relative mispricings among them. Other forms of capital-structure arbitrage include buying "long" a fixed-income security of an issuer and entering into a credit default swap (i.e., basis trading), which calls for payment to an Underlying Fund of the principal amount of the fixed-income security against the security's delivery in the event that the issuer suffers a "credit event" (essentially, an event tantamount to default on its debt), as well as buying "long" an issuer's equity and selling "short" that issuer's debt, based on the determination that the equity is under-priced relative to the debt.

Credit Strategies: This investment strategy involves long and short investments in different corporate and asset-backed securities and derivatives, including loan participations and allocations (i.e., interests in a loan, generally governed by a credit agreement between the original lending syndicate) in the secondary market. Other credit-related strategies take various different forms, including (but not limited to) buying and selling different credit-sensitive instruments relating to one issuer, selling "short" bonds of an issuer subject to potential credit deterioration, and buying distressed and high-yield securities offering favorable return profiles.

Distressed Strategies: These strategies involve purchases and sales of debt and equity securities and obligations of companies that the General Partner believes are (i) likely to be defaulting on their obligations; (ii) entering bankruptcy; (iii) in bankruptcy; (iv) liquidating; (v) emerging from bankruptcy; (vi) restructuring; or (vii) otherwise in distress or emerging therefrom. The strategy involves the purchase of obligations of declining or low credit quality borrowers at a discount, with the expectation or hope that the company will either improve its performance without the need to enter into bankruptcy or insolvency proceedings, or that the company will seek the protection of bankruptcy and insolvency laws and that its previously outstanding debt obligations will be converted into obligations of or equity in a healthier, restructured company. Distressed strategies frequently require an activist approach to be taken, including communicating directly with the officers or advisors of the issuer, joining a creditors committee or shareholders committee, or joining or initiating legal action to protect the rights of the Partnership. Another form of distressed investing involves the purchase of participations on the secondary market in recently issued loans to, or Securities issued by, industrial and other operating companies in the United States and abroad. Such loans may be used to refinance an issuer's debt (thereby avoiding bankruptcy), to fund company operations while in bankruptcy or upon emergence from bankruptcy (thereby allowing them to reorganize successfully through bankruptcy), or to fund operations of a company with limited access to traditional financing sources.

Directional Equity, Corporate Debt, Derivatives or Currencies: These strategies involve trading in equity, debt, derivatives or currencies using technical or fundamental analysis or a combination thereof in anticipation of profiting from movements in the prices of these assets. Such investments may be concentrated in specific industry sectors and may include short- or long-term investments, as well as investments in investment grade or distressed debt or equity.

Relative Value Long/Short Equity: Under this strategy, an Underlying Fund may take a number of long and short positions in a particular equity market to create a portfolio that is designed to have a reduced, if any, net market exposure. Equities that are deemed relatively undervalued are purchased long and relatively overvalued equities are sold short. This strategy can benefit from relative value discrepancies with reduced stock market risk and may be driven by fundamental analysis of industry sectors.