

strategies typically do not hedge all the risks of the strategy, and certain risks cannot be effectively hedged.

#### *Event-Driven Strategies*

Event-driven strategies concentrate on the profit potential created by major corporate events: *e.g.*, mergers, acquisitions, restructurings, bankruptcies, liquidations, regulatory or legal developments and other events. Unlike relative value strategies, which emphasize the (often theoretically compelled) quantitative relationship among different but related assets, event-driven strategies are highly issuer- and transaction-specific and could rely more on fundamental research and judgment than on mathematical precision. Positions are taken which will be profitable if a particular event comes to pass, while a variety of techniques are used to mitigate the risk that the event does not occur. Event-driven strategies are dependent on market conditions conducive to major corporate events.

#### *Directional Strategies*

Directional strategies attempt to predict near to mid-term absolute movements in the prices of equities, debt instruments or other assets. Price forecasting may be based on the fundamental analysis of an issuer or industry (which may be based on subjective evaluation of the strength of management, the prospects for the business or other factors), specific expertise in a particular technological or scientific niche, quantitative analysis of value indicators, econometric models in which issuers are treated as fungible, or other fundamental or technical analysis appropriate to a particular situation. Although diverse in their methods, these strategies each attempt to predict future prices based not on relative mispricing or on the occurrence of a particular event that will itself define value, but rather on the belief that the market will come to realize the “fair” value of an asset. These strategies are subject to the risk that Hudson Bay Capital will have incorrectly identified fair value or that such fair value will not be reflected in market value within the time horizon of the strategy.

Although certain directional strategies (for example, buying growth equities) are largely dependent on overall market movements, others attempt to reduce the impact of the market conditions by establishing both long and short positions. While such “beta neutral” or “beta reduced” strategies may, to a certain extent, be characterized as relative value strategies, the hallmark of these strategies is the identification of assets that Hudson Bay Capital believes the market will revalue and the elimination through hedging of the factors that may cause the market not to do so.

#### *Hybrid and Other Strategies*

Hudson Bay Capital will design and implement strategies incorporating elements of relative value, event-driven and directional approaches, as well as such other opportunistic investment tactics, as Hudson Bay Capital may consider advantageous from time to time.