



AQR Managed Futures Strategy Fund

Fourth Quarter 2013 Commentary

January 2014

Performance Summary

Total Returns as of Quarter-End 12/31/13

	4Q 2013	YTD	1 YR	Annualized		Since Inception (1/05/2010)
				3YR	5YR	
AQMNX	7.37%	9.14%	9.14%	1.54%		2.43%
AQMIX	7.42%	9.40%	9.40%	1.80%		2.70%
ML 3-Month T-Bill Index	0.02%	0.07%	0.07%	0.10%		0.10%
AQMNX Gross/Net Expense Ratio: 1.67% / 1.65%				AQMIX Gross/Net Expense Ratio: 1.40% / 1.40%		

Performance data shown represents past performance and is not a guarantee of 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.

Fund Overview

The Fund pursues an active Managed Futures strategy. We invest in futures and forward contracts both long and short across the global equity, fixed income, commodity, and currency markets.

We utilize both short- and long-term trend-following signals to attempt to profit from different types of trends that occur in all of these markets.

Trend following can be simply described as going long markets that are rising in price, and going short markets that are falling in price.

In addition to trend-following signals, we also incorporate signals that seek to identify overextended trends, and reduce risk when the chance of a reversal is perceived as higher than normal, since market reversals generally cause losses for trend-following strategies.



We anticipate that the correlation of this strategy to equity markets will average close to zero over a full economic cycle. That said, it is the nature of the strategy to exhibit a positive beta when the markets have been rising and a negative beta when the markets have been falling.

Performance Commentary

The Fund's class I shares returned +7.42% in the fourth quarter. The Newedge CTA Trend index, which tracks the returns to larger trend-following Managed Futures hedge funds, returned +6.03% over the quarter.

Breaking down our fourth quarter performance by asset class, equities contributed +2.73%, commodities contributed +0.21%, currencies contributed +4.74%, and fixed income detracted -0.26%. By signal, short-term trend-following contributed +0.50%, long-term trend-following contributed +8.37%, and our overextended trend signals detracted -1.45%.

In equities, the Fund began the quarter with long positions across all equity markets, on bullish long- and short-term trends. Developed equities continued their year-long rally, and rose on improved data and risk sentiment. Long positions in the U.S. contributed, as all major indices rose on bullish economic data and delayed tapering by the Federal Reserve. Emerging markets detracted, as data in emerging Asian economies disappointed and China experienced a liquidity squeeze. Based on agreement between long- and short-term trends, the Fund ended the quarter significantly long all markets except China, Korea, and Singapore.

In fixed income, the Fund entered the quarter slightly short, except for long positions in Japanese bonds and the short end of U.S. and Euro bonds and rates. Global fixed-income markets were choppy in 4Q, as supportive monetary policy early in the quarter conflicted with rising risk sentiment and plans for tapering by the Federal Reserve. Short positions in Australian bond futures were the largest contributors, as the bonds declined steadily on lowered demand for safe-haven assets. German bond futures detracted, as the market whipsawed on monetary policy uncertainty. The Fund ended the quarter slightly short, except for long positions in Japanese bonds and Canadian and Euro rates.

In commodities, the Fund began the quarter slightly short base metals, and with a mix of longs and shorts in energies and agricultural commodities. Metals and agricultural commodities fell on weakness in emerging markets, while energies rallied on improved growth in the U.S. Short positions in wheat and corn were the largest contributors, as they declined on increased global supply and reduced demand from China. The Fund ended the quarter long all energies, with shorts in metals and agricultural products.

In the currency markets, the Fund began the quarter with long positions in the Euro and emerging currencies, and shorts in the Japanese Yen and U.S. Dollar. Crosses long the Euro were large contributors as the Euro rallied on improving economic data. Short positions in the Yen relative to other currencies contributed, as the Yen declined sharply on stimulative government policy. A long position in the Swedish Krona was the largest detractor, as poor economic data led the Swedish central bank, the Riksbank, to cut rates which led to Swedish Krona (SEK) weakness. The Fund ended the quarter with long positions in the Euro and Dollar, and shorts in the Japanese Yen and emerging currencies.

Overall, we believe this quarter highlights the importance of our fund construction, which emphasizes diversification across asset classes as well as diversification across signals. On an asset-class basis, currencies, commodities, and equities were profitable, overcoming losses in fixed-income markets. By signal horizon, long-term signals contributed strongly, while short-term signals led to additional small gains.



Definitions

Beta: A measure of systematic risk of a security or portfolio. A beta of 1 indicates that if the index moves 10%, the fund is expected to move, on average, 10% over the same period. A beta of more than 1 indicates the fund is expected to move, on average, more than 10% in that case, and a beta of less than one indicates the fund is expected to move less than 10% in that case.

Correlation: A statistical measure of how two securities move in relation to each other. A correlation of 1 indicates that as one security moves (either up or down) the other security will move simultaneously (in the same direction). Alternatively, a correlation of -1 indicates that as one security moves in one direction, the other security will move equally in the opposite direction. A correlation of 0 indicates that there is no correlation between the movements of the securities.

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.

Newedge CTA Trend Index: An equally-weighted index that seeks to represent the returns to larger managed futures or commodity trading advisor (CTA) funds using trend-following methodologies.

S&P 500 Index: An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large-cap universe. One cannot invest directly in an index.

Volatility: A statistical measure of the variation in returns for a given security or index.

An investment in any of the AQR Funds involves risk, including loss of principal. The value of the Fund's portfolio holdings may fluctuate in response to events specific to the companies in which the Fund invests, as well as economic, political or social events in the United States or abroad. An investor considering the Funds should be able to tolerate potentially wide price fluctuations. The Funds are subject to high portfolio turnover risk as a result of frequent trading, and thus, will incur a higher level of brokerage fees and commissions, and cause a higher level of tax liability to shareholders in the Funds. 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.

The Fund's portfolio managers use proprietary quantitative models to identify price trends in equity, fixed income, currency and commodity instruments.

As of today, the most current holdings are as of 12/31/13. For the top ten holdings for the AQR Managed Futures Strategy Fund and a complete list of all AQR Funds holdings please visit:

http://www.aqrfunds.com/Reference_Materials/Prospectus_and_Fund_Information/Content/default.fs

Holdings are subject to change.

Past performance does not guarantee future results.

This material must be accompanied or preceded by the prospectus. [Click here for AQR prospectuses.](#)
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