

customer accounts or the Partnership may not recover any assets at all, even though certain property specifically traceable to the Partnership was held by the FCM. In the event of a bankruptcy or insolvency of any exchange or a clearinghouse, the Partnership could experience a loss of the funds deposited through the FCM as margin with the exchange or clearinghouse, a loss of any profits on its open positions on the exchange, and the loss of unrealized profits on its closed positions on the exchange.

Exchange Traded Funds

The Partnership may invest in and sell short shares of ETFs and other similar instruments. These transactions will be used to adjust the Partnership's exposure to the general market or industry sectors and to manage the Partnership's risk exposure. ETF shares are shares of exchange traded investment companies that hold a portfolio of common stocks designed to track the performance of a particular index. ETFs and other similar instruments involve risks generally associated with investments in a broadly based portfolio of common stocks, including the risk that the general level of stock prices, or that the prices of stocks within a particular sector, may increase or decrease, thereby affecting the value of the shares of the ETF or other instrument.

Shareholders of an investment company generally bear all expenses of that company, including fees of the investment adviser and custodian, brokerage commissions and legal and accounting fees. As a result, to the extent the Partnership invests in ETFs, Limited Partners will be paying two levels of advisory fees -- the Management Fee and Incentive Allocation to the General Partner and the advisory fee charged by the investment adviser of the ETFs in the Partnership's portfolio. As a result, the returns realized by the Limited Partners from the Partnership's activities will be less than the returns the Limited Partners would realize from engaging in the same activities directly.

The Investment Company Act of 1940, as amended (the "Investment Company Act") places certain restrictions on the percentage of ownership that a private investment fund may have in a registered investment company such as an ETF.

Fixed Income Securities

The Partnership may invest a portion of its assets in fixed-income securities when their yield and potential for capital appreciation are considered sufficiently attractive or for defensive or liquidity purposes. Fixed-income securities are subject to prepayment risk, the risk of the issuer's inability to meet principal and interest payments on its obligations and the risk of price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness or financial condition of the issuer and general market liquidity.

Small and Mid-Cap Stocks

Investments in small-to-medium sized companies of a less seasoned nature whose securities are traded in the OTC market often involve significantly greater risks, including greater volatility, than the securities of larger, better-known companies, because such companies may have limited product lines, distribution channels and financial and managerial resources. In addition, investments in companies with limited operating histories are more speculative and entail greater risk than do investments in companies with established operating records.

Special Situations

The Partnership may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Partnership of the security or other financial instrument in respect of which such distribution is received.