

The application of non-U.S. tax laws (e.g., the imposition of withholding taxes on dividend or interest payments, income taxes and excise taxes) or confiscatory taxation, as well as various other laws and regulations, including anti-money laundering laws, may also affect the Capital Structure Fund's investment in non-U.S. securities and its other investments in entities located outside the United States. The Fund may incur higher expenses from investment in non-U.S. securities and outside the United States, in particular, in emerging markets, than from investment in U.S. securities and in non-emerging markets because of the costs that must be incurred in connection with conversions between various currencies and because non-U.S. brokerage commissions may be higher than commissions in the United States. Non-U.S. markets also may be less liquid, more volatile and subject to less stringent governmental supervision than in the United States. The Capital Structure Fund's investments in non-U.S. countries could be adversely affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations and in hedging market risk.

Valuation Risk; Use of Estimates

Valuation agents value the Capital Structure Fund's positions using the methodologies set forth in the Capital Structure Fund's PPM and the administrator calculates the net asset value of the Capital Structure Fund based on pricing information gathered. Such valuations will affect the Capital Structure Management Fee and the Capital Structure Incentive Fee received by Hudson Bay Capital and its affiliates.

The values of the Capital Structure Fund's positions are based, to the extent possible, on independent third-party pricing sources, which may include quotes provided by brokers and dealers and valuation agents. However, it is not unusual for the prices quoted by dealers for informational purposes to materially differ from the prices at which the same dealers are willing to actually enter into transactions. This discrepancy can cause unexpected net asset value declines if the Capital Structure Fund is required to sell a position which it had been valuing based upon dealers' marks. Moreover, certain valuations cannot be made on the basis of third-party pricing sources. The fair market value of those investments of the Capital Structure Fund for which a reliable third-party quote is not available is based on other relevant sources deemed reliable by a valuation agent and other third-party valuation agents as well as Hudson Bay Capital, in their good faith judgment. To the extent that there is a pricing uncertainty beyond acceptable tolerances, the final authority ultimately rests with Hudson Bay Capital to resolve such uncertainty. Hudson Bay Capital will not bear any liability if a price, reasonably believed by it to be an accurate valuation of a particular direct or indirect investment of the Capital Structure Fund, is subsequently found to be inaccurate.

The Corporate Value Fund

Methods of Analysis, Investment Strategies and Risk of Loss

The Corporate Value Fund's strategy is focused on identifying and investing in the securities of companies (as previously defined, "Targets") that are targets of buyouts or