

number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on the Underlying Fund and its assets. Investors should assume that the insolvency of any such counterparty or sub-custodian would result in significant delays in recovering the Underlying Fund's assets from, or the payment of claims therefor by, such counterparty and a loss to the Underlying Fund, which could be material.

Commodity Interest Trading Limit

The Management Company currently operates the Underlying Funds subject to the CFTC Rule 4.13(a)(3) de minimis exemption (the "4.13(a)(3) Exemption"). While the 4.13(a)(3) Exemption provides relief from certain CFTC reporting and recordkeeping requirements, it generally requires the Underlying Funds to, among other things, have de minimis levels of commodity interest trading. Accordingly, an Underlying Fund will operate with significant restrictions upon its trading of the instruments that are restricted under the 4.13(a)(3) Exemption, such as commodity futures, security futures options thereon and certain swaps. As a result, an Underlying Fund may effect a less optimal hedge than it would otherwise be able to if it were not operated subject to the 4.13(a)(3) Exemption.

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. The Management Company 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. Under certain circumstances, payments to an Underlying Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Custody Risk

The Underlying Funds do not control the custodianship of all of their Securities. The assets of an Underlying 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 Underlying Fund. Therefore, in addition, because an Underlying Fund's Securities are generally held in margin accounts, and the prime brokers have the ability to loan those Securities to other persons, an Underlying Fund's ability to recover all of its assets in the context of its bankruptcy or other failure will be further limited. Although the Underlying Funds attempt to mitigate these risks by utilizing a number of banks and prime brokers, such diversification may be insufficient, and any prime broker may hold a high proportion of an Underlying Fund's Securities. In addition, if the banks or brokerage firms selected to act as custodians become insolvent, an Underlying Fund may lose all or a portion of the funds or Securities held by those custodians.

Systemic Risk

Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent