

## AQR Diversified Arbitrage Fund

June 30, 2010

### PERFORMANCE

	QTD	YTD	Annualized Total Return			
			1 Yr	3 Yr	5 Yr	Since Inception (01/15/2009)
Class I Shares: ADAIX	0.46 %	0.83 %	5.11 %	N/A	N/A	6.87 %
Class N Shares: ADANX	0.37 %	0.74 %	4.87 %	N/A	N/A	6.56 %
Merrill Lynch 3-Month T-Bill Index	0.04 %	0.05 %	0.16 %	N/A	N/A	0.18 %

As of the latest Prospectus, the gross expense ratios for the Class N and Class I are expected to be 2.23% and 1.93%, respectively. See Fund Facts below for net expense ratios. The performance data quoted represents past performance. Past performance does not guarantee future results. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Call 1-866-290-2688 or visit [www.aqrfunds.com](http://www.aqrfunds.com) for current month-end performance.

The Merrill Lynch 3-Month Treasury Bill Index consists of U.S. Treasury Bills maturing in 90 days. Indexes are unmanaged and one cannot invest directly in an index.

### STRATEGY EXPOSURE†

	Long Positions As % of Net Assets	Short Positions As % of Net Assets
Merger Arbitrage	37.1 %	-9.7 %
Convertible Arbitrage	32.8 %	-28.2 %
Credit	13.0 %	-2.3 %
Dual Class Stocks	8.0 %	-9.0 %
Miscellaneous	5.7 %	-7.0 %
Price Pressure	5.6 %	-5.6 %
<b>Total</b>	<b>102.3 %</b>	<b>-61.8 %</b>

### TOP 5 LONG HOLDINGS†

	% of Net Assets
Discovery Communications	1.5 %
Comcast	1.2 %
Bowne & Company	1.1 %
Allegheny Energy	1.1 %
Phase Forward	1.1 %

### TOP 5 SHORT HOLDINGS†

	% of Net Assets
U.S. 5 Yr Treasury Note Future	-9.7 %
E-Mini S&P 500 Index Future	-7.3 %
U.S. 2 Yr Treasury Note Future	-2.4 %
Comerica	-1.8 %
Discovery Communications	-1.7 %

### SECURITY TYPES†

	% of Net Assets
Individual Stocks	47.8 %
Convertible Bonds	40.1 %
Debt	11.5 %
Closed-end Funds	0.6 %
<b>Total</b>	<b>99.9 %</b>

### SECTOR EXPOSURE†

	% of Long Exposure
Consumer Discretionary	16.1 %
Consumer Staples	2.8 %
Energy	8.9 %
Financials	15.2 %
Health Care	12.5 %
Industrials	8.7 %
Information Technology	14.6 %
Materials	4.7 %
Miscellaneous	11.4 %
SPACs	0.5 %
Telecommunication Services	1.4 %
Utilities	3.1 %
<b>Total</b>	<b>100.0 %</b>

### PORTFOLIO STATISTICS†

# of long holdings	416
# of short holdings	206
Annualized Turnover Rate	N/A
<b>Total Fund Assets (\$MM)</b>	<b>670</b>

†All Fund statistics are subject to change.

### FUND FACTS

	Ticker	CUSIP	Minimum Investment	12b-1 Fee	Net Expense Ratio*	Expense Cap**
Class I Shares	ADAIX	00203H602	\$1 Million	None	1.45%	1.20%
Class N Shares	ADANX	00203H107	\$5,000	0.25%	1.75%	1.50%

\* As per the Fund's latest Prospectus. The Net Expense Ratio includes expenses related to short sales and interest on any borrowings.

\*\* The Adviser has contractually agreed until at least May 1, 2011 to waive its management fee and/or reimburse expenses of the Fund to the extent necessary to maintain the total annual fund operating expenses at the stated levels, exclusive of certain expenses such as expenses related to short sales and borrowing costs. See the Prospectus for additional details.

### ABOUT THE FUND

#### INVESTMENT OBJECTIVE:

Seeks long-term positive absolute returns.

#### REASONS TO INVEST:

##### Access to Hedge Fund Strategies

The Fund delivers arbitrage and other alternative investment strategies in a mutual fund vehicle.

##### Portfolio Diversification

Arbitrage strategies seek to generate returns that are uncorrelated to traditional asset classes on average, and can increase a portfolio's diversification.

#### KEY ADVANTAGES:

##### Academic Research Foundation

Investment philosophy grounded in academic research by Mark Mitchell, Todd Pulvino and AQR principals dating back to the late 1980s.

