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PART 2A OF FORM ADV: FIRM BROCHURE



February 14, 2012

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*This brochure (this “Brochure”) provides information about the qualifications and business practices of PointState Capital LP (“PointState”). If you have questions about the contents of this Brochure, please contact us at (212) 830-7000 or [compliance@pointstate.com](mailto:compliance@pointstate.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.*

*Additional information about PointState is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**ITEM 2**  
**MATERIAL CHANGES**

As this Brochure is PointState's initial Form ADV Part 2A submitted with its application for registration with the SEC, there are no material changes to report. If PointState makes any material changes to this Brochure, this section will be revised to include a summary of such changes.

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## ITEM 4 ADVISORY BUSINESS

### A. General Description of Advisory Firm.

PointState Capital LP, a Delaware limited partnership, commenced providing advisory services in January 2011 and currently is headquartered in New York, New York. PointState Capital GP, LLC (“PCGP”) is the general partner of PointState. Sean E. Cullinan is the Chairman and Chief Executive Officer of PointState, the managing member of PCGP and the managing member of the General Partner Entities (as defined below). Owners of PointState include Mr. Cullinan, Zachary J. Schreiber (who is Vice Chairman and a principal owner), Joshua D. Samuelson, Kenan Turnacioglu and John R. Franke.

### B. Description of Advisory Services.

#### 1. Advisory Services.

PointState serves as the investment manager with discretionary trading authority to private investment funds, the securities of or interests in which are generally offered to investors on a private placement basis. The private investment funds managed by PointState (each, a “PointState Fund” and, collectively, the “PointState Funds”) include (1) PointState Fund LP, a Delaware limited partnership (the “Domestic Fund”), (2) SteelMill Fund Ltd., a Cayman Islands exempted company (the “Offshore Fund”), (3) Black & Gold Fund Ltd., a Cayman Islands exempted company (“Black & Gold”), (4) WR Ltd., a Cayman Islands exempted company (“WR”), and (5) Windmill Fund (US) LP, a Delaware limited partnership (“Windmill”).

The Offshore Fund invests substantially all its assets through SteelMill Master Fund LP, a Cayman Islands exempted limited partnership managed by PointState (the “Offshore Master Fund” and, together with the Domestic Fund, the Offshore Fund and Black & Gold, the “Funds”). WR invests substantially all its assets through WR Holdings LP, a Cayman Islands exempted limited partnership managed by PointState (the “WR Intermediate Fund” and, together with WR and Windmill, the “WR Funds”). Each of the PointState Funds may invest through such other entities, which may be managed by PointState or any of its affiliates, or by such other managers, as PointState determines from time to time.

Affiliates of PointState serve as the general partner of certain PointState Funds (each such affiliate, a “General Partner Entity” and all such affiliates, the “General Partner Entities”).

As used in this Brochure, the term “client” generally refers to each entity managed by PointState.

*This Brochure generally includes information about PointState and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.*

#### 2. Investment Strategies and Types of Investments.

The Funds pursue multiple investment strategies, including: global macro; investing in commodities and commodity-related industries; long/short equities; high yield and distressed credit; event-driven/special situations investing; relative value investing (including, but not

limited to, convertible arbitrage and relative value investments in the utility, power, financial and healthcare industries); and investing in mortgage-backed securities and related instruments.

The WR Funds' strategy is to make, maintain and/or dispose of investments in longer-term, illiquid securities and assets across a variety of industries, including investing in one or more real estate investment trusts which invest(s) indirectly in certain real estate and real estate-related assets.

Please see Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) below for a more detailed description of the investment strategies pursued and types of investments made by the PointState Funds.

*The descriptions set forth in this Brochure of specific advisory services that PointState offers to clients, and investment strategies pursued and investments made by PointState on behalf of its clients, should not be understood to limit in any way PointState's investment activities. PointState may offer any advisory services, engage in any investment strategy and make any investment, even if not described in this Brochure, that PointState considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies PointState pursues are speculative and entail substantial risks. Investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

C. Availability of Customized Services for Individual Clients.

PointState generally does not tailor its advisory services to the individual needs of clients or investors; rather, PointState's investment decisions and advice with respect to each PointState Fund are subject to each PointState Fund's investment objectives and guidelines, as set forth in such PointState Fund's offering documents and/or organizational documents.

D. Wrap Fee Programs.

PointState currently does not participate in any wrap fee programs.

E. Assets Under Management.

PointState manages approximately \$6,829,876,387 of client assets on a discretionary basis as of December 31, 2011. As of December 31, 2011, PointState does not manage any assets on a non-discretionary basis.

*This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the PointState Funds are offered and sold on a private placement basis under exemptions from registration promulgated under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and other exemptions of similar import under U.S. state securities laws and the securities laws of other jurisdictions where any offering may be made. Any such offer or solicitation will be made only by means of a confidential offering memorandum and related subscription materials.*

## ITEM 5 FEES AND COMPENSATION

### A. Advisory Fees and Compensation.

The fees applicable to each PointState Fund are set forth in detail in such PointState Fund's offering documents and/or organizational documents. A brief summary of such fees is provided below.

Generally, each Fund pays PointState a monthly management fee, payable in arrears, at an annual rate of 2.0% of the net asset value of such Fund as of the last day of such month (before any accrual for incentive allocation). The management fee for each Fund is prorated for any partial periods.

In addition to the management fee described above, each Fund is subject to a performance-based profit allocation or fee. Generally, at the end of each fiscal year of the Domestic Fund and the Offshore Fund, the applicable General Partner Entity is entitled to an incentive allocation (the "Incentive Allocation") in an amount equal to 20% of the net capital appreciation (which includes both realized gains and losses and unrealized appreciation and depreciation of securities held in the applicable Fund's portfolio) allocated to a capital account for such fiscal year after deducting the management fee debited to such capital account for such fiscal year, subject to a loss carryforward mechanism. In the event that either the Domestic Fund or the Offshore Fund is terminated or an investor withdraws other than at the end of a fiscal year, then for purposes of determining the Incentive Allocation allocable at such time to the applicable General Partner Entity, net capital appreciation or depreciation will be determined as if such dates were the end of the fiscal year, subject to certain adjustments. PointState receives from Black & Gold, as of the end of each fiscal year, an incentive fee equal to 20% of the net capital appreciation (which includes both realized gains and losses and unrealized appreciation and depreciation of securities held in Black & Gold's portfolio) allocable to each share of Black & Gold during such fiscal year. If shares of Black & Gold are redeemed on a date other than the last business day of a fiscal year, an incentive fee calculation with respect to the redeemed shares will be made, and if an incentive fee has accrued, it will be payable from Black & Gold to PointState at the end of the fiscal year.

PointState does not receive any asset-based fee in connection with its provision of investment management services to WR and Windmill. However, WR and Windmill are subject to a performance-based profit allocation, allocable to the applicable General Partner Entity. With respect to the Class A shares of WR, the applicable General Partner Entity is allocated an incentive allocation equal to 15% of any net profit attributable to Class A shares realized upon the full or partial liquidation of each of the investments relating to the Class A shares, less any related expenses (after taking into account any losses or expenses), to the extent such net profit is attributable to any fiscal period commencing on January 1, 2011 and ending upon such liquidation(s). With respect to the Class S shares of WR, the applicable General Partner Entity is entitled to receive a carried interest distribution equal to 20% of the profits relating to Class S shares after the investors in WR receive a total return of their capital (based on the value of such capital as of January 1, 2011). With respect to Windmill, the applicable General Partner Entity is allocated an incentive allocation equal to 15% of any net profit realized upon the full or partial liquidation of each of Windmill's investments, less any



related expenses, to the extent such net profit is attributable to the period beginning January 1, 2011.

PointState generally does not negotiate the management fees or performance-based compensation with investors in the PointState Funds; however, in the sole discretion of PointState (with respect to the management fees payable by the Funds), the applicable General Partner Entity (with respect to the performance allocation for the Domestic Fund, WR and Windmill) and the board of directors of the Offshore Fund (with respect to the performance fee payable by the Offshore Fund), the management fees and the performance-based compensation may be, and in some circumstances have been, waived, reduced or calculated differently with respect to certain investors, including investors that are affiliates or employees of PointState.

**B. Payment of Fees and Incentive Compensation.**

Management fees and incentive compensation payable or allocable to PointState and its affiliates are generally deducted or allocated, as the case may be, directly from the assets of the applicable PointState Fund, and correspondingly from the capital accounts or net asset value of shares to which they pertain. Further information about the nature and timing of such compensation is provided in Section A (Advisory Fees and Compensation) above.

**C. Additional Fees and Expenses.**

While not all of the clients bear all of the expenses set forth below, the following sets forth the expenses that the clients may bear: to the extent permitted under the applicable offering documents and/or organizational documents, each client bears its own expenses, including, without limitation, the management fee; investment expenses (*e.g.*, expenses that, in PointState's discretion, are related to the investment of the client's assets, whether or not such investments are consummated, such as brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees and interest expense); professional fees (including expenses of consultants, investment bankers, attorneys, accountants and other experts) relating to investments; research and market data (including quotation and market data services (*e.g.*, Bloomberg)); market data costs incurred by the administrator and specifically identified and applicable to the investment of the client's assets; administrative expenses (including fees and expenses of an administrator, if any, and administration expenses other than expenses relating to middle- and back-office services); expenses relating to the client's registered office and corporate services provider; legal expenses (which include, without limitation, responding to formal and informal inquiries, audit, examination, proceeding or claim expenses on behalf of or for the benefit of the client or in connection with its business); external accounting and valuation expenses; audit and tax preparation expenses; remuneration and insurance to members of the board of directors of the client; costs of printing and mailing reports and notices; entity-level taxes; corporate licensing; regulatory expenses (including filing fees and expenses relating to filings made in connection with the client's holdings or activities); organizational expenses; expenses incurred in connection with the offering and sale of the interests in the client and other similar expenses related to the client; indemnification expenses; expenses incurred in connection with the organization and conduct of meetings of investors and a client's board of directors; and extraordinary expenses. Further information about the brokerage practices and costs is provided in Item 12 ((Brokerage Practices) below.

D. Prepayment of Fees.

The PointState Funds do not pay fees in advance. See Section A (Advisory Fees and Compensation) above for a description of the payment terms of the fees for the PointState Funds.

E. Additional Compensation and Conflicts of Interest.

Neither PointState nor any of its supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

**ITEM 6**  
**PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described in Item 5 (Fees and Compensation) above, the PointState Funds allocate, pay and/or distribute (as applicable) incentive allocation, incentive fee or carried interest to PointState or its affiliates. Because PointState and its affiliates accept performance-based compensation from every client, PointState and its affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based compensation from some clients, but not from other clients.

The performance-based compensation may create an incentive for PointState or its affiliates to make investments that are riskier or more speculative than would be the case if such compensation arrangement were not in effect. With respect to certain clients, the performance-based compensation is calculated by taking into account unrealized gains. Since the performance-based compensation for certain clients is determined in relation to the net asset value of such clients (such net asset value to be determined by such client's administrator), PointState may be biased when reviewing valuations of the net asset value of such clients. PointState reviews such valuations in accordance with its valuation policy.

## **ITEM 7**

### **TYPES OF CLIENTS**

PointState provides discretionary investment advisory services, including, but not limited to, managing and directing the investment and reinvestment of assets for private investment funds. PointState reserves the right to provide investment advisory services to other types of clients. For instance, PointState may elect to establish discretionary separate managed accounts or single-investor funds, one or more of which may use trading and/or investment strategies different than the existing PointState Funds and/or be subject to different terms and arrangements (including fees, liquidity rights and transparency rights) than the existing PointState Funds.

The minimum investment in the PointState Funds varies from fund to fund. While such minimum may be waived by PointState, it often ranges from \$500,000 to \$1,000,000.

## ITEM 8

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

#### A. Methods of Analysis and Investment Strategies.

*The descriptions set forth in this Brochure of specific advisory services that PointState offers to clients, and investment strategies pursued and investments made by PointState on behalf of its clients, should not be understood to limit in any way PointState's investment activities. PointState may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that PointState considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies PointState pursues are speculative and entail substantial risks. Investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

##### 1. Investment Strategy of the Funds.

The Funds' principal investment objective is to achieve superior capital appreciation. The Funds attempt to achieve their investment objective by pursuing multiple investment strategies, including: global macro; investing in commodities and commodity-related industries; long/short equities; high yield and distressed credit; event-driven/special situations investing; relative value investing (including, but not limited to, convertible arbitrage and relative value investments in the utility, power, financial and healthcare industries); and investing in mortgage-backed securities and related instruments.

The Funds invest globally in a wide variety of financial instruments, such as bonds and fixed income instruments (including, without limitation, sovereign debt and government-sponsored enterprise debt), currencies and currency forward contracts, stock market indices, equities, equity-related securities, warrants, investment grade and high yield corporate debt (including bank debt) instruments, commodities, and futures, as well as swaps and options, listed and over-the-counter, on all of the foregoing and other derivative instruments aimed to create exposures to all of the foregoing. Certain of the financial instruments in which the Funds may invest may be thinly-traded, illiquid and/or privately-placed.

PointState may allocate up to 10% of the Funds' assets (determined as of the time of such allocation) to other money managers not affiliated or associated with PointState. PointState, and not the Funds, will pay the fees of any other money manager, or waive the fees owed to it by a corresponding amount.

Any excess funds will be invested in money market instruments or such other liquid investments deemed appropriate by PointState. Any income earned from such investments will be reinvested by the Funds in accordance with their investment program.

The Funds may use a high degree of leverage, including, without limitation, derivative instruments with inherent leverage, trading on margin and repurchase agreements. In addition, some of the financial instruments held by the Funds may themselves have leverage embedded in them.

**Notwithstanding anything to the contrary in this Brochure, there are no limitations on the strategies that the Funds may pursue, or the markets or types of instruments in**

**which the Funds may invest. The Funds do not have formal limits on diversification, concentration, position size or leverage. The Funds may pursue investment strategies not described in this Brochure to the extent PointState deems appropriate.**

Certain of the strategies that the Funds may use to achieve the investment objectives are described below. Not all of these strategies may be used at the same time or in the same proportions. Over time, PointState may develop and implement additional investment strategies. PointState may add, suspend, eliminate or modify investment strategies at its discretion. PointState expects to pursue the following strategies:

**(a) Global Macro.**

Global macro investing consists of trading in global fixed income, currency and equity markets in order to exploit fundamental, economic, financial and political imbalances that may exist in and between markets throughout the world. PointState believes that imbalances in financial markets are created from time to time by the influence of economic, political, regulatory, capital flow and sentiment factors. PointState also incorporates liquidity, technical, and valuation analyses into its global macro investment decisions.

PointState intends to size and scale its global macro investments dynamically based, at the time each investment decision is made, on its continuing fundamental and technical analysis, level of conviction, the likely timing of realization and market conditions applicable to each economy, market segment, asset class and individual investment.

- *Global Fixed Income*

In analyzing an investment in bonds and other fixed-income instruments, PointState studies the economic outlook in the particular market and country, the anticipated policies of the relevant central banking authority, inflation expectations, yield curve shape and the level of real interest rates. Macro fixed-income investing is generally more aggressive than that of equity investing because of the lower margin requirements for bonds and other fixed income instruments and the generally superior liquidity of such markets. In connection with fixed-income investments, PointState intends to enter into repurchase or reverse repurchase agreements, as appropriate.

PointState may establish long or short positions in fixed-income instruments or related derivatives having maturities that may range from one month to thirty years and beyond. At times, the Funds may have solely long or short positions which have a specific maturity, such as one month, one year, thirty years, etc., while at other times the Funds may have long or short positions in instruments of various maturities.

- *Currencies*

Currency investing may be used both to exploit currency trends and to manage the currency risk associated with positions in foreign investments. When attempting to exploit currency trends, PointState may seek to purchase currencies of countries where interest rates are anticipated to rise and fiscal policy is anticipated to expand. PointState may seek to sell currencies where monetary policy is anticipated to ease and fiscal policy is anticipated to contract. Currency investing primarily involves the study of divergent monetary and fiscal policies in two countries and their expected impact on interest rate differentials in such countries. This process includes an analysis of the economic outlook and future central bank

and fiscal policy in those countries. PointState may also consider other factors that affect capital flows such as political developments, trade, foreign direct investment, purchasing power parity and relative valuation of various financial markets.

- *Stock Market Indices*

PointState may invest the Funds' assets in exchange traded funds ("ETFs") of various stock indices and in derivative investments that include purchasing and selling futures contracts and related options on stock indices. In comparison to equities, ETFs and equity index derivatives provide greater leverage for the same amount of capital and may offer better liquidity.

- *Liquidity, Technical and Valuation Analyses*

PointState also incorporates liquidity, technical and valuation analyses into its global macro investment decisions.

Liquidity analysis involves the availability of capital and the expected capital flow to financial markets.

Technical analysis is the study of various supply and demand relationships, and trends/derivatives therefore, for global fixed income, commodity, currency and equity markets.

Valuation analysis includes, but is not limited to, the study of historical equity market valuations metrics as measured by yields and price-to-book and price-to-earnings ratios.

## **(b) Commodities and Commodity-Related Industries.**

A primary focus of the Funds is expected to include investment activities in publicly-traded equity and debt securities of companies in the commodity and commodity-related industries, which include, but are not limited to, energy, power, materials, agriculture, metals, industrials, transportation and associated markets, as well as derivative instruments aimed to create an exposure to any of the foregoing. The Funds' commodity-related investing is expected to also include cash commodities and futures, forward, option and swap contracts as described further below.

PointState intends to size and scale its commodity and commodity-related investments dynamically based, at the time each investment decision is made, on its continuing fundamental analysis, level of conviction, the likely timing of realization and market conditions applicable to each commodity segment, related sub-industry and specific underlying investment.

- *Commodities*

When evaluating commodity and commodity-related investments, PointState undertakes a fundamental analysis that considers the multiple variables that determine the end price of a commodity, including, but not limited to, (i) the available supply, or projection of forward supply, of the commodity, via primary production, inventory and incentive pricing, (ii) the cost, or marginal cost, of extracting or harvesting, transporting, processing and distributing such commodity, (iii) the current and projected demand for the commodity based

on relative and absolute price levels and global economic factors and (iv) technical and macroeconomic influences. Based on factors including, but not limited to, liquidity, portfolio concentration and potential return relative to accompanying risk profile, PointState will attempt to determine the most efficient way to implement its investment thesis or to manage risk in respect of a particular commodity or commodity-related investment. PointState may, therefore, use the conclusions of its analysis to invest directly in the commodity itself via cash commodities, swaps, futures and options, to invest in the financial instruments related to companies whose businesses relate to such commodity, or to invest in other financial instruments or derivative instruments whose price is influenced by or related to movements in the commodity.

- *Commodity-Related Equity and Debt Investments*

When evaluating equity and debt investments in commodity-related industries, PointState uses a fundamental analysis of the relevant issuer, with a subjective overlay as to the relative strength of its management, assets, balance sheet and growth prospects versus its immediate competitors. PointState also seeks to determine on a timely basis catalytic events that differentiate one company from its peer group with respect to its profitability and market valuation. PointState further incorporates determinations regarding political, regulatory and economic risks associated with applicable local markets to arrive at an investment decision.

Issuers in commodity-related industries often share the common characteristic that their products generally cannot be differentiated or tiered within their industry group, and those products, in turn, must be sold at similar prices in global markets, allowing for local variables such as delivery costs. Accordingly, the market prices of financial instruments related to these companies are highly influenced by the price of the commodity or product they supply. Relative valuations of these companies over the medium- to long-term are driven primarily by their relative efficiencies in supplying, processing and distributing commodities. In low commodity price environments, higher-cost producers are less profitable, have lower returns on equity and ultimately are marginalized. However, in high commodity price environments higher-cost producers may benefit disproportionately from higher price leverage. In low and stable commodity price environments, lower-cost producers are more profitable, have higher returns on equity and often are able to add capacity at attractive prices and acquire market share.

**(c) Long/Short Equities.**

The Funds may invest globally, both long and short, in public equity securities of companies engaged in, among others, the following industries: healthcare, industrials, consumer/retail, technology, media, telecommunication, real estate, and financial services, as well as equity derivative instruments aimed to create exposure to any (or all) of the foregoing. When evaluating long and short equity investments PointState uses a fundamental analysis of each company, with a subjective overlay as to the relative strength of its management, products, balance sheet, and growth prospects versus its immediate competitors. PointState also seeks to determine on a timely basis catalytic events that differentiate one company from its peer group with respect to its profitability and market valuation. To arrive at an economic decision, PointState further incorporates determinations regarding political, regulatory and economic risks associated with the subject company's industry and applicable local markets.



