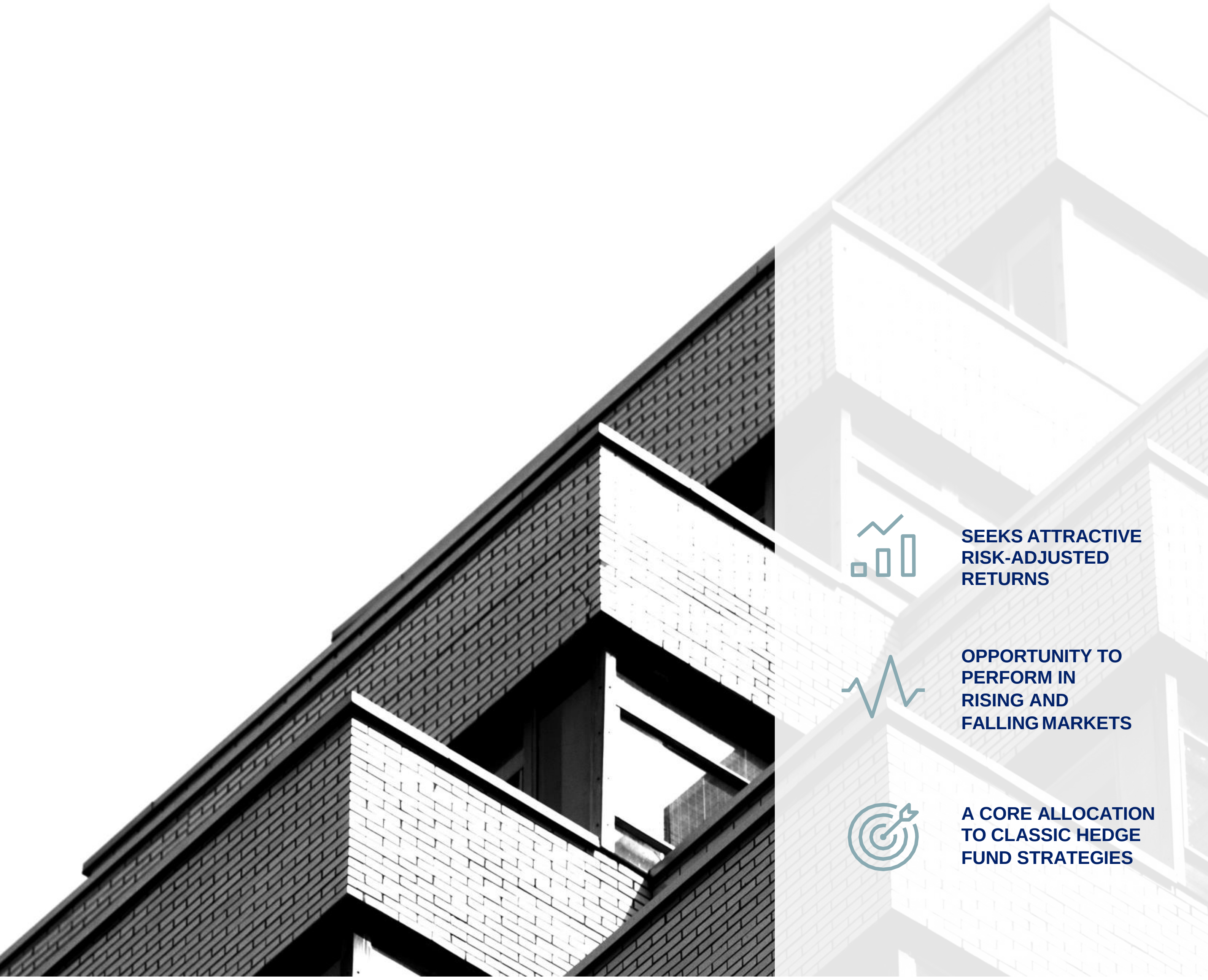
An Investor's Guide

Multi-Strategy Alternatives



SEEKS ATTRACTIVE RISK-ADJUSTED RETURNS

OPPORTUNITY TO PERFORM IN RISING AND FALLING MARKETS

A CORE ALLOCATION TO CLASSIC HEDGE FUND STRATEGIES

The AQR Investor Guides are designed to help investors develop a clearer understanding of how certain investment strategies work, and how AQR's distinctive approach to managing them may help investors achieve their long-term investment objectives. Please read important disclosures at the end of this paper. For distribution in Australia.

