

MiFID II increases regulation of trading platforms and firms providing investment services in the European Union. Among its many market infrastructure reforms, MiFID II has brought in: (i) significant changes to pre- and post-trade transparency obligations applicable to financial instruments admitted to trading on EU trading venues (including a new transparency regime for non-equity financial instruments); (ii) an obligation to execute transactions in shares and derivatives on an EU regulated trading venue; and (iii) a new focus on regulation of algorithmic and high frequency trading. These reforms may lead to a reduction in liquidity in certain financial instruments, as some of the sources of liquidity exit European markets, and may result in significant increases in transaction costs.

Other regulatory changes, such as an increase in the scope of commodities and commodity derivatives regulation, including position limits and position management powers could similarly lead to liquidity reduction and/or an increase in costs and spreads in the European commodities markets.

Although the full impact of these reforms is difficult to assess at present, it is possible that the resulting changes in the available trading liquidity options and increases in transactional costs may have an adverse effect on the ability of the Management Company to execute the investment program.

New rules requiring unbundling the costs of research and other services from dealing commission and further restrictions on the Management Company's ability to receive certain types of goods and services from brokers may also result in an increase in the investment-related expenditure of an Underlying Fund.

Inflation and Deflation

The enormous amounts of financial assistance which the governments and central banks have made available in an effort to resolve the prevailing economic difficulties could eventually lead to material levels of inflation or the prevailing slow economic activity could lead to deflation. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economics and Securities markets of numerous economies. Any subsequent unexpected deflation could also have an adverse impact on an Underlying Fund's strategies and investments. There can be no assurance that inflation or deflation will not become a serious problem in the future and have an adverse impact on the Partnership's returns.

Market Disruptions

An Underlying Fund may incur major losses in the event of disrupted markets, and other extraordinary events may not be consistent with historical pricing relationships (on which the Management Company bases a number of its trading positions). The risk of loss from a disconnect from historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving.

The financing available to an Underlying Fund from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Partnership. In the 1994, 1998, 2007, 2008 and 2009 market environments, a sudden