

AQR Diversified Arbitrage Fund

12/31/2013

Performance - as of 12/31/2013						
			Annualized Total Return			
	QTD	YTD	1 Yr	3 Yr	5 Yr	Since Inception (1/15/09)
Class I Shares: ADAIX	-0.06 %	1.75 %	1.75 %	1.95 %	N/A	3.96 %
Class N Shares: ADANX	-0.13 %	1.42 %	1.42 %	1.67 %	N/A	3.65 %
Merrill Lynch 3 Month T-Bill Index	0.02 %	0.07 %	0.07 %	0.10 %	N/A	0.13 %

As of the latest Prospectus, the gross expense ratios for the Class N and Class I are expected to be 2.69% and 2.39%, 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 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
Convertible Arbitrage	63.0 %	-54.0 %
Merger Arbitrage	18.2 %	-7.1 %
Event-Driven Credit	14.9 %	-7.0 %
Other*	9.4 %	-8.4 %
Spin Offs	8.3 %	-8.4 %
SPACs	6.9 %	0.0 %
Total	120.7 %	-84.90 %

*Other includes all sub-strategies with less then 5% long position

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TOP 5 LONG HOLDINGS [†]	
	% of Net Assets
GILEAD SCIENCES	3.0 %
WESTERN REFINING	3.0 %
UNITED RENTALS	2.2 %
ADSX	2.1 %
HUDSON CITY BANCORP	2.1 %
SECURITY TYPES [†]	
	% of Net Assets

	% of Net Assets
Convertible Bonds	55 %
Individual Stocks	29 %
Debt	12%
Close-end Funds	4 %
Total	100 %

PORTFOLIO STATISTICS	
# of long holdings	247
# of short holdings	137
Beta	0.06
Sharpe Ratio	1.7
Volatility	2.3 %
Total Fund Assets (\$MM)	2,718.3

*Includes holdings with a long portfolio weight of .10% or greater.

TOP 5 SHORT HOLDINGS [†]	
	% of Net Assets
E-Mini S&P 500 Index Future	-11.4 %
5 Yr High Yield CDX	-9.2 %
U.S. 2 Yr Treasury Note Future	-3.4 %
WESTERN REFINING	-3.0 %
GILEAD SCIENCES	-3.0 %
SECTOR EXPOSURE*	

	% of Long Assets
Consumer Discretionary	14.0 %
Consumer Staples	2.0 %
Energy	5.4 %
Financials	17.0 %
Health Care	10.4 %
Industrials	7.8 %
Information Technology	16.8 %
Materials	2.4 %
Miscellaneous	15.4 %
SPACs	5.7 %
Telecommunication Services	1.2 %
Utilities	1.9 %
Total	100.0%
†All Fund statistics are subject to change	

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	Ticker	CUSIP	Inception Date	Investment Minimum*	12b-1 Fee	Net Expense Ratio**	Expense Cap***
Class I Shares	ADAIX	00203H602	1/15/09	\$5 Million	None	2.37 %	1.20 %
Class N Shares	ADANX	00203H107	1/15/09	\$1 Million	0.25%	2.69 %	1.50 %

^{*} Investment minimums are waived to fee-based advisors and certain other investors. 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 corporate arbitrage 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.

[&]quot;As reported in the most recent Prospectus, the Net Expense Ratio includes expenses related to short sales and interest on any borrowings.
"The Adviser has contractually agreed until at least April 30, 2014 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.



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 riskadjusted 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.
- Rehedge 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.

Corporate Events And Other Arbitrage

Event-Driven Credit

 This strategy purchases debt securities (and corporate loans) on a hedged basis, typically around corporate events such as bankruptcies, recapitalizations, refinancings, and near-term maturities.

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 "whenissued" 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.

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.

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.



Ronen Israel Principal, AQR M.S., Columbia University B.S., B.A.S., University of Pennsylvania



Mark Mitchell, Ph.D.
Founding Principal, CNH Partners
Ph.D., Clemson University
B.B.A., University of Louisiana at
Monroe



Principal, AQR
Graduate Student, Cornell
University
M.Sc., B.Sc., University of Copenhagen



Todd Pulvino, Ph.D.
Founding Principal, CNH Partners
Ph.D., A.M., Harvard University
M.S., California Institute of
Technology
B.Sc., University of WisconsinMadison

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. Risk Allocation and attribution are based on estimated data, and may be subject to change.

Definitions

Volatility: a statistical measure of the dispersion of returns for a given security or index. Beta: A measure of systematic risk of a portfolio

Sharpe Ratio: a ratio which measures risk-adjusted performance

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. Read the Prospectus carefully before you invest. There is no assurance the stated objective(s) will be met. [AQR3035 1-22-2015] Θ AQR Funds distributed by ALPS Distributors, Inc.

AQR Capital Management, LLC

Individual Investor: +1.866.290.2688 info@aqrfunds.com

Advisor Support: +1.203.742.3800 advisorsupport@aqrfunds.com