PointState intends to size and scale its long and short equity investments dynamically based on its continuing fundamental analysis, current level of conviction, the likely timing of realization, and current market conditions applicable to each industry and specific underlying investment.

**(d) Other Strategies.**

Trading in other strategies may include high yield and distressed credit, event-driven/special situations and relative value strategies, as discussed below.

- *High Yield and Distressed Credit*

The Funds may invest in high yield bonds and bank loans (secondary loan investing), trade claims, equity securities, and other indebtedness of companies PointState deems to be financially distressed and/or highly leveraged.

- *Event-Driven/Special Situations*

The Funds may invest in financial instruments of or related to companies involved in reorganizations, mergers, acquisitions, bankruptcies, binary biotechnology events or other extraordinary corporate events/transactions with the intention of capturing a spread between the current value of the securities and their value upon consummation of the event within a specified period of time. The Funds may also make special situation or relative value investments seeking to exploit fundamental valuation discrepancies caused by market dislocations, lack of sell-side following or expected corporate events. In connection with these strategies, PointState may (1) position the portfolio from both the long and the short side, (2) actively trade such positions and related spreads and (3) use leverage and derivatives to optimize returns.

- *Relative Value Strategies*

In its relative value strategies, PointState generally will purchase and sell short debt and equities based upon in-depth fundamental company research and industry analysis; such strategies will focus initially on the utility, power, financial and healthcare industries. PointState intends to seek to profit from the relative out-performance of this portfolio rather than by predicting the direction of the respective markets or the specific sectors.

The Funds may invest in convertible securities with a concentration in publicly-traded instruments issued by U.S. corporations. This strategy typically involves the purchase of convertible bonds, convertible preferred stock, warrants or options and the simultaneous short sale of the underlying common stock. The Funds will seek to profit from these positions by receiving interest, dividends, and rebates on short stock and also by trading the positions dynamically to monetize the embedded option value in the convertible securities and volatility spreads. Investments will be initiated and actively managed based upon PointState's fundamental and technical analysis of the issuers, the relevant securities and related derivative instruments.

- *Mortgage-Related Strategies*

Black & Gold invests primarily in mortgage-backed securities and related instruments. These include non-guaranteed US residential mortgage-backed securities,

agency derivatives and commercial mortgage-backed securities; Black & Gold also invests in European covered bonds and banks and real-estate investment trusts on an event-driven basis.

This strategy depends on a combination of (a) diligent security selection based on quantitative modeling and analytics, (b) top-down portfolio construction driven by macro analysis and (c) risk management and risk control infrastructure.

*The Funds will not necessarily be managed in a tax-efficient manner. The Funds' investment programs are speculative and entail substantial risks. There can be no assurance that the investment objective of the Funds will be achieved, and results may vary substantially over time. In fact, the practices of investing in illiquid investments and the use of short sales, options, leverage, futures, swaps and other derivative instruments and other investment techniques that the Funds are likely to employ from time to time can maximize the adverse impact to which the Funds' portfolio may be subject.*

## 2. Investment Strategy of the WR Funds.

*The descriptions of PointState's investment strategy with respect to the WR Funds do not reflect their investment strategy with respect to assets attributable to Class S shares of WR, which are in the process of being liquidated.*

The WR Funds invest in longer-term, illiquid instruments across a variety of industries. Investments may include, among others, non-controlling interests in the equity or debt securities of private and public U.S. and non-U.S. companies. In addition, the WR Fund's investment strategy includes investing indirectly in one or more real estate investment trusts ("REITs"). Such REITs may be managed by third parties or by operating partnerships jointly controlled by PointState and a third party.

PointState will allocate the WR Funds' assets so as to achieve the WR Funds' objectives in light of market and economic conditions. There can be no assurance that PointState will select the optimum mix of investments for the WR Funds' needs.

*The WR Funds will not necessarily be managed in a tax-efficient manner.*

## B. Material, Significant or Unusual Risks Relating to Investment Strategies.

*PointState's investment program is speculative and may entail substantial risks. Since market risks are inherent in all investments to varying degrees, there can be no assurance that our investment objectives will be achieved. In fact, certain investment practices described above can, in some circumstances, potentially increase the adverse impact on the PointState Funds' investment portfolios. The material risks presented by the strategies pursued by PointState are set forth below. Additional information is contained in the confidential offering memorandum related to each PointState Fund. This Brochure does not purport to contain a complete disclosure of all risks that may be relevant to prospective investors in the PointState Funds. These risk factors include only those risks that PointState believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by PointState.*

## *1. Risks Relating to the Funds.*

Flexible Investment Approach. PointState has broad and unfettered investment authority, and may trade in any type of security, issuer or group of related issuers, country, region and sector that it believes will help the Funds achieve their investment objective. Additionally, the strategies that PointState may pursue for the Funds are not limited to the strategies described in this Brochure; furthermore, such strategies may change and evolve materially over time. PointState has broad latitude with respect to the management of the Funds' risk parameters. The Funds are subject neither to formal diversification policies limiting the Funds' portfolio investments nor to formal leverage policies limiting the leverage to be used by the Funds. PointState will opportunistically implement whatever strategies, risk management techniques and discretionary approaches, as well as such other investment tactics, as it believes from time to time may be suited to prevailing market conditions. PointState may use such leverage, position size, duration and other portfolio management techniques as it believes are appropriate for the Funds. Any of these new investment strategies, techniques, discretionary approaches and investment tactics may not be thoroughly tested before being employed and may have operational or other shortcomings which could result in unsuccessful investments and, ultimately, losses to the Funds. In addition, any new investment strategy, technique and tactic developed by the Funds may be more speculative than earlier investment strategies, techniques and tactics and may involve material and as-yet-unanticipated risks that could increase the risk of the Fund. There can be no assurance that PointState will be successful in applying its approach and there is material risk that an investor may suffer significant impairment or total loss of its capital.

Hedging Transactions. The Funds are not required to hedge any particular risk in connection with a particular investment or its portfolio generally and may elect to not hedge its risks at all. While the Funds may enter into hedging transactions to seek to manage risk, such transactions may result in a poorer overall performance for the Funds than if they had not engaged in any such hedging transaction.

Global Macro Strategy. The Funds' global macro investing will consist primarily of investing in global fixed income, currency and equity markets, and their related derivatives, in order to exploit fundamental, economic, financial and political imbalances that may exist in and between markets throughout the world. The success of PointState's global macro investment strategy depends on PointState's ability to identify and exploit such perceived imbalances. Identification and exploitation of such imbalances involve significant uncertainties. In the event that the theses underlying the Funds' positions fail to be borne out in developments expected by PointState, the Funds may incur losses, which could be substantial.

Non-U.S. Investments. The Funds may invest a portion of their capital outside the United States in non-dollar denominated securities and instruments, including in securities and instruments issued by non-U.S. companies and the governments of non-U.S. countries and in non-U.S. currency. These investments may include investments in financial instruments of issuers domiciled or operating in emerging, developing and under-developed markets. These investments outside the United States involve special risks not usually associated with investing in financial instruments of U.S. companies or the U.S. federal, state or local government. Because investments in securities and instruments issued by non-U.S. issuers may involve non-U.S. dollar currencies and because the Funds may temporarily hold funds in bank deposits in such currencies during the completion of its investment program,

the Funds may be affected favorably or unfavorably by changes in currency rates (including as a result of the devaluation of a non-U.S. currency) and in exchange control regulations and may incur transaction costs in connection with conversions between various currencies. In addition, because non-U.S. entities are not subject to uniform accounting, auditing, and financial reporting standards, practices and requirements comparable with those applicable to U.S. companies, there may be different types of, and lower quality, information available about a non-U.S. company than a U.S. company. There is also less regulation, generally, of the securities markets in non-U.S. countries than there is in the United States. Some non-U.S. securities markets have a higher potential for price volatility and relative illiquidity compared to the U.S. securities and capital markets. Some non-U.S. markets (in particular, emerging, developing and under-developed markets) generally have less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors. With respect to certain countries there may be the possibility of expropriation or confiscatory taxation, political, economic or social instability, limitation on the removal of funds or other assets or the repatriation of profits, restrictions on investment opportunities, the imposition of trading controls, withholding or other taxes on interest, dividends, capital gain, other income or gross sales proceeds, import duties or other protectionist measures, various laws enacted for the protection of creditors, greater risks of nationalization or diplomatic developments which could adversely affect the Funds' investments in those countries.

Long/Short Investment Strategies. The identification of investment opportunities in the implementation of the Funds' long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or realized. In the event that the perceived opportunities underlying the Funds' positions were to fail to converge toward, or were to diverge further from values expected by PointState, the Funds may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Funds to close out one or more positions. Furthermore, the models and analytics used to determine whether an investment presents an attractive opportunity consistent with PointState's long/short strategies may become outdated and inaccurate as market conditions change.

Short Sales. Short selling involves selling financial instruments which are not owned by the short seller, and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed financial instruments at a later date. Short selling allows the seller to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the financial instruments. The extent to which the Funds engage in short sales will depend upon PointState's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying financial instrument could theoretically increase without limit, thus increasing the cost to the Funds of buying those financial instruments to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow financial instruments sold short. In such cases, the Funds may be forced to repurchase financial instruments in the open market to return to the lender. There also can be no assurance that the financial instruments necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing financial instruments to close out a short position can itself cause the price of the financial instruments to rise further, thereby exacerbating the loss.

Event-Driven Investing. Event-driven investing requires the investor to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will

have on the value of a company's financial instruments. If the event fails to occur or it does not have the effect foreseen, losses can result. Because of the inherently speculative nature of event-driven investing, the results of the Funds' operations may be expected to fluctuate from period to period.

Event-Driven Arbitrage. In general, event-driven arbitrage investing is exposed to adverse outcomes of the "event" being positioned. Adverse outcomes or developments might arise from fundamental reasons, regulatory rulings, legal or tax rulings, or even extreme market movements. The financing component of many announced corporate actions could come under pressure and result in a cancellation or change in terms of the proposed transaction. Even where the corporate action or event occurs as expected, but is significantly delayed or advanced in timing of completion, deviations from the expected return or profitability could be high.

Relative Value Trading. PointState may use "relative value" investing strategies, which attempt to exploit relative mispricing among interrelated instruments (such as securities, derivatives, futures, bank debt, etc.), rather than making directional "bets" on absolute price movements. Mispricing, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for the Funds to maintain a position. Even "pure" arbitrage positions can result in significant losses if PointState is not able to maintain both sides of the position until expiration, for example, in circumstances where the Funds are forced to prematurely return a borrowed security. PointState may use a high degree of leverage and could be forced to liquidate positions prematurely in order to meet margin calls, causing an otherwise "pure" arbitrage position to result in major losses.

