, AAM's Chief Investment Officer presents a pricing confirmation sheet for each hedge fund investment to the Pricing Committee. This pricing confirmation sheet contains three distinct "tests": a returns-based analysis, a regression analysis and a customized peer group analysis. The purpose of the Pricing Committee is to identify performance outliers, which must then be reconciled based on the position and exposure data provided and, where necessary, reviewed in discussions with the hedge fund managers. There can be no assurance, however, that this process will identify hedge fund valuation errors.

Due Diligence Process

Before making an investment, AAM conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, AAM may be required to evaluate important and complex business, financial, tax, accounting and legal issues. When conducting due diligence and making an assessment regarding an investment, AAM relies on the resources reasonably available to it, which in some circumstances, whether or not known to AAM at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

Operational Failures

Hedge fund investments are subject to the risk that a hedge fund manager may suffer a breakdown of operational controls that can lead to loss of capital, or in the case of severe breakdowns, can lead to the liquidation of the hedge fund. Such breakdowns may involve counterparty exposures, cash management controls, failure to properly match investment liquidity with investor liquidity and failures to adequately monitor portfolio exposures, leverage and investment correlations. Additional breakdowns may involve inadequate segregation of duties and internal controls resulting in, among other things, incorrect valuations and fraud, which is discussed in greater detail below. To mitigate these risks, prior to initiating an investment in a hedge fund, AAM performs an operational review, including a separate on-site meeting and review of due diligence documentation. This operational review is documented for each manager in a detailed due diligence worksheet (“DDW”) and summary scorecard, which are discussed in detail during investment committee meetings. An unsatisfactory DDW or scorecard will prohibit investment. The operational review is redone on a periodic basis.

Counterparty Risk

Hedge fund investors face the risk of investment losses due to the counterparty risks faced by the hedge funds in which they invest. These counterparty risks include, but are not limited to (a) the risk that a fund’s counterparty will default on a credit obligation; or (b) the risk that a counterparty may increase collateral terms, discontinue financing arrangements or take other actions against a fund that may lead to investment losses, declines in net asset value, or operational disruptions for the fund. AAM’s operational due diligence team assesses and monitors counterparty risks as part of its formal operational due diligence process. A description and assessment of counterparty risks is contained in the DDW and scorecard.

Compensation Arrangements and Other Expenses

Clients of AAM should be aware that they will bear, in addition to fees payable to AAM that are described in items 5 and 6, both asset-based fees and performance-based fees payable to the hedge funds in which they invest, as well their pro rata share of the hedge fund’s other operating expenses.

Fraud

Hedge fund investments are subject to the risk that fraudulent actions on the part of the hedge fund manager or other service providers or transaction counterparties may lead to significant losses. While no due diligence process is guaranteed to uncover fraud, AAM conducts a comprehensive operational due diligence process that is designed to uncover factors that may increase the risk of manager fraud. This process, overseen by the operational due diligence specialist team, includes a review of a hedge fund manager’s business and operational infrastructure, including trade processing work flows, accounting and reconciliation procedures, portfolio valuation procedures (including third party oversight), cash controls, business continuity planning, compliance procedures, and overall segregation of duties. As part of this process, AAM conducts a manager background check through a third party investigative firm and reviews key third party provider relationships. The operational due diligence process is undertaken prior to the initiation of a fund investment as well as on a periodic basis for existing fund investments, and is summarized for each manager in a detailed report and summary scorecard.

Style Drift

Because hedge fund managers often do not provide position-level portfolio transparency, hedge fund investments are subject to the risk that investments held by a hedge fund may be different than AAM expects, leading to client exposures to unexpected securities or asset classes. During its monthly portfolio investment review and monthly pricing review process, members of the AAM investment team examine portfolio positions and exposures of hedge funds, to the extent available, to determine if the manager is investing capital in ways that are consistent with expectations. In addition, regressions are run to determine if reported hedge fund performance is consistent with AAM's expectations based on AAM's understanding of the hedge fund's holdings. To the extent that actual performance differs materially from an expected range of performance, AAM follows up with the hedge fund manager to obtain additional performance attribution information. AAM also meets periodically with hedge fund managers as part of its ongoing investment monitoring process. Hedge fund exposures are a topic of discussion at these meetings.