What are Multi-Strategy Alternatives?

Put simply, alternative investment strategies are anything outside the conventional realm of stocks, bonds and cash. They are typically added to an investor's portfolio with the goal of generating returns that are independent of traditional fixed income and equity markets.

Multi-Strategy Alternatives take a diversified approach to alternative investing — offering a broad collection of classic hedge fund strategies in one efficient portfolio. The types of hedge fund strategies it includes can be grouped into three categories.

Arbitrage Strategies

Seek to capture relative mispricings between two related assets.

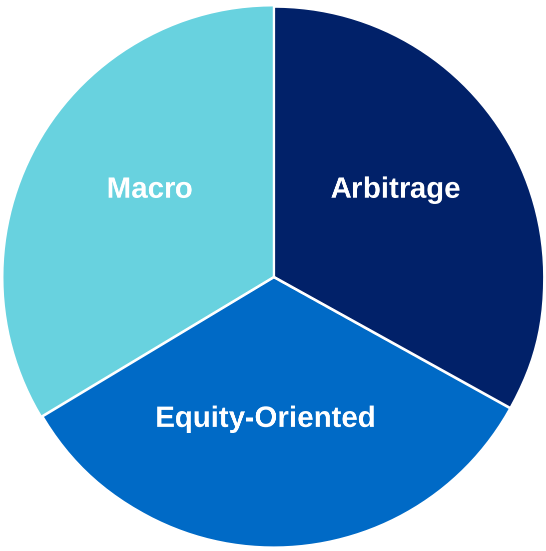
Equity-Oriented Strategies

Seek to take advantage of market inefficiencies that cause specific stocks to be under- or overpriced.

Macro Strategies

Seek to profit from dislocations in global stock, bond, currency and commodity markets, including those driven by investors' behavioural biases.

Three categories of hedge fund strategies in one portfolio



Source: AQR. For illustrative purposes only. Diversification does not eliminate the risk of experiencing investment losses.

How Do Multi-Strategy Alternatives Work?

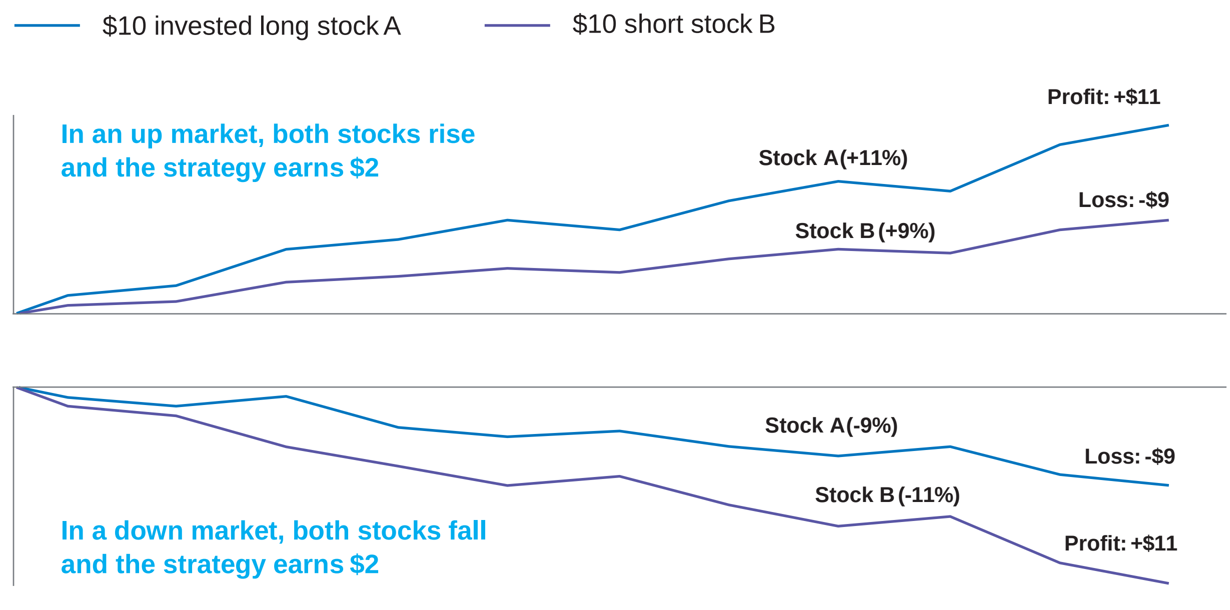
Alternative strategies seek to generate returns using techniques that are less constrained than traditional long-only strategies. For example, alternatives invest “long” and “short” to take advantage of relative price movements between different assets. A long stock position profits if the stock price rises. Conversely, a short stock position profits if the stock price declines.