The success of PointState's relative value investment strategy depends on PointState's ability to identify and exploit perceived inefficiencies in the pricing of securities, financial products, or markets. Identification and exploitation of such discrepancies involve uncertainty. There can be no assurance that PointState will be able to locate investment opportunities or to exploit pricing inefficiencies. In the event that the perceived mispricing underlying the Funds' positions were to fail to converge toward, or were to diverge further from, relationships expected by PointState, the Funds may incur losses.

Repurchase and Reverse Repurchase Agreements. In a reverse repurchase transaction, the Funds "buy" financial instruments issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such financial instruments at the price paid by the Funds, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the Funds involves a variety of risks relating to the default of the seller under such agreements.

General Risks of Investments in the Utility and Power Industries. The Funds may invest in companies involved in the utility and power sectors. These companies are sensitive to fluctuations in resource availability, energy supply and demand, interest rates, special risks of constructing and operating facilities (including nuclear facilities), lack of control over pricing, merger and acquisition activity, weather conditions (including abnormally mild winter or summer weather, and abnormally harsh winter or summer weather), availability and adequacy of pipeline and other transportation facilities, geopolitical conditions in gas or oil producing regions and countries (including the risk of nationalization of the natural gas, oil and related sectors), the ability of members of the organization of petroleum exporting countries to agree upon and maintain oil prices and production levels, the price and availability of alternative fuels, international and regional trade contracts, labor

contracts, the impact of energy conservation efforts, environmental considerations, public policy initiatives and regulation.

Regulatory Risks of Investments in the Utility and Power Industries. Utility and power companies are subject to significant regulation in many aspects of their operations, including how facilities are constructed, maintained and operated, environmental and safety controls, and the prices they may charge for the products and services. There are a variety of risks relating to actions of various governmental agencies and authorities in such industries. Additionally, stricter laws, regulations or enforcement policies could be enacted or pursued in the future, which would likely increase compliance costs and may adversely affect the financial performance of energy companies which may have implications for the companies that support the energy sectors' infrastructure-related requirements.

Risks of Investing in the Healthcare Sector. While investments in companies in the healthcare sector offer the opportunity for significant capital gains, such investments involve a high degree of business, financial, technological and regulatory risk which can result in substantial losses. These risks include, but are not limited to, the following: (i) certain companies in the Funds' portfolio may have limited operating histories; (ii) certain of these companies may not have sufficient management or marketing personnel with appropriate scientific or medical training; (iii) obtaining approval for new products from governmental agencies can often be a lengthy and expensive process, the outcome of which can be uncertain; (iv) certain of these companies may not be able to obtain additional issued patents relating to their products, methods, processes, services or other technologies, and even if such patents are issued, they may be challenged, narrowed, invalidated or circumvented; (v) other companies may obtain patents claiming aspects similar to the Funds' investee company's patents and patent applications, which could limit such investee company's ability to stop competitors from marketing similar products or services, limit the length of term of patent protection they may have for their products or services, and expose them to substantial costs and risks in litigation and administrative proceedings and drain resources; (vi) certain of these companies may become involved in lawsuits related to their patents or products; (vii) the testing and marketing of medical products and technologies entail an inherent risk of product liability, and, accordingly, companies in the healthcare industry may be exposed to potential liability risks inherent in the testing, manufacturing, marketing and sale of healthcare products and/or the provision of healthcare services; (viii) products produced by certain of these companies may become obsolete; (ix) government policies and regulations applicable to certain of these companies may change in ways that adversely affect them; and (x) investor sentiment and preferences with regard to healthcare sector investments (some of which are generally perceived as risky) may change, which may have an adverse effect on the price of underlying securities.

Binary Biotechnology Events. The Funds may also invest in biotechnology companies pursuant to an event-driven strategy focused on an anticipated "binary event" with respect to such a company in the form of anticipated clinical trial results or regulatory agency news or decisions. The market value of the securities of certain of these companies may be particularly sensitive to such binary events. Certain of the risk factors set forth above under the headings "Event-Driven Investing" and "Event-Driven Arbitrage" may also apply to such investments.

Regulatory Oversight – Financial Institutions. Financial institutions in which the Funds may invest are subject to extensive regulation, supervision and examination by regulators. These regulatory authorities have extensive discretion in connection with their

supervisory and enforcement activities which may have an adverse effect on such institutions' business, financial position or results of operation.

The results of operations of financial institutions also may be materially affected by general economic conditions, changes in the level of interest rates, national and local cycles in real estate, and the monetary and fiscal policies of the U.S. federal government.

Regulatory Change – Financial Institutions. As discussed above, the financial institutions industry is subject to significant regulation which has materially affected the business of financial institutions in the past and is likely to do so in the future. In fact, at present, numerous changes to governing law have been introduced or are expected. Enactment of the Dodd-Frank Act and the rules and regulations that may be issued by U.S. regulators implementing such legislation (as well as actions that may be taken by legislatures and regulatory bodies in other countries) could limit the ability of financial services companies to pursue business opportunities they might otherwise consider engaging in, impose additional costs on such businesses, result in significant loss of revenue to them, impact the value of assets they hold, establish more stringent capital, liquidity and leverage requirements, or otherwise significantly adversely affect such businesses.

In addition, increased regulatory focus on consumer protection practices and new and evolving mortgage-modification programs have resulted in changes in certain financial institutions' practices, have increased costs of compliance and, for certain businesses, reduced net income.

Regulations now affecting financial institutions and their interpretation may be changed at any time.

Exposure to Material Non-Public Information. From time to time, PointState may receive material non-public information with respect to an issuer of securities or other financial instruments. In such circumstances, the Funds may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

Activist Investments. PointState generally does not expect to take an "activist" approach toward the management team or board of directors of the companies in which it invests and, consequently, does not expect to enter into an investment for the purpose of implementing an activist strategy toward an issuer. In certain circumstances, however, the success of the Funds' investment of a portion of its capital in publicly traded equity and/or debt securities may require that the Funds adopt such an activist approach to defend its investment. In pursuing an activist approach for such defensive purposes, the Funds may act alone or together with one or more other investors acting as a group. In order to implement any actions deemed necessary to defend the investment and maximize value, PointState, or other members of the investing group, may work with the management team or board of directors of the issuer to design an alternate strategic plan and assist them in the plan's execution and may secure the appointment of persons selected by PointState or other members of the group to the company's management team or board of directors. In order to accomplish the foregoing, PointState may cause the Funds, either alone or together with other members of a group, to acquire a "control" position in the issuer's securities. Moreover, there can be no assurance that any of the foregoing will succeed, and such actions may

subject the Funds to additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability including those in which the limited liability that is generally characteristic of such business operations may be ignored. All of the Funds' assets might be used to satisfy these liabilities.

Corporate governance strategies may prove ineffective for a variety of reasons and successful execution of a corporate governance strategy may depend on the active cooperation of shareholders and others with an interest in the subject company. Changes in government regulations could make some or all forms of corporate governance strategies unlawful or impractical.

Independent Money Managers. The other money managers to which the Fund may allocate a portion of its assets (each such money manager, a "Money Manager") generally invest wholly independently of one another (and of the Funds) and may at times hold economically offsetting positions. To the extent that the Money Managers and/or the Funds do, in fact, hold offsetting positions, the Funds, considered as a whole, may not achieve any gain or loss despite incurring investment expenses, including, without limitation, performance-based compensation. If the Funds are concentrated in a position, as a result of the Funds and/or one or more funds managed by a Money Manager holding the same positions, the risks associated with such investments will be magnified. The Funds and some Money Managers also may compete with each other from time to time for the same positions in certain markets. Such competition may adversely affect the performance of the Funds and/or the funds managed by the Money Managers.

Investment Program of PointState. PointState's trading program relies on both technical and fundamental analyses to identify potential investments. "Fundamental" analysis relies on the study of external factors to predict the price movement of a given financial investment. Such factors include government regulation, new technologies and political and economic events. "Technical" analysis relies on the study of actual daily, weekly and monthly price fluctuations, volume variations and changes in interest rates, and uses computer software and other sources to measure the interrelationships of this data in order to predict future price movements. Technical analysis produces positive results only to the extent that the trends followed are actually present and discernible in a given market. Fundamental analysis produces positive results only to the extent that PointState correctly predicts how external factors (such as government regulation, new technologies and political and economic events) will influence the market price of a given financial investment. There can be no assurance that the trading system employed by PointState will be successful in a given set of market conditions, or that it is the most successful system available. The use of trading systems based on technical and fundamental analyses is not new. If numerous traders employ a similar system, these systems may generate substantial buy and sell orders simultaneously. This may prevent the Fund, particularly in illiquid markets, from executing trades at desired prices.

Leverage; Borrowing for Operations. The Funds expect to use a high degree of "leverage" as part of the investment program. The use of leverage should allow the Funds to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital; however, leverage may also magnify the volatility of changes in the value of the Funds' portfolio. The effect of the use of leverage by the Funds in a market that moves adversely to its investments could result in substantial losses to the Funds, which would be greater than if the Funds were not leveraged. In addition, the Funds



will have the authority to borrow money for cash management purposes and to meet redemptions that would otherwise result in the premature liquidation of its investments. The level of interest rates generally, and the rates at which the Funds can borrow particularly, will affect the operating results of the Funds. The amount of borrowings and leverage which the Funds may have outstanding at any time may be substantial in relation to its capital.

The instruments and borrowings used by the Funds to leverage investments may be collateralized by the Funds' portfolio. Accordingly, the Funds may pledge their financial instruments in order to borrow or otherwise obtain leverage for investment or other purposes. The expiration or termination of available financing for leveraged positions, and the requirement to post collateral in respect of changes in the fair value of leveraged exposures or changes in advance rates or other terms and conditions of the Funds' repurchase agreements, can rapidly result in adverse effects to their access to liquidity and their ability to maintain leveraged positions, and may cause the Funds to incur material losses. Should the financial instruments pledged to lenders to secure the Funds' margin accounts decline in value, the Funds could be subject to a "margin call," pursuant to which the Funds must either deposit additional funds or financial instruments with the lender or suffer mandatory liquidation of the pledged financial instruments to compensate for the decline in value. Lenders providing financing to the Funds can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by lenders in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that the Funds will be able to secure or maintain adequate financing.