In-Kind Redemptions

Hedge fund managers may be permitted to redeem their interests in-kind. Thus, upon the withdrawal of all or a portion of a client's interest in a hedge fund, the client may receive securities that are illiquid or difficult to value. In these circumstances, AAM would seek to assist the client in disposing of these securities in a manner that is in the best interests of such client.

Co-Investment Risk

Co-investing alongside hedge fund and other private investment firms involves risks that may not be present in investments made by lead or sponsoring firms. As a co-investor, AAM and its clients may have interests or objectives that are inconsistent with those of the sponsors that generally will have a greater degree of control over such investments.

In addition, in order to take advantage of co-investment opportunities, AAM and its clients generally will be required to hold a non-controlling interest, for example, by becoming a member of co-investment vehicle that is controlled by the manager of the fund offering the co-investment. In this event, AAM would have less control over its investment and may be adversely affected by actions taken by such manager with respect to the investment. AAM will generally not have the opportunity to participate in structuring investments or to determine the terms under which such investments or dispositions of such investments will be made.

Furthermore, the co-investment manager may be subject to conflicts of interest in connection with AAM's participation in a co-investment. For instance, a manager may cause affiliated investment vehicles to participate in investments alongside AAM and its clients. Such affiliated investment vehicles may have investment and tax objectives that differ from those of AAM and its clients. As a practical matter, AAM will have to rely on the manager's business judgment and it may be difficult for AAM to monitor closely the activities of the manager.

Special Situations and Distressed Securities

AAM may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, AAM may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which AAM may invest, there is a potential risk of loss of the entire investment in such companies.

Activist Investing

AAM may invest in investments related to shareholder activism or control-oriented equity. The success of such activist investment strategy depends upon, among other things: (i) a manager's ability to properly identify portfolio companies whose securities prices can be improved through corporate and/or strategic action; (ii) the

ability to acquire sufficient securities of such portfolio companies at a sufficiently attractive price; (iii) the ability to avoid triggering anti-takeover and regulatory obstacles while aggregating its position; (iv) the willingness of the management of such portfolio companies and other security holders to respond positively to a manager's proposals; and (v) favorable movements in the market price of any such portfolio company's securities in response to any actions taken by such portfolio company. There can be no assurance that any of the foregoing will occur.

Corporate governance strategies may prove ineffective for a variety of reasons, including: (i) opposition of the management or investors of the subject company, which may result in litigation and may erode, rather than increase, the value of the subject company; (ii) intervention of a governmental agency; (iii) efforts by the subject company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) market conditions resulting in material changes in the prices of securities; (v) the presence of corporate governance mechanisms such as staggered boards, poison pills and classes of stock with increased voting rights; and (vi) the necessity for compliance with applicable securities laws. In addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the transaction and such regulatory agencies may independently investigate the participants in a transaction as to compliance with securities or other law. Furthermore, successful execution of a corporate governance strategy may depend on the active cooperation of investors and others with an interest in the subject company. Some investors may have interests which diverge significantly from those of AAM and its clients, and some of those parties may be indifferent to the proposed changes. Moreover, securities that AAM believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the timeframe AAM anticipates, even if a corporate governance strategy is successfully implemented. Even if the prices for a portfolio company's securities have increased, no guarantee can be made that there will be sufficient liquidity in the markets to allow for the disposition of all or any of the securities therein or to realize any increase in the price of such securities.

Item 9 *Disciplinary Information*

AAM does not have any disclosures to make relating to legal or disciplinary events.

Item 10 *Other Financial Industry Activities and Affiliations*

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

Not applicable

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

Not applicable

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

Not applicable except for items 2 and 11.