The combination of long and short positions has the potential to generate positive returns in both rising and falling markets. Likewise, losses may occur regardless of market direction.

Multi-Strategy Alternatives invest in a diverse collection of strategies designed to provide positive absolute returns over the long term.

Long/short strategies seek to generate positive returns in up and down markets

Illustrative example



Source: AQR. The charts above are an illustration and not representative of actual investments.

When Do Multi-Strategy Alternatives Work?

There are numerous types of hedge fund strategies, each of which tends to perform well at different times for different reasons. The chart below illustrates how performance can vary among hedge fund strategies from year to year. Multi-Strategy Alternatives tend to do well when the "winners" contribute more than the "losers" and all of the strategies have low correlation to each other.

Hedge fund strategy performance will vary over time

	1994 – 1999	2000 – 2004	2005 – 2009	2010 – 2014	2015 - 2017
Best Performing	Global Macro	Global Macro	Emerging Markets	Fixed Income Relative Value	Fixed Income Relative Value
	Dedicated Short Bias	Convertible Arbitrage	Global Macro	Global Macro	Convertible Arbitrage
	Equity Market Neutral	Emerging Markets	Event Driven	Managed Futures	Emerging Markets
	Long/Short Equity	Event Driven	Equity Market Neutral	Event Driven	Global Macro
	Managed Futures	Managed Futures	Long/Short Equity	Convertible Arbitrage	Equity Market Neutral
	Event Driven	Equity Market Neutral	Managed Futures	Long/Short Equity	Long/Short Equity
	Convertible Arbitrage	Fixed Income Relative Value	Convertible Arbitrage	Equity Market Neutral	Managed Futures
	Fixed Income Relative Value	Long/Short Equity	Dedicated Short Bias	Emerging Markets	Dedicated Short Bias
Worst Performing	Emerging Markets	Dedicated Short Bias	Fixed Income Relative Value	Dedicated Short Bias	Event Driven

Sources: AQR and Credit Suisse Hedge Fund Indexes. Returns for all strategies have been adjusted to remove the contribution of market exposure to the MSCI World Index, excess of the U.S. 3-Month Treasury Bills. Past performance is not a reliable indicator of future performance.

When Do They Struggle?

Although the underlying strategies are intended to be diversifying to each other, when one or more strategies significantly underperforms, the overall portfolio is likely to suffer losses.

Additionally, in most of the strategies, security selection is driven by economic fundamentals. Therefore, periods when security prices do not accurately reflect their intrinsic value tend to be environments where the strategy may suffer losses.

