

price movements of a particular asset, financial benchmark or index that could be a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative is linked to the price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset also may be applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain derivatives are subject to clearing through a U.S. clearinghouse while other derivatives are subject to risks of trading in the over-the-counter markets, and others are subject to non-U.S. regulatory regimes. Price movements of futures and options contracts and payments pursuant to derivative agreements are influenced by, among other things, the longevity of the contract, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and derivative agreements also depends upon the price of the assets that are underlying them. In addition, the Capital Structure Fund's assets are also subject to the risk of the failure of any of the clearinghouses or counterparties.

### *Options*

The Capital Structure Fund may write (*i.e.*, sell) and purchase put and call options. Sales of options where the Capital Structure Fund does not own the underlying asset to which the option is referenced can involve theoretically unlimited risk.

The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) may hedge its long position in the underlying security by earning premium upon the sale of the option. In exchange for the premium, the seller assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security (to the extent the decline exceeds the premium received), and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) may hedge its short position in the underlying security by earning premium upon the sale of the option. In exchange for the premium, the seller assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security (to the extent the increase exceeds the premium received), and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.