



**Item 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE

SABA CAPITAL MANAGEMENT, L.P.

March 31, 2018

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This Form ADV Part 2A brochure (the "Brochure") provides information about the qualifications and business practices of Saba Capital Management, L.P. ("Saba Capital"). If you have any questions about the contents of this Brochure, please contact us at (212) 542-4635. 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.

Saba Capital is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Saba Capital also is available on the SEC's website at www.adviserinfo.sec.gov.

IMPORTANT NOTE: In this Brochure, private funds, as well as any potential future funds or accounts managed by Saba Capital, are herein referred to as “Clients” and investors who invest in Clients are referred to as “investors”. Investors are not clients of Saba Capital. This Brochure may be provided to current or prospective investors, along with such Client’s offering and governing documents, prior to or in connection with such person’s consideration or consummation of an investment in a Client. This Brochure may also subsequently be provided in Saba Capital’s discretion, annually, or at the request of an investor. Investors and other recipients should be aware that while this Brochure includes information about a Client, it is not a complete description of the terms, risks or conflicts associated with an investment in a Client. All information provided herein is as of December 31, 2017, unless specifically indicated otherwise. More complete information about each Client is included in such Client’s offering and governing documents, which may be provided to current and eligible prospective investors only by Saba Capital or another authorized party. See Item 4 “Advisory Business” for additional information. In the event of any inconsistency between the offering and governing documents of a Client and this Brochure, the offering and governing documents shall control. In no event should this Brochure be considered to be an offer of interests in a Client or relied upon in determining to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient. Rather, this Brochure is designed solely to provide information about Saba Capital for the purpose of compliance with certain obligations under the Investment Advisers Act of 1940, as amended, (the “Advisers Act”) and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in each Client’s offering and governing documents. Saba Capital will only provide the offering and governing documents to those it reasonably believes to be qualified to invest as defined by the Advisers Act, and Saba Capital has the ability to limit and restrict the investors from whom it will accept investments in the Clients in its sole discretion.

Item 2
MATERIAL CHANGES

This Brochure is being made in connection with an annual amendment and to update Saba Capital's total number of employees, RAUM, AUM, other than general updates to Saba Capital's policies and procedures. Saba Capital has provided a summary below of the key changes to this Brochure.

- Saba Capital updated its regulatory assets under management and assets under management; and
- Saba Capital updated its number of employees.

Item 3
TABLE OF CONTENTS

Item 1 COVER PAGE	1
Item 2 MATERIAL CHANGES	3
Item 3 TABLE OF CONTENTS.....	4
Item 4 ADVISORY BUSINESS	5
Item 5 FEES AND COMPENSATION	9
Item 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	12
Item 7 TYPES OF CLIENTS.....	13
Item 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS.....	14
Item 9 DISCIPLINARY INFORMATION.....	51
Item 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	52
Item 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING.....	56
Item 12 BROKERAGE PRACTICES	59
Item 13 REVIEW OF ACCOUNTS	61
Item 14 CLIENT REFERRALS AND OTHER COMPENSATION	62
Item 15 CUSTODY	63
Item 16 INVESTMENT DISCRETION	64
Item 17 VOTING CLIENT SECURITIES	65
Item 18 FINANCIAL INFORMATION.....	66

Item 4

ADVISORY BUSINESS

A. General Description of Advisory Firm

Saba Capital, a Delaware limited partnership, commenced operations in 2009 with an office in New York, New York. Saba Capital became a registered investment adviser with the SEC on August 6th, 2010 and became a registered commodity pool operator (a “CPO”) with the National Futures Association (the “NFA”) on January 7th, 2013.

Boaz Weinstein is the founder, Chief Investment Officer (“CIO”), and principal owner of Saba Capital. Additionally, Mr. Weinstein is a limited partner of Saba Capital and the managing member of Saba Capital Management GP, LLC, the general partner of Saba Capital (the “Saba Capital General Partner”). The Saba Capital General Partner has ultimate responsibility for the management, operations, and investment decisions made by Saba Capital.