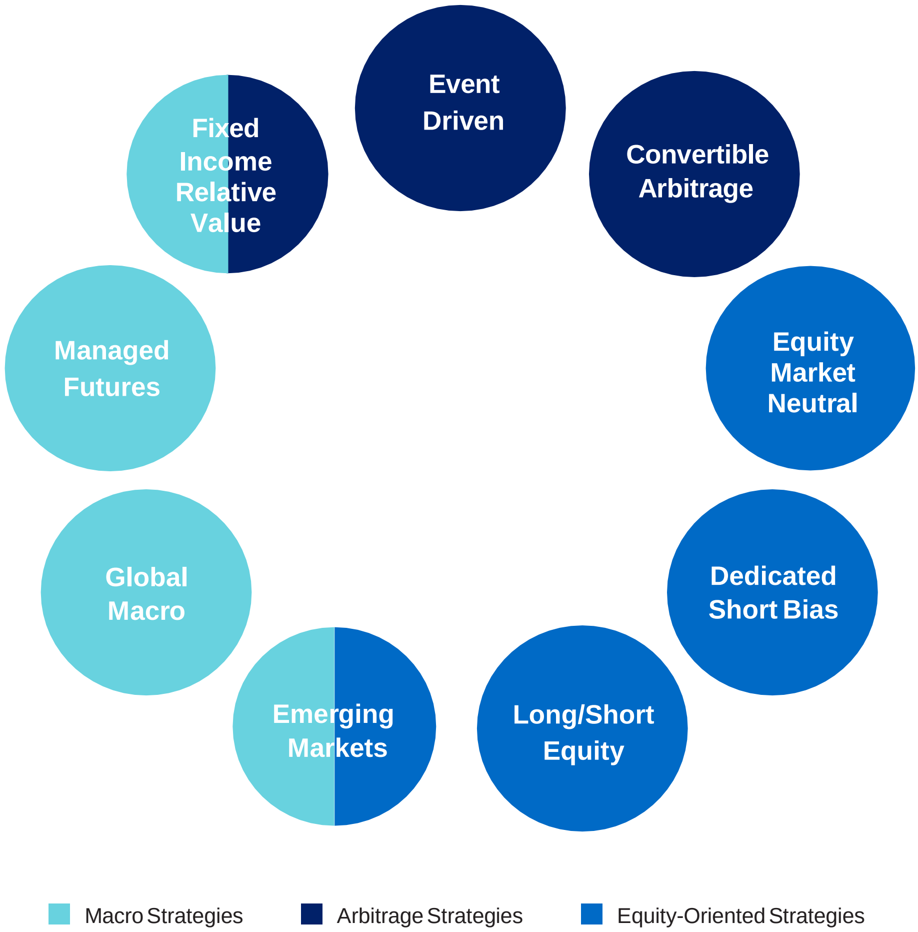
What are the Benefits of Multi-Strategy Alternatives?

Seeks Attractive Risk-Adjusted Returns

Multi-Strategy Alternatives rely on a systematic process to select securities based on consistent and repeatable drivers of return. In doing so, the strategy seeks to eliminate human emotion and behavioral biases from the decision-making process.

Multi-Strategy Alternatives combine several distinct hedge fund strategies, as shown in the chart below. Because each strategy seeks to capture a source of return, the combination is designed to increase the overall efficacy of the portfolio. Allocating an even amount of risk to each strategy and maintaining diversification through time seeks to further enhance the consistency of returns.