1. *broker-dealer, municipal securities dealer, or government securities dealer or broker*
2. *investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund).*

AAM serves as the investment adviser to three registered investment companies (Aetos Long/Short Strategies Fund, LLC, Aetos Distressed Investment Strategies Fund, LLC and Aetos Multi-Strategy Arbitrage Fund, LLC), and six Cayman Islands exempted companies (Aetos Capital Long/Short Strategies Cayman Fund, Aetos Capital Distressed Investment Strategies Cayman Fund, Aetos Capital Multi-Strategy Arbitrage Cayman Fund, Aetos Capital Long/Short Strategies Cayman Fund II, Aetos Capital Distressed Investment Strategies Cayman Fund II and Aetos Capital Multi-Strategy Arbitrage Cayman Fund II) that serve as feeder funds for the three registered investment companies. Pursuant to investment management agreements in place between AAM and its clients, AAM may have investment discretion to allocate client assets to these funds. To the extent that client assets are allocated to these funds by AAM, any fees payable to AAM under the client's investment management agreement will be offset by the amount of any fees paid to AAM by the funds in respect of a client's investment in these funds. AAM also serves as the investment adviser to two private investment companies, Aetos Special Situations Opportunity Fund, LP and Aetos Long/Short Sustainability Fund, LP.

3. *other investment adviser or financial planner*
4. *futures commission merchant, commodity pool operator, or commodity trading advisor*
5. *banking or thrift institution*
6. *accountant or accounting firm*
7. *lawyer or law firm*
8. *insurance company or agency*
9. *pension consultant*
10. *real estate broker or dealer*
11. *sponsor or syndicator of limited partnerships.*

Aetos Special Situations GP, LLC, a Delaware limited liability company that is wholly-owned by AAM, is the general partner of Aetos Special Situations Opportunity Fund, LP, a private investment company that makes "special situations" investments across a variety of asset classes. Aetos Sustainability GP, LLC, a Delaware limited liability company that is wholly-owned by AAM, is the general partner of Aetos Long/Short Sustainability Fund, LP, a private investment company that primarily makes investments in long/short hedge funds that incorporate ESG considerations into their investment programs or the operation of their management entities.

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

AAM receives no compensation from any manager or fund it recommends or selects for client investments, and has no other business relationships with such managers, funds or any other third parties that create a material conflict of interest with respect to its investment advisory services.

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

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

AAM has adopted a Code of Ethics that includes the following provisions, among others, and is available for review by clients and prospective clients upon request:

- each employee of AAM is responsible for maintaining the very highest ethical standards, including a duty at all times to place the interests of clients first, a duty to ensure that all personal securities transactions are conducted in accordance with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest, and a duty not to take advantage of his or her position or engage in any fraudulent or manipulative practice with respect to a client's account;

- each employee of AAM must comply at all times with applicable federal securities laws;
- each employee of AAM must periodically report personal securities holdings and transactions to the Chief Compliance Officer;
- each employee of AAM must obtain prior approval from the Chief Compliance Officer or the Compliance Officer before he or she (or any related person) engages in any personal securities transaction, unless such transaction is specifically exempted under the Code of Ethics;
- each employee of AAM must report violations of the Code of Ethics to the Chief Compliance Officer; and,
- each employee of AAM must receive a copy of the Code (and any amendments) and must provide a written acknowledgment of his or her receipt and review of the Code (and any amendments).

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

See item 10(c)(2) above.

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

Employees and principals of AAM invest in certain of the investment companies managed by AAM identified in 10(c)(2) above. Such investments are made on the terms outlined in such investment company's prospectus or offering memorandum, except in the case of private funds in which case certain fees are waived for AAM employees. Employees and principals of AAM are not permitted to invest in any hedge funds in which clients invest without the written consent of the Chief Compliance Officer.

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

Not applicable.

Item 12 *Brokerage Practices*

AAM does not typically utilize broker-dealers to execute client portfolio transactions because AAM client accounts invest in funds and other investments that do not require the use of a broker-dealer. In certain circumstances a client account may hold individual securities as the result of an in-kind distribution or other event, and in such cases AAM may need to utilize a broker-dealer to sell the securities. In selecting a broker-dealer to execute such transactions, AAM is limited in its options because of the limited nature of the trading activity associated with such securities and typically seeks to transact with a broker-dealer with whom the client has an existing relationship, such as the broker-dealer affiliate of the client's custodian bank. AAM does not receive any soft dollar benefits or client referrals with respect to these transactions, nor does AAM engage in directed brokerage.

Item 13 *Review of Accounts*

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

On a monthly basis, each underlying hedge fund in which a Separate Account or Aetos Fund is invested is reviewed by a member of the Investment Committee with the research analyst responsible for covering such investment in order to evaluate the fund's performance, risk and factor and exposure concentrations. Co-investments are similarly reviewed on either a monthly or quarterly basis, depending on the frequency of manager reporting.