While the Funds expect to borrow or use other forms of leverage (on a secured or unsecured basis) for any purpose, including to increase investment capacity, cover operating expenses or for clearance of transactions, there is no guarantee that any such borrowing arrangements or other arrangements for obtaining leverage will be available, or, if available, will be available on terms and conditions acceptable to the Funds. Unfavorable economic conditions also could increase funding costs, limit access to the capital markets or result in a decision by lenders not to extend credit to the Funds.

Turnover. A substantial portion of the Funds' capital may be invested on the basis of short-term market considerations which may involve a significant portfolio turnover and could involve substantial brokerage commissions and other transaction costs. These commissions and costs reduce the Fund's net profits.

Market Risks and Lack of Liquidity. The success of the Funds' investment program depends to a great extent on PointState's ability to assess correctly the future course of price movements of stocks, bonds, commodities and foreign currencies. There can be no assurance that PointState will accurately predict these movements. Illiquid markets and investments could also make it impossible for PointState to realize profits or limit losses. This lack of liquidity and any failure to accurately predict market movements may adversely affect PointState's ability to execute trade orders at desired prices. Moreover, because illiquid investments may be difficult to value, the Funds' net asset value may fluctuate widely from one period to the next.

Concentration of Investments. The Funds are not limited as to the amount of capital or exposure which may be committed to any one issuer, industry, sector, strategy, country or geographic region. In fact, the Funds' portfolio, at times, may be highly concentrated. The Funds' investment technique of concentrating investment positions

increases the volatility of investment results over time and creates the potential that a loss in any such position could have a material adverse impact on the Funds' financial instruments.

Independent Portfolio Managers; Netting; Concentration. PointState's portfolio managers generally invest independently of one another and may at times hold economically offsetting positions. To the extent that the portfolio managers do, in fact, hold offsetting positions, the Funds, considered as a whole, may not achieve any gain or loss despite incurring investment expenses. If the Funds are concentrated in a position, as a result of two or more portfolio managers buying the same financial instruments, the risks associated with such financial instruments will be magnified.

## *2. Risks Relating to the WR Funds.*

Illiquidity of Investments. The WR Funds' investments generally will be subject to legal or other restrictions on transfer and no liquid market is ever expected to exist for such investments. The market prices, if any, of such investments may be more volatile and may not be readily ascertainable, and it may not be possible to sell such investments when desired or to realize their fair value in the event of a sale. As a result of the absence of a public trading market for the WR Funds' investments, they are expected to be less liquid than publicly traded investments. There may be substantial delays in attempting to sell such non-publicly traded investments. Although these investments may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid. In addition, the sale of restricted and illiquid investments often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of investments eligible for trading on national securities exchanges or in the over-the-counter markets. The WR Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded.

Concentration of Investments. The WR Funds may hold a few positions that represent a large portion of the WR Funds' capital. The result of such concentration of investments is that a loss in any such position could materially reduce the WR Funds' capital.

Market Risks and Lack of Liquidity. The success of the WR Funds' real estate-related investment program depends to a great extent on PointState's ability to assess correctly the future course of price movements of certain real estate-related investments. There can be no assurance that PointState will accurately predict these movements. Illiquid markets and investments could also make it impossible for PointState to realize profits or limit losses. This lack of liquidity and any failure to accurately predict market movements may adversely affect PointState's ability to pursue certain investments on behalf of the WR Funds. Moreover, because illiquid investments may be difficult to value, the WR Funds' net asset value may fluctuate widely from one period to the next.

Currency Risk. Fluctuations in exchange rates between the U.S. dollar and foreign currencies may negatively affect an investment. Adverse changes in exchange rates may erode or reverse any gains produced by foreign-currency-denominated investments and may widen any losses.

### C. Risks Associated with Particular Types of Investments.

Fixed-Income Financial Instruments. The value of fixed-income securities in which PointState may invest will change in response to fluctuations in interest rates. Except to the extent that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of fixed-income securities generally can be expected to rise. Conversely, when interest rates rise, the value of fixed-income instruments generally can be expected to decline.

PointState may invest in zero coupon bonds and deferred interest bonds. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

The Funds may purchase low rated or unrated debt instruments. These instruments may offer higher yields than do higher rated instruments, but generally involve greater price volatility. The market for these instruments may also be limited and some companies may limit the intervals for redemptions. These transactions are not subject to exchange rules.

Sovereign Debt. It is anticipated that the Funds may invest in financial instruments issued by a government, its agencies, instrumentalities or its central bank (“Sovereign Debt”). The ability of an issuer to make payments on Sovereign Debt, the market value of such debt and the inclusion of Sovereign Debt in future restructurings may be affected by a number of other factors, including such issuer’s (i) balance of trade and access to international financing, (ii) cost of servicing such obligations, which may be affected by changes in international interest rates, and (iii) level of international currency reserves, which may affect the amount of foreign exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer’s ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt.

Prepayment Risk. The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on bonds and loans will be affected by a variety of factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

In general, “premium” securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many fixed rate obligations will be discount instruments when interest rates and/or spreads are high, and will be premium instruments when interest rates and/or spreads are low, such debt instruments and asset-backed instruments may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact the Funds’ portfolio negatively in various ways.

Trading in Currencies. A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Funds are affected generally by relative interest rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Exchange Traded Funds. The Funds may invest in exchange traded funds (“ETFs”), which are shares of publicly-traded unit investment trusts, open-end funds, or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector-based, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. In addition, the Funds may bear, along with other shareholders of an ETF, its *pro rata* portion of the ETF’s expenses, including management fees.

Derivative Financial Instruments and Instruments Generally. Derivative securities and instruments, or “derivatives,” include securities, instruments and contracts which are derived from and are valued in relation to one or more underlying securities, financial benchmarks or indices. The value of a derivative depends largely upon price movements of its “referenced” asset. Therefore, many of the risks applicable to trading the “referenced” (or “underlying”) asset are also applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non-U.S. exchanges. Price movements of futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, the Funds’ assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties. Additional risks associated with derivatives trading include:

*Tracking.* When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative and the underlying investment sought to be hedged may prevent the Funds from achieving the intended hedging effect or expose the Funds to risk of loss.

*Liquidity.* Derivatives, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Funds may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which the Funds may

conduct their transactions in derivatives may prevent profitable liquidation of positions, subjecting the Funds to the potential of greater losses. The market for many derivatives is, or suddenly can become, illiquid which may result in significant, rapid and unpredictable changes in the prices for derivatives.

*Leverage.* Trading in derivatives can result in large amounts of leverage. Thus, the leverage offered by trading in derivatives will magnify the gains and losses experienced by the Funds and could cause the Funds' net asset value to be subject to wider fluctuations than would be the case if the Funds did not use the leverage feature of derivatives.

*Over-the-Counter Trading.* Derivatives that may be purchased or sold by the Funds may include securities and instruments not traded on an exchange. The risk of nonperformance by the obligor on a security or instrument may be greater than, and the ease with which the Funds can dispose of or enter into closing transactions with respect to a security or instrument may be less than, the risk associated with an exchange traded security. In addition, significant disparities may exist between "bid" and "asked" prices for derivatives that are not traded on an exchange. Derivatives not traded on exchanges also are not subject to the same type of government regulation as exchange traded securities, and many of the protections afforded to participants in a regulated environment may not be available in connection with the transactions.

The Funds may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that currently are not available, but that may be developed, to the extent such opportunities are deemed by PointState to be consistent with the investment objective of the Funds. Special risks may apply to such instruments.

*Swap Transactions.* The Funds may engage in swap transactions. Currency swaps involve the exchange of cash flows on a notional amount of two or more currencies based on their relative future values. An equity swap is an agreement to exchange streams of payments computed by reference to a notional amount based on the performance of a basket of stocks or a single stock. The Funds will usually enter into swaps on a net basis; *i.e.*, the two payment streams are netted out in a cash settlement on the payment date or dates specified in the agreement. The Funds receive or pay, as the case may be, only the net amount of the two payments. The Funds may employ swaps for speculative purposes, such as to obtain the price performance of a security without purchasing it in cases where the security is illiquid, unavailable for direct investment or available only on less attractive terms.

Unlike futures and options on futures contracts and commodities, and although Title VII of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") contemplates that certain swaps will be exchange-traded and cleared by a clearinghouse in the future, swap contracts currently are not generally traded on an exchange or cleared by an exchange or clearinghouse. As with any forward foreign currency or spot contract, until such time as these transactions are cleared or guaranteed by an exchange, the Funds will be subject to the risk of counterparty default on its swaps. Because swaps do not generally involve the delivery of underlying assets or principal, any loss would be limited to the net amount of payments required by contract. In some swap transactions the counterparty may require the Funds to deposit collateral to support the Funds' obligation under the swap

agreement. If the counterparty to such a swap defaults, the Funds would lose the net amount of payments that the Funds are contractually entitled to receive and could lose, in addition, any collateral deposits made with the counterparty.

If the swap counterparty is an unaffiliated entity, it may hold such collateral in U.S. or non-U.S. depositories. Non-U.S. depositories are not subject to U.S. regulation. The Funds' assets held in these depositories are subject to the risk that events could occur which would hinder or prevent the availability of these funds for distribution to customers including the Funds. Such events may include actions by the government of the jurisdiction in which the depository is located including expropriation, taxation, moratoria and political or diplomatic events.

*Stock Index Options.* The Funds may purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market. A stock index fluctuates with changes in the market values of the stocks included in the index. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Funds will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by the Funds of options on stock indices will be subject to PointState's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

*Futures Contracts Risks.* The Funds may purchase and sell futures contracts. The principal risks associated with investing in futures contracts are described below.

*Volatility.* Futures prices are highly volatile. The average margin deposit on the Funds' futures trades will generally be less than 5% of the value of the contract. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the Funds. Like other leveraged investments, any purchase or sale of a futures contract may result in losses that exceed the amount invested. Relatively small futures positions have the potential to significantly erode or erase the Funds' gains in other investments.

*Margin Requirements.* Margin requirements for commodities trading may vary significantly and are likely to impact the Funds' volatility and performance.

*Daily Price Fluctuation Limits.* Commodity exchanges and trading facilities limit fluctuations in certain commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity cannot be taken or liquidated unless traders are willing to effect trades at or within the limit. Commodity futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. This could prevent the

prompt liquidation of unfavorable positions and subject the Funds to substantial losses.