Diversified Across Nine Distinct Strategies



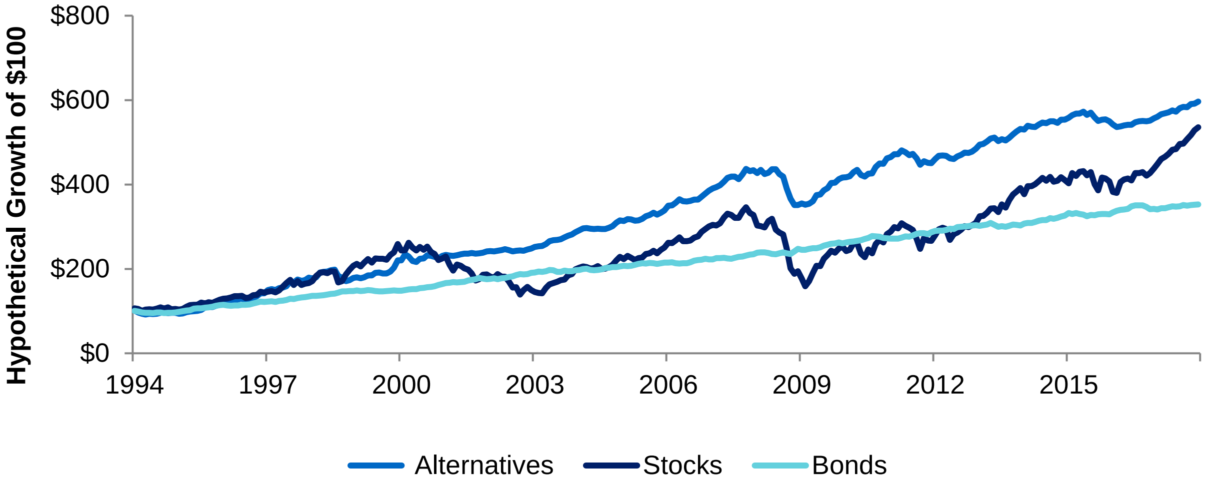
Source: AQR. For illustrative purposes only. Diversification does not eliminate the risk of experiencing investment losses.

Opportunity to Perform in Rising and Falling Markets

By buying and selling stocks, bonds, currencies and commodities in roughly equal amounts, alternative strategies seek to profit if broader markets go up, down or stay flat. They tend to perform more consistently than stocks or bonds because they do not require favorable economic conditions to do well. The graph below demonstrates how alternatives have performed positively with fewer peaks and valleys than stocks, and with higher returns than bonds.

Alternatives have been less sensitive than stocks to market fluctuations and have outperformed bonds over the long term

January 1, 1994 – December 31, 2017



Sources: Credit Suisse, AQR. Alternatives are represented by the Credit Suisse Hedge Fund Index, Stocks are represented by the MSCI World Index, and Bonds by the Bloomberg Barclays Global Aggregate Hedged Bond Index. Performance returns are presented in US dollars and gross of fees. Past performance is not a reliable indicator of future of performance.

Additionally, alternatives outperformed the stock market during the tech bubble and bust, and fared better than stocks in the global financial crisis.

Alternatives vs. stocks in up and down markets

	Alternatives	Stocks
Tech Bubble (1/1/99–3/31/00)	29%	26%
Tech Bust (4/1/00–7/31/02)	5%	-40%
Financial Crisis (7/1/07–3/31/09)	-15%	-48%
Taper Tantrum (5/1/13-12/31/13)	5%	14%
China Crash (6/1/15-2/27/16)	-6%	-12%

Sources: Credit Suisse, AQR. Alternatives are represented by the Credit Suisse Hedge Fund Index and the stock market is represented by the MSCI World Index. Performance returns are presented in US dollars and gross of fees. Past performance is not a reliable indicator of future of performance.

A Core Allocation to Classic Hedge Fund Strategies

There are a variety of approaches for investors who want diversified exposure to hedge fund strategies, for example: manage the allocations to many single-strategy investments or invest in a single portfolio that provides balanced exposure to multiple strategies.

With a Multi-Strategy approach, the manager ensures…

- ✓ Each strategy within the portfolio is distinct from the others
- ✓ Diversification is maintained across market environments
- ✓ The portfolio is tactically adjusted to seek attractive opportunities
- ✓ Unintended risks are proactively managed
- ✓ Transaction costs are netted across strategies

Multi-Strategy Alternatives take a more holistic approach to creating and managing the portfolio. Investors may benefit from the simplicity of Multi-Strategy Alternatives: They provide exposure to nine hedge fund strategies with a single investment, offering a convenient, balanced, core solution.