On at least a quarterly basis, the investment portfolio of each Separate Account and Aetos Fund is reviewed by one or more members of the Investment Committee. During these reviews, each account's historical returns, exposures, performance attribution, betas and correlations to indices, liquidity profile and allocations among hedge funds and across investment strategies and sub-strategies are evaluated in relation to such account's investment objective, guidelines and risk tolerance in order to determine whether any investment portfolio changes are warranted.

For client accounts which are invested in the Aetos Funds, AAM reviews allocations to each of the Aetos Funds on a generally semi-annual basis. This review is conducted by a member of the Investment Committee and members of the investor relations team and considers each client's current asset allocation and any changes in the client's circumstances communicated to AAM by the client.

As a result of these reviews a shift in the allocation of client assets may be considered and initiated by the Investment Committee. The Investment Committee may also periodically determine to shift allocations generally across client accounts to reflect its views on market opportunities. The members of the Investment Committee are Anne Casscells, Michael Klein, James Gibbons, Jonathan Bishop, Filbert Cua and Abby Chen. The Investment Committee acts by majority, although each of Ms. Casscells and Mr. Klein retain veto authority. Additional information about the Investment Committee members can be found in the brochure supplement attached to the end of this brochure.

AAM's Compliance Officer reviews each client account against the account's investment guidelines, if any, on a monthly basis.

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

In addition to the reviews noted above, client accounts are reviewed at a client's request, or when market changes dictate that an off-cycle review would be appropriate.

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

Each AAM client receives a written monthly report containing account balance information, a summary of account subscription/redemption activity, and performance information. Additionally, AAM may provide additional client reports on a monthly, quarterly and annual basis. These additional reports may include performance information, both on an absolute basis and relative to appropriate benchmarks, quantitative and qualitative attribution of returns, sector and geographic exposures, and manager changes, among other things. AAM may also provide clients with quarterly and annual letters discussing the performance of Aetos' investment strategies and markets generally.

Item 14 Client Referrals and Other Compensation

A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

Not applicable

B. If you or a related person directly or indirectly compensates any person who is not your supervised person for

client referrals, describe the arrangement and the compensation.

Not applicable

Item 15 *Custody*

In cases where AAM is deemed to have custody of client assets pursuant to Rule 206(4)-2, as amended (the “Custody Rule”), under the Investment Advisers Act, by virtue of AAM employees serving as directors of funds advised by AAM, an affiliate of AAM serving as general partner of funds advised by AAM, AAM’s ability to deduct fees from client accounts or otherwise by virtue of AAM’s ability to access client assets, and a qualified custodian sends account statements at least quarterly to such clients, such clients should carefully review such statements and compare such statements to statements provided by AAM.

Item 16 *Investment Discretion*

AAM manages client accounts on both a discretionary and a non-discretionary basis. For accounts where AAM has discretion, a client’s investment management agreement with AAM will contain any restrictions placed on AAM’s authority, which typically include permissible investment types and asset allocation ranges, which appear in guidelines that form part of the agreement.

Item 17 *Voting Client Securities*

AAM accepts authority to vote client securities, and accordingly maintains a proxy voting policy as required by Rule 206(4)-6. Because AAM’s client assets are primarily invested in funds rather than in publicly traded securities, AAM is only infrequently presented with a proxy. Occasionally, a fund will solicit the vote or consent of its investors with respect to a matter relating to the operation of the fund or its constituent documents, and AAM will take such action in response to such solicitation as it believes to be in its clients’ best interests. A copy of AAM’s proxy voting policy is available upon request.

Item 18 *Financial Information*

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

Not applicable

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

Not applicable

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

Not applicable

Part 2B of Form ADV
Brochure Supplement for:

Anne Casscells, Co-President and Chief Investment Officer
Aetos Alternatives Management, LP
2500 Sand Hill Road, Suite 100
Menlo Park, CA 94025

This brochure supplement provides information about Anne Casscells that supplements the Aetos Alternatives Management, LP brochure. You should have received a copy of that brochure. Please contact the Chief Compliance Officer at 212-201-2500 if you did not receive Aetos Alternatives Management, LP's brochure or if you have any questions about the contents of this supplement.