*Possible Effects of Speculative Position Limits.* The U.S. Commodity Futures Trading Commission (“CFTC”) and certain exchanges and trading facilities have established “speculative position limits” on the maximum net long or net short positions that any person may hold or control in particular commodities. All futures positions held by all accounts owned or controlled by PointState and its principals will be aggregated with the Funds’ positions for purposes of determining compliance with these limits. Trading instructions may have to be modified and the Funds’ positions may need to be liquidated to avoid exceeding these limits. These actions could adversely affect the Funds’ operations and profitability.

*Highly Speculative Investments.* Commodity futures trading is highly speculative.

*Stock Index Futures.* The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, market participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Secondly, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of stock index futures contracts by the Funds also is subject to PointState’s ability to correctly predict movements in the direction of the market.

Cash and Forward Trading. The Funds may trade cash commodities and forward contracts. These contracts, unlike exchange-traded futures contracts and options on futures, are not regulated by the CFTC. Therefore, the Funds will not receive any benefit of CFTC regulation for these trading activities.

These transactions are not exchange-traded so that no clearinghouse or exchange stands ready to meet the obligations of the contract and thus create non-performance risk. This risk may cause some or all of the Funds’ gains to be unrealized. At times, certain market makers have refused to quote prices for cash commodities or forward contracts, or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and sell. If this occurs, PointState may be unable to effectively use its cash and forward trading programs and the Funds could experience significant losses.

Synthetic Assets; Credit Default Swaps. The Funds may enter into credit default swaps or acquire credit-linked notes secured by credit default swaps for, among other reasons, the purpose of implementing a portfolio manager’s view that a particular credit, or group of credits, will experience credit deterioration, or to pursue other investment strategies. The Funds may “purchase” credit default protection even in the case in which they do not own the referenced obligation if, in the judgment of a portfolio manager, there is a high likelihood of credit deterioration. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the underlying Reference

Obligation (as defined below), and potential loss upon default, among other factors. As such, there are many factors upon which market participants may have divergent views.

Specifically, the Funds may acquire exposure to the risk of commercial mortgage-backed securities (“CMBS”), CDOs, debt securities and loans synthetically through products such as credit default swaps (including LCDS, CDS, CDX, LCDX and CMBX contracts), total return swaps, credit linked notes, structured notes, trust certificates and other derivative instruments (each, a “Synthetic Asset”). A Synthetic Asset could take many forms, including a credit derivative transaction that references a CMBS, CDO security, debt security loan, or a credit derivative transaction that references a portfolio or index of reference obligations consisting of CMBS, CDO securities, debt securities, bonds or other financial instruments (each, a “Reference Obligation”).

Exposure to Reference Obligations through Synthetic Assets presents risks in addition to those resulting from direct purchases of the assets referenced. The Funds will have a contractual relationship only with the Synthetic Asset counterparty, and not with the issuer(s) (the “Reference Entity”) of the Reference Obligations unless a termination (in whole or in part) of the contract prior to such contract’s scheduled maturity date (in the event of a credit event) occurs with respect to any such Reference Obligation, physical settlement applies and the Synthetic Asset counterparty delivers the Reference Obligation to the Funds. Other than in the event of such delivery, the Funds generally will have no right directly to enforce compliance by the Reference Entity with the terms of any such Reference Obligation and the Funds will not have any rights of set-off against the Reference Entity. In addition, the Funds generally will not have any voting or other consensual rights of ownership with respect to the Reference Obligation. The Funds also will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation.

Where the Funds are “purchasers” of credit default protection and no credit event occurs, the Funds will lose their investment and recover nothing. However, if a credit event occurs, the Funds (as purchasers) may receive the notional value of the Reference Obligation from the Synthetic Asset counterparty even if the Reference Obligation has little or no value.

In the event of the bankruptcy or insolvency of the Synthetic Asset counterparty, the Funds will be treated as a general unsecured creditor of such counterparty, and will not have any claim of title with respect to the Reference Obligation. Consequently, the Funds will be subject to the credit risk of the Synthetic Asset counterparty, as well as that of the Reference Entity. As a result, concentrations of Synthetic Assets entered into with any one Synthetic Asset counterparty will subject the Funds to an additional degree of risk with respect to defaults by such Synthetic Asset counterparty as well as by the respective Reference Entities. Where the Funds are the purchasers of credit default protection, the Funds are exposed to the risk that the Synthetic Asset counterparty may fail to satisfy its payment obligation to the Funds following a credit event. The failure of a Synthetic Asset counterparty to perform may cause the Funds’ hedging strategies, to the extent that they involve the purchase of credit default protection, to be less effective or ineffective.

Trading Cash Commodities. The Funds may from time to time trade physical or cash commodities for immediate or deferred delivery. Such contracts may differ from each other with respect to terms such as quantity, grade, mode of shipment, terms of payment, penalties and risk of loss. There is no limit on daily price movements of cash



commodities and banks, brokerage firms, and dealers in cash commodities are not required to continue to make markets in any commodity. Lastly, the CFTC does not comprehensively regulate cash transactions, which are subject to the risk of the foregoing entities' failure, inability or refusal to perform with respect to such contract.

Equity Financial Instruments. The Funds may invest in equities and equity derivatives. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if they invest in equity instruments of issuers whose performance diverges from PointState's expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move. The Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible financial instruments or private placements, delivering marketable common stock upon conversions of convertible financial instruments and registering restricted financial instruments for public resale.

Preferred Stock. Preferred stock generally has a preference as to dividends and upon the event of liquidation over an issuer's common stock, but it ranks junior to debt securities in an issuer's capital structure. Preferred stock generally pays dividends in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock may also be subject to optional or mandatory redemption provisions.

Call Options. The Funds may incur risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*i.e.*, the writer holds the underlying financial instrument) assumes the risk of a decline in the market price of the underlying financial instrument below the purchase price of the underlying financial instrument less the premium received, and gives up the opportunity for gain on the underlying financial instrument above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying financial instrument above the exercise price of the option. The financial instruments necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing financial instruments to cover the exercise of an uncovered call option can cause the price of the financial instruments to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options. The Funds may incur risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*i.e.*, the writer has a short position in the underlying financial instrument) assumes the risk of an increase in the market price of the underlying financial instrument above the sales price (in establishing the short position) of the underlying financial instrument plus the premium received, and gives up the opportunity for gain on the underlying financial instrument if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying financial instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Unlisted Financial Instruments. Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate, or it may not be possible to liquidate, positions in unlisted securities than would be the case for publicly traded securities. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

Distressed Financial Instruments. The Funds may invest in distressed securities and obligations of U.S. and non-U.S. companies experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to the Funds, they involve a substantial degree of risk. Any one or all of the issuers of the securities and obligations in which the Funds may invest may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There can be no assurance that PointState will correctly evaluate the value of a company's assets or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Funds invest, the Funds may lose their entire investment, may be required to accept cash or securities with a value less than its original investment, and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Funds' investments may not compensate the investors adequately for the risks assumed.

Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by PointState. To the extent that PointState, on behalf of the Funds, becomes involved in such proceedings, PointState, on behalf of the Funds, may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, involvement by PointState in an issuer's reorganization proceedings could result in the imposition of restrictions limiting the Funds' ability to liquidate its position in the issuer or to hedge its exposure.

Mezzanine Loans. The investment portfolio of the Funds may include mezzanine loans. A mezzanine loan is a privately negotiated, high yield and often unsecured subordinated debt obligation of an issuer that is unrated or rated below investment grade, the payments on which obligation often contain a form of equity participation in the issuer. Mezzanine loans typically have greater credit and liquidity risk than loans and are typically less liquid than high-yield bonds. A mezzanine loan may not have any public rating from a rating agency, nor will it have been registered with any securities regulator. Certain key risks of mezzanine loans include the following:

Many of the mezzanine loans purchased by the Funds will have no, or only a limited, trading market. Illiquidity in the market for mezzanine loans may restrict the Funds' ability to dispose of investments in a timely fashion and for a fair price.

Mezzanine loans may become non-performing for a variety of reasons.

Issuers of mezzanine loans are likely to be highly leveraged and typically do not have available to them more traditional methods of financing. The risk associated with acquiring the instruments of such issuers generally is greater than is the case with investment

grade instruments of corporate issuers. The prices of mezzanine loans are likely to be more sensitive to adverse economic changes or individual corporate developments than investment grade instruments of corporate issuers. The risk of loss due to default by the issuer is significantly greater for the holders of mezzanine loans because such instruments often are unsecured and subordinated to other creditors of the issuer of such instruments. In addition, due to the subordinated nature of the mezzanine loans, the Funds' rights under, and its recovery on, the mezzanine loan may be severely limited if the issuer of the mezzanine loan becomes the subject of bankruptcy or insolvency proceedings. Furthermore, the Funds may incur additional expenses to the extent it is required to bring litigation in order to seek recovery upon a default on a mezzanine loan or participate in the restructuring of such obligation.

Bank Loans and Participations. The Funds' investment program may include significant amounts of bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws; (ii) so-called "lender liability" claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the Funds' ability to enforce its rights directly with respect to participations. In analyzing each bank loan or participation, PointState compares the relative significance of the risks against the expected benefits. Successful claims by third parties can adversely impact the Funds and their performance.

Risks Associated with Investing in Companies in Bankruptcy. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the Funds' interests. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and functional operating control of a debtor.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the Funds and is subject to unpredictable and lengthy delays. In addition, during the process, the company's competitive position may erode, key management may depart, and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. Although the Funds intend to invest primarily in debt, the debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during reorganization, and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

Investment in the debt of financially distressed companies domiciled outside of the U.S. involves additional risks. Bankruptcy law and process may differ substantially from that in the U.S., resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing, and the classification, seniority, and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

RMBS. Holders of residential mortgage-backed securities (“RMBS”) bear various risks, including credit, market, interest rate, structural and legal risks. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the mortgaged property is located, the terms of the mortgage loan, the borrower’s “equity” in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

Prepayments on the underlying residential mortgage loans backing an issue of RMBS will be influenced by the prepayment provisions of the related mortgage notes and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying residential mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. Prepayments could reduce the yield received on the related issue of RMBS. RMBS are particularly susceptible to prepayment risks, as they generally do not contain prepayment penalties and a reduction in interest rates will increase the prepayments on the RMBS, resulting in a reduction in yield to maturity for holders of such securities.