##### Experienced Management Team

The Fund's portfolio managers have managed various merger and convertible arbitrage strategies since 2001.

##### Proprietary Database

Extensive proprietary databases provide rigorous framework to evaluate risk and return characteristics.

##### Trading Infrastructure

Institutional-strength infrastructure combines the resources of AQR and CNH Partners and leverages AQR's proprietary trading algorithms to minimize transaction costs.

##### Cutting Edge Research

Ongoing commitment to research and development.

## EXAMPLES OF UNDERLYING STRATEGIES

## MERGER ARBITRAGE

**The intuition behind this strategy is to capture a liquidity and deal risk / insurance premium.**

- When a merger is announced, the stock price of the target generally trades at a discount to the consideration offered by the acquirer until the deal closes.
- The discount reflects the tension between the likelihood that the deal will close at the stated terms and the willingness of holders of the target's stock to sell at a discount to lock in gains and avoid the risks if the deal fails to close.
- Arbitrageurs provide liquidity to holders of target stocks who often sell after a merger or other corporate event is announced.

**Basic implementation:**

- Take a long position in the target company and a short position in the acquirer (stock only deal).
- The Fund will invest in deals based on the expected risk-adjusted return for the arbitrage transaction.
- Generally, the Fund will invest soon after the announcement of the merger transaction and in most cases will hold the stock until the deal is completed.

## CONVERTIBLE ARBITRAGE

**The intuition behind this strategy is to capture a liquidity premium.**

- Convertible bonds are usually sold at a discount to their components (bond + option) due to illiquidity.
- Convertible bond buyers hope to earn a liquidity premium for holding an illiquid asset and providing financing for companies that would otherwise have difficulty borrowing.
- The return premium for convertible arbitrage is compensation for liquidity risk and the risk that the value of a convertible bond fails to converge with component parts — or, stated another way, that investors are forced to liquidate positions before this convergence occurs.

**Basic implementation:**

- Take long position in the convertible bond and a short position in its underlying common stock.
- Hedge the position as the underlying stock price and/or economic conditions change.
- Generally, the holding period for an investment by the Fund in a convertible arbitrage trade will be longer than a year, and could be up to several years for some convertible bonds.

## OTHER ARBITRAGE and ALTERNATIVE INVESTMENT STRATEGIES

**Dual-Class Arbitrage**

- This strategy takes advantage of inefficiencies in the prices at which different classes of a publicly traded company's stock are trading.

**When-Issued Arbitrage**

- This strategy takes advantage of inefficiencies in the prices at which a parent's and subsidiary's stock are trading on a "when-issued" basis immediately prior to the spin-off of the subsidiary.

**Stub-Trading Arbitrage**

- This strategy takes advantage of inefficiencies in the prices at which a stock of a publicly traded parent corporation and its publicly traded subsidiary are trading.

**Special Purpose Acquisition Companies (SPACs)**

- SPACs, often called "blank check" companies, are publicly traded companies whose primary asset is a trust invested in short-term high-grade securities. The Fund seeks to capture a liquidity premium when these securities, which are typically thinly traded, are selling at a discount.

**Distressed Securities**

- Purchase securities of firms which are in or near distress and trade at discounts to fundamental value.

**Price Pressure**

- This strategy captures a risk premium by providing liquidity around different types of securities issues and restructuring events.

The Fund may employ additional arbitrage and alternative strategies as they arise. Please see the Fund's Prospectus for a more detailed description of the strategies employed by the Fund.

## PRINCIPAL RISKS:

*An investment in the Fund involves risk, including loss of principal. The Fund is not suitable for all investors.*

*The Fund has the risk that the anticipated arbitrage opportunities do not play out as planned, resulting in potentially reduced returns or losses to the Fund as it unwinds its trades. The use of derivative instruments exposes the Fund to additional risks and transaction costs. The 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. Please refer to the Prospectus for complete information regarding all risks associated with the Fund.*

**An investor should consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. To obtain a Prospectus containing this and other information, please call 1-866-290-2688 or download the file from [www.aqrfunds.com](http://www.aqrfunds.com). Read the Prospectus carefully before you invest. There is no assurance the stated objective(s) will be met. [AQR342 10-30-2010] © AQR Funds distributed by ALPS Distributors, Inc.**

## FUND MANAGERS

## INVESTMENT ADVISOR:

AQR Capital Management, LLC

## INVESTMENT SUB-ADVISOR:

CNH Partners, LLC, a merger arbitrage, convertible arbitrage and diversified arbitrage research affiliate of the Investment Advisor.



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