

Fund's ability to rebalance its portfolios. Illiquidity can also disconnect market values from the historical pricing indicators used in Hudson Bay Capital's investment analysis.

#### *Fraud*

Of paramount concern in investments is the possibility of material misrepresentation or omission on the part of a counterparty or an issuer. Such inaccuracy or incompleteness, among other things, may adversely affect the valuation of the collateral underlying an investment or cause funds to be misappropriated. Hudson Bay Capital relies upon the accuracy and completeness of representations made by counterparties and issuers to the extent that it deems such representations to be reasonable, but cannot guarantee such accuracy or completeness.

#### *Cybersecurity Risk*

Hudson Bay Capital processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Capital Strategy Fund and personally identifiable information of the investors. Similarly, service providers of Hudson Bay Capital and/or the Capital Structure Fund, especially the administrator, may process, store and transmit such information. Hudson Bay Capital has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. Hudson Bay Capital's systems or facilities may be susceptible to employee error or malfeasance, government surveillance and/or other security threats. Breach of Hudson Bay Capital's information systems may cause information relating to the transactions of the Capital Structure Fund and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed. The service providers of Hudson Bay Capital and the Capital Structure Fund are subject to the same electronic information security threats as Hudson Bay Capital.

The loss or improper access, use or disclosure of Hudson Bay Capital's or the Capital Structure Fund's proprietary information may cause Hudson Bay Capital or the Capital Structure Fund to suffer, among other things, financial loss, the disruption of their businesses, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Capital Structure Fund and the investors' investments therein.

#### *Custody Risk*

The assets of the Capital Structure Fund are generally held in accounts maintained for it by its banks, prime brokers or in accounts with other market participants. Such accounts are generally not segregated and the assets therein are not titled in the name of the Capital Structure Fund. Therefore, in addition, because the Capital Structure Fund's securities are generally held in margin accounts, and the prime brokers have the ability to loan those securities to other persons, the Capital Structure Fund's ability to recover all of its assets in the context of its bankruptcy or other failure will be further limited. If the banks or