Item 2 *Educational Background and Business Experience*

Ms. Casscells was born in 1958. She earned her Masters of Business Administration from the Stanford Graduate School of Business, and her Bachelor of Arts in British Studies, from Yale University. Ms. Casscells has been Co-President, Chief Investment Officer and a member of the Investment Committee at AAM since prior to 2015.

Item 3 *Disciplinary Information*

Ms. Casscells has no disciplinary information to disclose.

Item 4 *Other Business Activities*

Ms. Casscells serves as an independent Director of certain American Century mutual funds, is a member of the Board of Directors, the compensation committee and the investment committee of Schwab Charitable, a member of the investment committee of Tower Hill School, an advisor to the investment committee of the Murdoch Charitable Trust, a member of the Finance Committee of KQED, Inc., a member of the Board of Trustees and Treasurer of Grace Cathedral and a Trustee of Endowments of St. Paul's Episcopal Church.

Item 5 *Additional Compensation*

Ms. Casscells has no additional compensation to disclose.

Item 6 *Supervision*

Ms. Casscells and Michael Klein, as Co-Presidents of AAM, supervise all aspects of AAM's business. Ms. Casscells can be reached at 650-234-1860 and Mr. Klein can be reached at 212-201-2500.

Part 2B of Form ADV
Brochure Supplement for:

Michael Klein, Co-President and Chief Risk Officer
Aetos Alternatives Management, LP
875 Third Avenue
New York, NY 10022

This brochure supplement provides information about Michael Klein that supplements the Aetos Alternatives Management, LP brochure. You should have received a copy of that brochure. Please contact the Chief Compliance Officer at 212-201-2500 if you did not receive Aetos Alternatives Management, LP's brochure or if you have any questions about the contents of this supplement.

Item 2 *Educational Background and Business Experience*

Mr. Klein was born in 1958. Mr. Klein is a graduate of Colgate University and received his Juris Doctor degree from Boston College Law School. Mr. Klein has been Co-President, Chief Risk Officer and a member of the Investment Committee at AAM since prior to 2015.

Item 3 *Disciplinary Information*

Mr. Klein has no disciplinary information to disclose.

Item 4 *Other Business Activities*

Mr. Klein serves as an independent Director/Trustee of investment funds managed by Morgan Stanley and is a board member of Sanitized Marketing AG, a privately-held specialty chemical company.

Item 5 *Additional Compensation*

Mr. Klein has no additional compensation to disclose.

Item 6 *Supervision*

Mr. Klein and Anne Casscells, as Co-Presidents of AAM, supervise all aspects of AAM's business. Ms. Casscells can be reached at 650-234-1860 and Mr. Klein can be reached at 212-201-2500.

Part 2B of Form ADV
Brochure Supplement for:

James Gibbons, Senior Portfolio Manager
Aetos Alternatives Management, LP
875 Third Avenue
New York, NY 10022

This brochure supplement provides information about James Gibbons that supplements the Aetos Alternatives Management, LP brochure. You should have received a copy of that brochure. Please contact the Chief Compliance Officer at 212-201-2500 if you did not receive Aetos Alternatives Management, LP's brochure or if you have any questions about the contents of this supplement.

Item 2 *Educational Background and Business Experience*

Mr. Gibbons was born in 1960. Mr. Gibbons earned his Bachelor of Science degree in Finance from Georgetown University. Mr. Gibbons has been a Portfolio Manager and a member of the Investment Committee at AAM since prior to 2015.

Item 3 *Disciplinary Information*

Mr. Gibbons has no disciplinary information to disclose.

Item 4 *Other Business Activities*

Mr. Gibbons has no other business activities to disclose.

Item 5 *Additional Compensation*

Mr. Gibbons has no additional compensation to disclose.

Item 6 *Supervision*

Anne Casscells and Michael Klein, as Co-Presidents of AAM, supervise all aspects of AAM's business. Ms. Casscells can be reached at 650-234-1860 and Mr. Klein can be reached at 212-201-2500.