B. Description of Advisory Services

Saba Capital serves as the management company with discretionary trading authority to the “Clients” (each a private pooled investment vehicle that is offered to investors on a private placement basis). The Clients include:

- Saba Capital Partners, L.P., a Delaware limited partnership (the “Domestic Flagship Fund”), Saba Capital Offshore Fund, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Offshore Flagship Fund”), Saba Capital Intermediate Fund, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Intermediate Flagship Fund”), and Saba Capital Master Fund, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Master Flagship Fund”). The Offshore Flagship Fund invests substantially all of its assets in the Intermediate Flagship Fund. The Domestic and Intermediate Flagship Funds invest substantially all of their assets in the Master Flagship Fund. The Domestic Flagship Fund, Offshore Flagship Fund, Intermediate Flagship Fund, and Master Flagship Fund are collectively referred to herein as the “Flagship Funds”.
- Saba Capital Leveraged Partners, L.P., a Delaware limited partnership (the “Domestic Leveraged Fund”), Saba Capital Leveraged Offshore Fund, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Offshore Leveraged Fund”), Saba Capital Leveraged Intermediate Fund, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Intermediate Leveraged Fund”), and Saba Capital Leveraged Master Fund, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Master Leveraged Fund”). The Offshore Leveraged Fund invests substantially all of its assets in the Intermediate Leveraged Fund. The Domestic and Intermediate Leveraged Funds invest substantially all of their assets in the Master Leveraged Fund. The Domestic Leveraged Fund, Offshore Leveraged Fund, Intermediate Leveraged Fund, and Master Leveraged Fund are collectively referred to herein as the “Leveraged Funds”.
- Saba II Aggregator Vehicle LP, a Delaware limited partnership (the “Aggregator II Vehicle”), Saba Capital Offshore Fund II, Ltd., an exempted company incorporated under

the laws of the Cayman Islands (the “Offshore II Fund”), Saba Capital Master Fund II, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Master II Fund”), and Saba II AIV LP, a Delaware limited partnership (the “AIV II Fund”). The Aggregator II Vehicle invests all or substantially all of its assets in either (i) the Offshore II Fund, which invests substantially all of its assets in the Master II Fund or (ii) the AIV II Fund. The AIV II Fund, together with the Aggregator II Vehicle, the Offshore II Fund, and the Master II Fund, are collectively referred to herein as, the “Saba II Funds”. The Master II Fund and the AIV II Fund are collectively referred to herein as the “Master II Funds”.

- Saba E Fund LLC, a Delaware series limited liability company (the “Saba E Feeder Fund”) and Saba Capital Series LLC, a Delaware series limited liability company (the “Saba E Master Fund”). The Saba E Feeder Fund invests each of its series' assets in one or more series of the Saba E Master Fund. As of the date hereof, the Saba E Master Fund has established one series. The Saba E Master Fund together with the Saba E Feeder Fund, are collectively referred to herein as, the “Saba E Funds”.
- Saba Capital Tail Hedge Partners, L.P., a Delaware limited partnership (the “Domestic Tail Hedge Fund”), Saba Capital Tail Hedge Offshore Fund, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Offshore Tail Hedge Fund”), and Saba Capital Tail Hedge Master Fund, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Tail Hedge Master Fund”). The Domestic Tail Hedge Fund and Offshore Tail Hedge Fund invest substantially all of their assets in the Tail Hedge Master Fund. The Domestic Tail Hedge Fund, Offshore Tail Hedge Fund and Tail Hedge Master Fund are collectively referred to herein as the “Tail Hedge Funds”.
- Saba Capital CEF Opportunities 1 Onshore, L.P., a Delaware limited partnership (the “Domestic CEF 1 Fund”), Saba Capital CEF Opportunities 1 Offshore, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Offshore CEF 1 Fund”), and Saba Capital CEF Opportunities 1, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “CEF 1 Master Fund”). The Domestic CEF 1 Fund and Offshore CEF 1 Fund invest substantially all of their assets in the CEF 1 Master Fund. The Domestic CEF 1 Fund, Offshore CEF 1 Fund and CEF 1 Master Fund are collectively referred to herein as the “CEF 1 Funds”.
- Saba Capital CEF Opportunities 2 Onshore, L.P., a Delaware limited partnership (the “Domestic CEF 2 Fund”), Saba Capital CEF Opportunities 2 Offshore, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Offshore CEF 2 Fund”), and Saba Capital CEF Opportunities 2, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “CEF 2 Master Fund”). The Domestic CEF 2 Fund and Offshore CEF 2 Fund invest substantially all of their assets in the CEF 2 Master Fund. The Domestic CEF 2 Fund, Offshore CEF 2 Fund and CEF 2 Master Fund are collectively referred to herein as the “CEF 2 Funds”.
- Saba Capital Index Trading Offshore, Ltd., an exempted company incorporated under the laws of the Cayman Islands (“Offshore Index Fund”) and Saba Capital Index Trading, L.P., a Delaware limited partnership (the “Index Master Fund”). The Offshore Index Fund invests substantially all of its assets in the Index Master Fund. The Offshore Index Fund and Index Master Fund are collectively referred to herein as the “Index Funds”.