Source: AQR. Diversification does not eliminate the risk of experiencing investment losses.

How Do Multi-Strategy Alternatives Fit into a Portfolio?

Given its propensity to be diversifying to traditional assets, this strategy should be viewed as a valuable component of a long-term strategic asset allocation. Over time, the strategy may help to improve returns, reduce risk and mitigate the likelihood of large losses for the overall portfolio.

Like any investment strategy, Multi-Strategy Alternatives can go through challenging periods of performance. We believe that investors who develop a clear understanding of how the strategy works and the role it's designed to play in a portfolio will be better positioned to stay invested over the long term and reap the potential diversification benefits when needed most.

Source: AQR. Diversification does not eliminate the risk of experiencing investment losses. Past performance is not a reliable indicator of future performance,

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As quantitative investors, AQR lives at the nexus of economics, behavioural finance, data and technology – continuously exploring what drives markets and applying our findings in a systematic and disciplined way to our clients' portfolios. Our senior management team has been managing complex hedge fund strategies since the early 1990s. Our innovative approach has one simple purpose: to help our clients succeed through more informed investment decisions.

A pioneer in quantitative investing

A leading provider of alternative strategies

Clients representing some of the largest and most sophisticated investors around the globe

Investment opportunities spanning most asset classes and markets throughout the world

*As of September 30, 2018

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The information in this document may contain projections or other forward-looking statements regarding future events, targets, forecasts or expectations regarding the strategies described herein, and is only current as of the date indicated. There is no assurance that such events or targets will be achieved, and may be significantly different from that shown here. The information in this presentation, including statements concerning financial market trends, is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Performance of all cited indices is calculated on a total return basis with dividends reinvested.

Diversification does not eliminate the risk of experiencing investment losses. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index.

There is a risk of substantial loss associated with trading commodities, futures, options, derivatives and other financial instruments. Before trading, investors should carefully consider their financial position and risk tolerance to determine if the proposed trading style is appropriate. Investors should realize that when trading futures, commodities, options, derivatives and other financial instruments one could lose the full balance of their account. It is also possible to lose more than the initial deposit when trading derivatives or using leverage. All funds committed to such a trading strategy should be purely risk capital.

Foreign investing involves special risks such as currency fluctuations and political uncertainty. The use of derivatives, forward and futures contracts, and commodities exposes the Fund to additional risks including increased volatility, lack of liquidity, and possible losses greater than the Fund’s initial investment as well as increased transaction costs. This fund enters into a short sale by selling a security it has borrowed. If the market price of a security increases after the Fund borrows the security, the Fund will suffer a potentially unlimited loss when it replaces the borrowed security at the higher price. Short sales also involve transaction and other costs that will reduce potential Fund gains and increase potential Fund losses. When investing in bonds, yield and share price will vary with changes in interest rates and market conditions. Investors should note that if interest rates rise significantly from current levels, bond total returns will decline and may even turn negative in the short term. There is also a chance that some of the fund’s holdings may have their credit rating downgraded or may default.

This Fund is not suitable for all investors. An investor considering the Funds should be able to tolerate potentially wide price fluctuations. The Funds may attempt to increase its income or total return through the use of securities lending, and they may be subject to the possibility of additional loss as a result of this investment technique. Risk allocation and attribution are based on estimated data, and may be subject to change.

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Credit Suisse Hedge Fund Index: separated into ten primary subcategories based on their investment strategy. The Credit Suisse Hedge Fund Index in all cases represents at least 85% of the AUM in each respective category of the index universe. The methodology analyzes the percentage of assets invested in each subcategory and selects funds for the index based on those percentages, matching the shape of the index to the shape of the universe. Fund weight caps may be applied to enhance diversification and limit concentration risk. The index is calculated and rebalanced monthly. Funds are reselected on a quarterly basis as necessary.

MSCI World Index: a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

Bloomberg Barclays Global Aggregate Bond Index: provides a broad-based measure of the global investment-grade fixed income markets.

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