

Effect of Substantial Withdrawals

A substantial withdrawal by a large investor could have an adverse impact on the Partnership and the remaining Partners. Limited Partners should note that the Partnership currently has a single investor that owns over half the Partnership.

Several other factors make substantial withdrawals a risk factor for Limited Partners. The Underlying Funds will pursue a variety of investment strategies that will take time to develop and implement. Leverage is a fundamental component of certain of the Underlying Funds' investment strategies. An Underlying Fund's portfolio contains and may in the future contain financial instruments that are not publicly traded, are illiquid and/or are subject to longer term commitments, including Longer-Term Investments. An Underlying Fund may not be able to readily dispose of such financial instruments and, in some cases, may be contractually prohibited from disposing of such financial instruments for a period of time. Substantial withdrawals could be triggered by a number of events, including, for example, unsatisfactory performance, a significant change in personnel or management of the Management Company, resignation of the Management Company as the management company of the Underlying Funds, a decision by the Partnership and/or the Partnership's investors to liquidate such Partnership's assets by redeeming shares of the Underlying Funds, legal or regulatory issues that investors perceive as having a bearing on the Partnership or the Management Company, or other factors. Actions taken to meet substantial withdrawal requests from the Partnership could result in prices of financial instruments held by an Underlying Fund decreasing and in Underlying Funds expenses increasing (e.g., transaction costs and the costs of terminating agreements). The overall value of the Underlying Funds also may decrease because the liquidation value of certain assets may be materially less than their mark-to-market value. An Underlying Fund may be forced to sell its more liquid positions which may cause an imbalance in the portfolio that could adversely affect the remaining Partners. Substantial withdrawals could also significantly restrict an Underlying Fund's ability to obtain financing or derivatives counterparties needed for its investment and trading strategies, which would have a further material adverse effect on the Partnership's performance. While this risk is mitigated by (i) the Applicable Percentage limit, which limits the amount that investors may withdraw at any one time; and (ii) the notice period required for Limited Partners to withdraw, these provisions do not mitigate this risk in its entirety. Thus, a high volume of withdrawals could adversely affect the value of the Partnership. (See "Outline of Partnership Agreement — Withdrawals.")

Profit Allocations

The fact that the General Partner is eligible to receive an Incentive Allocation may create an incentive for the Management Company, which is an affiliate of the General Partner, to make investments on behalf of the Underlying Funds that are riskier or more speculative than would be the case in the absence of such Incentive Allocation. In addition, the Incentive Allocation received by the General Partner is calculated on the basis of the unrealized, as well as the realized, gains and losses of the Partnership. As a result, the Incentive Allocation could be made to the General Partner in respect of unrealized gains of the Partnership that may never be realized.