

### **Micro-, Small- and Medium- Capitalization Companies.**

Investments in Securities of small-capitalization companies involve higher risks in some respects than do investments in Securities of larger “blue-chip” companies. For example, prices of Securities of micro-, small- and even medium-capitalization companies are often more volatile than prices of Securities of large-capitalization companies and may not be based on standard pricing models that are applicable to Securities of large-capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, “blue-chip” companies. Finally, due to thin trading in the Securities of some micro- and small-capitalization companies, an investment in those companies may be illiquid. It is not generally possible to hedge against the credit risks to which these companies are exposed.

### **Directional Trading**

Certain of the positions taken by an Underlying Fund may be directional — designed to profit from forecasting absolute price movements in a particular instrument — and certain of the relative value and event-driven investment strategies used by an Underlying Fund may have inherently directional characteristics. Directional investing is subject to all the risks inherent in incorrectly predicting future price movements. Often these price movements will be determined by unanticipated factors, and even if the determining factors are correctly identified, the Management Company’s analysis of those factors may prove inaccurate, in each case, potentially leading to substantial losses. Predicting future prices is inherently uncertain and the losses incurred, if the market moves against a position, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations.

### **Hybrid and Other Strategies**

Certain of the strategies executed by the Management Company may combine elements of more than one of the foregoing general strategy types or may represent a completely different strategy type. Often, in the course of implementing a particular strategy an opportunistic trade representing a different trading approach will be made. For example, in seeking to identify a relatively mispriced pair of assets, the Management Company may conclude that an asset is sufficiently over- or underpriced to merit taking an outright directional position.

The Management Company’s approach combines a range of different trading techniques, both implementing different strategies in different markets and combining different strategies, in the same or related markets.

The Management Company is continually developing new, and adapting and refining existing, strategies. There is no material limitation on the strategies that the Management Company may apply and no assurance as to which types of strategies may be applied at any one time. Such strategies will be subject to their own set of investment risks.