Certain mortgage loans may be of subprime credit quality (*i.e.*, do not meet the customary credit standards of Fannie Mae and Freddie Mac). As a result, delinquencies and liquidation proceedings are more likely with subprime mortgage loans than with mortgage loans that satisfy customary credit standards. The RMBS also may be backed by non-conforming mortgage loans that do not qualify for purchase by government-sponsored agencies, such as Fannie Mae and Freddie Mac, because of characteristics and size that do not satisfy Fannie Mae and Freddie Mac guidelines. The interest rates charged on non-conforming mortgage loans are often higher than those charged for conforming mortgage loans. The combination of different underwriting criteria and higher rates of interest may also lead to higher delinquency, foreclosure and losses on non-conforming mortgage loans as compared to conforming mortgage loans.

General trends in mortgage lending may have increased the sensitivity of mortgage loans to changes in economic conditions. Mortgage lenders may have loosened their credit criteria. Recent discoveries of fraudulent mortgage loan applications may indicate that the risks with respect to these mortgage loans are particularly acute. Equity contributions by borrowers required in order to obtain financing may also have decreased. In addition, borrowers may have financed their equity contributions with “piggy-back” loans, resulting in little to no equity in their homes. More mortgage loans have been made to finance investment properties, which generally have a higher tendency to become delinquent and to default than mortgage loans made to finance primary residences. These trends in the mortgage loan industry may increase the likelihood of defaults, delinquencies and losses on mortgage loan portfolios.

CMBS. The Funds may invest in CMBS. CMBS are subject to particular risks, including lack of standardized terms, shorter maturities than residential mortgage loans and payment of all or substantially all of the principal only at maturity rather than regular amortization of principal.

In addition, commercial property values and net operating income are subject to volatility, which may result in net operating income becoming insufficient to cover debt

service on the related mortgage loan. Furthermore, the net operating income from and value of any commercial property is subject to various risks, including changes in general or local economic conditions and/or specific industry segments; the solvency of the related tenants; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; acts of God; terrorist threats and attacks, social unrest and civil disturbances.

Property-specific issues with respect to the underlying mortgaged property, such as significant government regulation of a particular industry, reliance on franchise, management or operating agreements, transferability on purchase or foreclosure of related valuable assets such as liquor and other licenses and ease of conversion of a commercial property to an alternative use, will impact both risk of loss and loss severity with respect to the underlying mortgage loan pool and the CMBS. Additional risks may be presented by the type and use of a particular commercial property. Special risks are presented by nursing homes, hospitality properties and certain other property types.

At any one time, a portfolio of CMBS may be backed by commercial mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the commercial mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas.

Restricted Financial Instruments. Restricted financial instruments (*i.e.*, financial instruments that are purchased in connection with privately negotiated transactions that are not registered under relevant securities laws) cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted financial instruments can be sold only in privately negotiated transactions or pursuant to an exemption from registration (*e.g.*, under Rule 144A of the Securities Act). Corporate debt securities, mortgage-backed securities, bank loans, mezzanine investments and certain other investments that may be purchased and sold are traded in private, unregistered transactions and subject to restrictions on resale. Although these financial instruments may be resold in privately negotiated transactions, because there is less liquidity for these financial instruments, the prices realized from these sales could be less than those originally paid by the Funds. If the Funds are required to liquidate all or a portion of their portfolio quickly, the Funds may realize significantly less than the value at which it previously recorded those investments.

Convertible Securities. Convertible securities are stocks or other financial instruments 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.

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 convertible security is determined by

the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Funds are called for redemption, the Funds will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Funds' ability to achieve their investment objective.

Real Estate Risk. The value of any real estate held by the WR Funds may be affected by a number of factors including (without limitation) changes in the general economic climate, local conditions, changes in market rental rates, attractiveness and location of the relevant properties, the financial circumstances of the tenants, the liquidity of the property market and changes in operational costs (including (without limitation) the costs of maintenance and insurance).

The WR Funds may invest in a real estate asset on a passive basis, giving a third-party operating partner and/or property manager a large degree of authority and responsibility for daily management of the assets and, therefore, is in large part dependent on the ability of third parties to successfully operate the underlying real estate assets. In addition, the WR Funds will be unable to exercise sole decision-making authority and will be subject to the risk that a joint venturer or partner will act negligently or in a manner contrary to the WR Funds' best interest.

Real estate investments are not as liquid as other types of investments and this lack of liquidity may tend to limit the WR Funds' ability to react promptly to changes in economic or other conditions.

The yields available from the WR Funds' investments in real estate largely will depend on the amount of income earned and capital appreciation generated by the relevant properties as well as expenses incurred. There can be no guarantee that properties in which the WR Funds hold an interest will generate revenues sufficient to meet operating expenses.

Real property is inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to uncertainty and are a matter of opinion. The performance of the WR Funds would be adversely affected by a downturn in the property market in terms of capital value or a weakening of rental yields.

The insurance coverage applicable to real estate investments contains policy specifications and insured limits customarily carried for similar properties, business activities and markets. There may be certain losses, including losses from floods and losses from earthquakes, acts of war, acts of terrorism or riots, that are not generally insured against or

that are not generally fully insured against because it is not deemed to be economically feasible or prudent to do so.

Under various federal laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property which could be substantial.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's, prospective client's, investor's or prospective investor's evaluation of PointState's advisory business or the integrity of PointState's management.



**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**A. Broker-Dealer Registration Status.**

PointState and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

**B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.**

PointState and its management persons are not registered as, and do not have any application pending to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

**C. Material Relationships or Arrangements with Other Industry Participants.**

PointState serves as the investment manager of each PointState Fund. As noted in Item 4 (Advisory Business) above, certain affiliates of PointState (*i.e.*, the General Partner Entities) serve in a general partner capacity of certain PointState Funds. From time to time, other PointState affiliates may serve as sub-advisers to PointState in connection with certain strategies pursued by the PointState Funds. In reliance on the SEC's no action letter to the American Bar Association dated January 18, 2012, the General Partner Entities and PointState's affiliated sub-advisers are relying on PointState's registration with the SEC and are not submitting separate Forms ADV.

**D. Material Conflicts of Interest Relating to Other Investment Advisers.**

PointState does not receive compensation directly or indirectly from any other investment advisers that PointState recommends or selects for its clients, and does not have other business relationships with those advisers that create a material conflict of interest.

**ITEM 11**  
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS  
AND PERSONAL TRADING**

A. Code of Ethics.

PointState stands in a position of trust and confidence with respect to its clients, and owes those clients a fiduciary duty to place their interests before the interests of PointState, its affiliates and their respective employees (herein referred to as “PointState Personnel”). To help meet these fiduciary obligations, and consistent with SEC Rule 204-A1, PointState has adopted a Code of Ethics (the “Code”). The Code incorporates certain general principles, to which all PointState Personnel are bound; these principles include, but are not limited to, the following:

- PointState Personnel must at all times place the interests of PointState’s clients first.
- PointState Personnel must comply with the federal securities laws.
- PointState Personnel must not take any inappropriate advantage of their positions at PointState or its affiliates.
- Information concerning the identity of securities and other instruments held by, and the financial circumstances of, the PointState Funds and their investors must be handled in accordance with PointState’s strict confidentiality policies.
- Independence in the investment decision-making process must be maintained at all times.
- All PointState Personnel must adhere strictly to PointState’s Personal Securities Transaction policy, which is necessarily restrictive and conservative and is designed to avoid any actual or potential conflicts of interest or any abuse of our positions of trust and responsibility.

PointState believes these general principles not only help us fulfill our fiduciary obligations, but also instill in all PointState Personnel the firm’s commitment to honesty, integrity and professionalism. PointState Personnel are instructed that these general principles apply to all conduct, whether or not the conduct is also covered by more specific standards or procedures, and that failure to comply with the Code may result in disciplinary action, including termination of employment. All PointState Personnel are required to attend Code of Ethics training and to certify, at least annually, that they have read and understand the Code. PointState Personnel also are required to report violations of the Code, and PointState has procedures in place to address such reports as appropriate.

The following summarizes how certain topics are addressed in the Code.

*1. Restrictions on Personal Trading by PointState Personnel.*

Subject to certain limited exceptions, all PointState Personnel are prohibited from effecting securities transaction in accounts in which they have direct or indirect beneficial ownership or control.

The limited exceptions to the policy's trading restrictions fall into two categories. The first is for certain instruments, the purchase or sale of which is permitted without pre-approval; these instruments are: open-end mutual funds, municipal securities, annuities, money market instruments and obligations issued or guaranteed by the U.S. government. The second exception is for certain types of transactions that may be permitted, but only after pre-approval from PointState's General Counsel or Chief Compliance Officer. These transactions are: (a) purchase of interests in private investment partnerships; (b) purchase of equity securities in private companies (*i.e.*, entities whose securities are not publicly-traded); and (c) sales of financial instruments that the employee either (i) held at the time he or she began employment at PointState or its affiliates or (ii) received thereafter by gift or bequest. When pre-approval is sought, PointState's General Counsel and/or Chief Compliance Officer will analyze whether the investment is appropriate in light of PointState's fiduciary duty to its clients. Among other things, they may determine whether a publicly-traded security is being actively considered by PointState for the investment purposes of a client, or whether the investment would otherwise not be permissible (*e.g.*, if a private investment opportunity is one that should be offered to one or more clients ahead of, or rather than, the employee seeking to make the investment). Records are maintained of requests for pre-approval as well as whether the request was approved or denied.

In furtherance of this personal trading policy, PointState requires all PointState Personnel to disclose promptly to the Chief Compliance Officer all of their investment holdings at the time they join PointState or any of its affiliates, as well as to identify all of the brokerage accounts in which they have direct or indirect beneficial ownership or control. PointState Personnel must also provide PointState with timely records of any transactions in such accounts. PointState collects this information through an automated system that permits the Chief Compliance Officer (or a designee) to review and monitor account transaction activity regularly.

*2. Prohibition on Outside Business Pursuits.*

PointState Personnel are required to devote their full working time and attention to their professional duties and responsibilities at PointState or its applicable affiliate. As a result, PointState Personnel may not engage in outside business pursuits without prior approval from PointState's CEO and General Counsel. This prohibition extends to outside affiliations and business activities including, but not limited to: employment by any other firm or enterprise while also being employed by PointState or its applicable affiliate; serving as an officer or director of any public or private business corporation, including a family business; becoming a partner in a partnership, or establishing or continuing a sole proprietorship; serving as a paid consultant or adviser to any other firm, charitable or business enterprise (whether in exchange for compensation or not); or entering into an investment which will entail active participation in managing the investment's activities or its business.

