

Subordinated Interests and Note Classes. An Underlying Fund may invest in subordinated interests and note classes, each representing a highly leveraged investment in the underlying reference assets. The market value of these interests or notes will be significantly affected by, among other things, changes in the market value of, distributions and prepayments made by, and the prices and interest rates of, the underlying reference assets.

Sovereign Debt and Currencies. An Underlying Fund may take long or short positions in sovereign debt and currencies to profit from inefficient pricing anomalies, for hedging and for other speculative/profit purposes. The strategies employed will include: (i) macroeconomic analysis, (ii) funding, interest rate, fixed income, or currency market arbitrage or (iii) fixed income arbitrage, rates or a similar strategy. An Underlying Fund may also invest in foreign exchange contracts, futures and associated derivatives in an attempt to capture relative valuation of different currencies, the interest rate or the cost of funding in different currencies or benefit from the price movement of various currencies. These strategies are highly complex and technical and frequently require substantial leverage. There can be no assurance that the General Partner can engage in these strategies profitably.

Trade Claims. An Underlying Fund may acquire trade claims — *i.e.*, amounts due from a company to its suppliers. Trade claims are not “securities” for regulatory purposes, and an Underlying Fund, in investing in trade claims, will not have the protection of the securities laws. Trade claims are typically highly illiquid and may have a relatively junior position as compared to securities and other debt owed by the issuer. There may be defenses to trade claims — for example, the services or products furnished not meeting specifications — of which the Management Company and/or the General Partner may not be aware at the time of an Underlying Fund’s acquisition of such claims.

Convertible Securities

An Underlying Fund invests in convertible securities that it may acquire in the open market or directly from issuers, their affiliates and others. Convertible securities are bonds, debentures, notes, preferred stocks or other Securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security may entitle the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other Securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a