Part 2B of Form ADV
Brochure Supplement for:

Jonathan Bishop, Portfolio Manager
Aetos Alternatives Management, LP
2500 Sand Hill Road, Suite 100
Menlo Park, CA 94025

This brochure supplement provides information about Jonathan Bishop that supplements the Aetos Alternatives Management, LP brochure. You should have received a copy of that brochure. Please contact the Chief Compliance Officer at 212-201-2500 if you did not receive Aetos Alternatives Management, LP's brochure or if you have any questions about the contents of this supplement.

Item 2 *Educational Background and Business Experience*

Mr. Bishop was born in 1978. Mr. Bishop earned his Bachelor of Science degree in Commerce from the University of Virginia. Mr. Bishop joined the Investment Committee of AAM in 2014 and has been a member of the portfolio management team at AAM since prior to 2015.

Item 3 *Disciplinary Information*

Mr. Bishop has no disciplinary information to disclose.

Item 4 *Other Business Activities*

Mr. Bishop is a member of the Board of Trustees and Chair of the Investment Committee of Grace Cathedral.

Item 5 *Additional Compensation*

Mr. Bishop has no additional compensation to disclose.

Item 6 *Supervision*

Anne Casscells and Michael Klein, as Co-Presidents of AAM, supervise all aspects of AAM's business. Ms. Casscells can be reached at 650-234-1860 and Mr. Klein can be reached at 212-201-2500.

Part 2B of Form ADV
Brochure Supplement for:

Filbert Cua, Portfolio Manager
Aetos Alternatives Management, LP
2500 Sand Hill Road, Suite 100
Menlo Park, CA 94025

This brochure supplement provides information about Filbert Cua that supplements the Aetos Alternatives Management, LP brochure. You should have received a copy of that brochure. Please contact the Chief Compliance Officer at 212-201-2500 if you did not receive Aetos Alternatives Management, LP's brochure or if you have any questions about the contents of this supplement.

Item 2 *Educational Background and Business Experience*

Mr. Cua was born in 1982. Mr. Cua earned a Bachelor of Science in Economics degree from the Wharton School of the University of Pennsylvania and a Bachelor of Applied Science degree from the School of Engineering and Applied Science of the University of Pennsylvania, both in 2004. Mr. Cua earned his Masters of Business Administration degree from the Stanford Graduate School of Business in 2010. Mr. Cua joined the Investment Committee of AAM in 2021 and has been a member of the portfolio management team at AAM since prior to 2015.

Item 3 *Disciplinary Information*

Mr. Cua has no disciplinary information to disclose.

Item 4 *Other Business Activities*

Mr. Cua has no other business activities to disclose.

Item 5 *Additional Compensation*

Mr. Cua has no additional compensation to disclose.

Item 6 *Supervision*

Anne Casscells and Michael Klein, as Co-Presidents of AAM, supervise all aspects of AAM's business. Ms. Casscells can be reached at 650-234-1860 and Mr. Klein can be reached at 212-201-2500.

Part 2B of Form ADV
Brochure Supplement for:

Abby Chen, Portfolio Manager
Aetos Alternatives Management, LP
2500 Sand Hill Road, Suite 100
Menlo Park, CA 94025

This brochure supplement provides information about Abby Chen that supplements the Aetos Alternatives Management, LP brochure. You should have received a copy of that brochure. Please contact the Chief Compliance Officer at 212-201-2500 if you did not receive Aetos Alternatives Management, LP's brochure or if you have any questions about the contents of this supplement.

Item 2 *Educational Background and Business Experience*

Mr. Chen was born in 1984. Mr. Chen earned a Bachelor of Arts degree in Molecular Cell Biology and Neurobiology and a Bachelor of Arts degree in Chinese languages and Literature, both from the University of California, Berkeley in 2006. Mr. Chen joined the Investment Committee of AAM in 2021 and has been a member of the portfolio management team at AAM since prior to 2015.

Item 3 *Disciplinary Information*

Mr. Chen has no disciplinary information to disclose.

Item 4 *Other Business Activities*

Mr. Chen has no other business activities to disclose.

Item 5 *Additional Compensation*

Mr. Chen has no additional compensation to disclose.

Item 6 *Supervision*

Anne Casscells and Michael Klein, as Co-Presidents of AAM, supervise all aspects of AAM's business. Ms. Casscells can be reached at 650-234-1860 and Mr. Klein can be reached at 212-201-2500.