### 3. Insider Trading and Market Manipulation.

PointState has adopted policies and procedures designed to prevent insider trading by all PointState Personnel; these policies provide, among other things, that if an employee receives information he or she believes to be material non-public information, the employee must promptly convey such information to the General Counsel or Chief Compliance Officer. The General Counsel or Chief Compliance Officer will evaluate the information and take measures, as appropriate, to prevent dissemination of material, non-public information and to restrict the trading in the relevant security by PointState and PointState Personnel. Further, PointState Personnel may not engage in any conduct intended to manipulate the price of any security or trading market.

### 4. Gifts and Entertainment.

PointState's Code also includes a policy regarding the acceptance and offer of gifts, favors, meals, special accommodations and other items of value from or to any person or entity that does or seeks to do business with or on behalf of PointState, or is in a position to secure advantages on PointState's behalf. The policy includes pre-approval and reporting procedures that must be followed by all PointState Personnel.

In furtherance of these policies, PointState has created a Gifts and Entertainment Committee that generally meets on a quarterly basis. The Committee reviews a summary of all reported gifts and business entertainment from the prior period; seeks to identify and review any patterns of provision and/or receipt of gifts and entertainment; and to determine whether any actions need to be taken under relevant PointState policies and procedures.

PointState will provide a copy of its Code of Ethics to any investor or prospective investor upon request.

### B. Securities in which PointState Personnel or a Related Person Has a Material Financial Interest.

As discussed above, with limited exceptions PointState Personnel are not permitted to invest in publicly-traded securities or most other financial instruments in any account in which they have direct or indirect beneficial ownership or control. Nonetheless, because the Code in some circumstances would permit PointState Personnel to hold certain investment positions (*e.g.*, if such positions were held at the time the employee joined the firm, or were thereafter obtained through a gift or bequest), there is a possibility that PointState may recommend to clients the purchase or sale of securities in which PointState Personnel have a financial interest. Under these limited circumstances, the investments of PointState Personnel may differ from, or be contrary to, those taken by the PointState Funds. PointState believes the significant restrictions on personal trading and extensive pre-approval procedures described above are reasonably designed to avoid conflicts of interest and to preserve PointState's ability to discharge the fiduciary duties it owes to its clients.

### C. Investing in Securities that PointState Personnel or a Related Person Recommends to Clients.

See Section B immediately above.

D. Contemporaneous Trading.

The pre-approval procedures described in Section A (Code of Ethics) above are designed to eliminate the possibility that PointState Personnel or related persons trade securities that are contemporaneously being bought or sold by PointState Funds.

## **ITEM 12**

### **BROKERAGE PRACTICES**

#### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

PointState is authorized to determine the broker or dealer to be used for each financial-instruments transaction of the PointState Funds. PointState place trades for execution for the PointState Funds with broker-dealers on the basis of seeking best execution and in consideration of relevant factors, including, but not limited to, commission rates, reliability, financial responsibility, strength of the broker and the ability of the broker to execute transactions efficiently, the broker's facilities, and the broker's provision or payment of the costs of brokerage and research services that are of benefit to the PointState Funds and PointState. PointState need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread.

If PointState concludes that the commissions charged by a broker or the spreads applied by a dealer are reasonable in relation to the quality of services rendered by such broker or dealer (including, without limitation, the value of the brokerage and research products or services provided by such broker or dealer), the PointState Funds may pay commissions to or be subject to spreads applied by such broker-dealer in an amount greater than the amount another broker-dealer might charge or apply.

In addition, prime brokers may provide other services that are beneficial to PointState, but not necessarily beneficial to the PointState Funds, including, without limitation, consulting with respect to technology, operations or equipment, and other services or items. Such services and items may influence PointState's selection of prime brokers.

PointState maintains policies and procedures to review the quality of executions, including periodic review by its investment professionals and a Best Execution Committee that meets quarterly.

#### **1. Research and Other Soft Dollar Benefits.**

Any use of commissions or "soft dollars" generated by the PointState Funds to pay for brokerage and research products or services will fall within the safe harbor created by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended.

Soft dollar items may be provided directly by brokers and dealers, by third parties at the direction of brokers and dealers or purchased on behalf of the PointState Funds with credits or rebates provided by brokers and dealers. Soft dollar items may arise from over-the-counter principal transactions, as well as exchange traded agency transactions.

Research and brokerage services obtained by the use of commissions arising from a PointState Fund's portfolio transactions may be used by PointState in its other investment activities and thus, such PointState Fund may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided with the soft dollars accumulated from such PointState Fund. PointState generally does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the PointState Fund accounts generate. Where a product or service obtained with commission

dollars provides both research and non-research assistance to the PointState Funds, PointState will make a reasonable allocation of the cost that may be paid for with commission dollars.

When PointState uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, PointState receives a benefit because it does not have to produce or pay for such products or services (to the extent such expenses are not otherwise borne by the PointState Funds directly). PointState may have an incentive to select or recommend a broker-dealer based on PointState's interest in receiving research or other products or services, rather than on the PointState Funds' interest in receiving most favorable execution.

Eligible research and brokerage services that PointState may receive in exchange for soft dollar credits include pricing data feeds; research reports on particular industries and companies; economic surveys and analyses; recommendations as to specific securities; online quotations; news and research services; financial publications; trading consoles; and other products and services providing lawful and appropriate assistance to PointState in the performance of its investment decision-making responsibilities.

PointState's Soft Dollar and Best Execution Committees meet quarterly to monitor the levels of PointState's soft dollar payments and ensure adherence to PointState's soft dollar and best execution policies. Furthermore, periodically, and at least annually, PointState conducts a process in which its investment personnel are required to evaluate the research products or services provided by broker-dealers. In this process, PointState makes both quantitative and qualitative assessments of the amount, nature and value of research and brokerage services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of the PointState Funds on the basis of those considerations.

## *2. Brokerage for Client Referrals.*

In selecting or recommending broker-dealers, PointState does not take into account whether PointState or any of its related persons has received, or may in the future receive, client referrals from such broker-dealers.

## *3. Directed Brokerage.*

PointState does not recommend, request or require that a client direct PointState to execute transactions through a specified broker-dealer.

## *B. Order Aggregation.*

If PointState determines that the purchase or sale of a security is appropriate with regard to multiple clients, PointState may, but is not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. If any order is not filled at the same price, it may be allocated on an average price basis or by another method deemed fair and equitable by PointState. Such considerations may result in allocations among the clients on other than a *pari passu* basis.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

#### **A. Frequency and Nature of Review of Client Accounts or Financial Plans.**

PointState's Chief Executive Officer, portfolio managers and research associates review the accounts of the PointState Funds, and the portfolios contained therein, on a frequent and regular basis. Such reviews include, but are not limited to, account risk and performance attribution; asset class, investment theme and individual position analysis; portfolio and individual position liquidity analysis; gross and net exposures (in the aggregate and broken down by geography, sector and asset class); market volatility and correlation analysis; and currency, commodity, credit and counterparty risk analysis.

#### **B. Factors Prompting Review of Client Accounts Other than a Periodic Review.**

A review of a client account may be triggered by any unusual activity or special circumstances.

#### **C. Content and Frequency of Account Reports to Clients.**

PointState generally provides annual audited financial statements and tax reports to its clients within 90 days of the applicable client's fiscal year end. Investors in the Domestic Fund and the Offshore Fund also receive monthly unaudited statements setting forth the investor's estimated capital account balance (with respect to the Domestic Fund) and the estimated net asset value of the investor's shares (with respect to the Offshore Fund), as well as weekly performance updates. PointState may provide an investor with information on a more frequent and detailed basis if agreed to by PointState and such investor.



**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

A. Economic Benefits for Providing Services to Clients.

PointState does not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals.

Neither PointState nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals. Any such arrangements in the future will be entered into consistent with applicable regulatory requirements, including the disclosure to the prospective client of the arrangement at the time of the solicitation. However, PointState may receive client referrals from brokers providing services to the PointState Funds. See Item 12 (Brokerage Practices) above.

## **ITEM 15 CUSTODY**

PointState is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to PointState. However, the investors of the PointState Funds will not receive statements from the qualified custodians.

PointState is subject to Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each PointState Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception," which, among other things, requires that each PointState Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each PointState Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

**ITEM 16**  
**INVESTMENT DISCRETION**

PointState's investment decisions and advice with respect to each PointState Fund are subject to each PointState Fund's investment objectives and guidelines, as set forth in such PointState Fund's offering documents and/or organizational documents.

PointState or an affiliate of PointState has entered into an investment management or similar agreement with each client, pursuant to which PointState or an affiliate of PointState has been granted discretionary trading authority.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

In compliance with Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended, PointState is committed to voting proxies in a manner that serves the best interests of the PointState Funds, as determined by PointState in its discretion. In general, PointState seeks to be a trader of securities without seeking to influence or control company operations or activities. PointState's Proxy Voting Procedures and Guidelines, therefore, generally provide that PointState will vote consistent with management proposals or recommendations, subject to any exceptions specified in PointState's Proxy Voting Procedures and Guidelines and PointState's general discretion to act in the best interests of its clients. Since PointState views proxy voting as an extension of the investment process, PointState generally will not vote proxies where PointState does not hold the position on the voting date.

#### **Procedures and Guidelines**

With respect to routine matters (such as election of directors, appointment of auditors, etc.), PointState generally will vote in favor of management proposals or recommendations, so long as this is consistent with maximizing shareholder value. With respect to non-routine matters – such as those concerning voting rights, mergers, dispositions or acquisitions, stock issuances, liquidation of the company, significant compensation proposals – while PointState generally will vote with management, PointState will ensure that the relevant portfolio manager is consulted and provides a reasoned evaluation and recommendation on how the proxy vote should be cast.

#### **Conflicts of Interest**

A potential conflict of interest may exist if PointState votes a proxy solicited by an issuer with which PointState or any PointState personnel has or had a business or personal relationship that may be affected by PointState's proxy vote. In order to resolve any potential conflict, PointState requires that prior to voting a proxy, anyone involved in the decision-making process disclose any actual, potential or appearance of conflict to PointState's General Counsel or Chief Compliance Officer.

#### **Disclosure**

Investors in PointState Funds may contact PointState in order to obtain information on how PointState voted such PointState Fund's proxies, and may request a copy of PointState's Proxy Voting Procedures and Guidelines. If an investor requests this information, PointState will prepare a written response to the investor that lists, with respect to each voted proxy about which the investor has inquired, (1) the name of the issuer, (2) the proposal voted upon and (3) how PointState voted the proxy.

**ITEM 18**  
**FINANCIAL INFORMATION**

PointState is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.

**ITEM 19**  
**REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not applicable.