Saba Capital, LLC, a Delaware limited liability company affiliated with Saba Capital (the "General Partner" or the "Special Shareholder" or the "Managing Member"), serves as (i) the general partner of the Domestic Fund, the Domestic Leveraged Fund, the Domestic Tail Hedge Fund, the Domestic CEF 1 Fund, the Domestic CEF 2 Fund, and the Index Master Fund; (ii) the special shareholder to the Intermediate Fund and the Intermediate Leveraged Fund, and (iii) the managing member to the Saba E Feeder Fund. Saba Capital II, LLC, a Delaware limited liability company affiliated with Saba Capital (the "General Partner II" or the "Special Shareholder II"), serves as the general partner to the Aggregator II Vehicle and the AIV II Fund, and as the special shareholder to the Master II Fund. The General Partner and General Partner II are collectively referred to herein as the "General Partners". The Special Shareholder and Special Shareholder II are collectively referred to herein as the "Special Shareholders".

The interests in the Domestic Fund, Domestic Leveraged Fund, Domestic Tail Hedge Fund, Domestic CEF 1 Fund, Domestic CEF 2 Fund, Index Master Fund, and Saba E Feeder Funds are offered on a private placement basis, pursuant to Section 3(c)(7) of the Company Act to persons who are "accredited investors" as defined in Regulation D of the Securities Act of 1933, as amended (the "Securities Act") and "qualified purchasers" as defined under the Company Act, and subject to certain other conditions as set forth in the respective offering memoranda.

Shares in the Offshore Flagship Fund, Offshore Leveraged Fund, Offshore Tail Hedge Fund, Offshore CEF 1 Fund, Offshore CEF 2 Fund, and Offshore Index Fund are offered on a private placement basis to persons who are not "U.S. Persons," as defined under Regulation S of the Securities Act, and U.S. tax-exempt persons who are "accredited investors" as defined in Regulation D of the Securities Act and "qualified purchasers" as defined under the Company Act, and subject to certain other conditions as set forth in the respective offering memoranda of the Offshore Flagship Fund, Offshore Leveraged Fund, Offshore Tail Hedge Fund, Offshore CEF 1 Fund, Offshore CEF 2 Fund, and Offshore Index Fund.

Saba Capital has full discretionary authority with respect to investment decisions on behalf of the Clients, and its advice with respect to the Clients is made in accordance with the investment objectives and guidelines as set forth in their respective offering memoranda. For further discussion of the investment objectives and guidelines, see Item 8.

Saba Capital serves as a sub-adviser to the Saba ETF, a series of Exchange Listed Funds Trust (the "Trust"), both registered under the Company Act. For further discussion of the investment objectives and guidelines, see Item 10.

C. Availability of Customized Services for Individual Clients

Saba Capital's investment decisions and advice with respect to each Client are subject to each Client's investment objectives and guidelines, as set forth in their offering documents.

D. Wrap Fee Programs

Not applicable.

E. Assets Under Management

As of December 31, 2017, Saba Capital had approximately \$3,734,314,732 of regulatory assets under management on a discretionary basis.

Item 5

FEES AND COMPENSATION

A. Advisory Fees and Compensation

i. Fixed Advisory Fees

The fees applicable to each Client are set forth and detailed in each of the Client's respective offering documents. A summary of those fees and compensation is provided below.

Saba Capital generally is paid an asset based fee annually on assets under management for the Clients, either monthly or quarterly in advance. The Management Fee charged to the Clients will be prorated for any capital contribution or subscription that is effective other than as of the first day of a month or quarter, as applicable, or for any withdrawal or redemption by that is effective other than as of the last business day of a month or quarter, as applicable.

In certain cases and as disclosed in Clients' offering documents, Saba Capital may, from time to time, charge an administrative fee to cover expenses during periods in which the assets of the Clients are treated as "plan assets" for purposes of ERISA (as defined below).

ii. Incentive Compensation

Saba Capital, the General Partners, or the Special Shareholders share in profits based on the performance of the assets under management for each Client pursuant to the terms of the relevant Client agreement. Generally, Saba Capital, the General Partners, or the Special Shareholders will receive a percentage of the profits generated at the end of the fiscal year for the relevant Client.

With respect to the Saba II Funds, the General Partner II shares in profits based on the performance of the assets under management pursuant to the terms of the Saba II Funds' governing documents. Generally, the General Partner II will receive a portion of profits generated, subject to the profits of the relevant class of interests exceeding certain hurdle amounts, benchmark returns and a loss carry-forward mechanism applicable to such class of interests.

Saba Capital or its affiliates reserve the right to waive or impose different fees or incentive compensation or otherwise modify the fee and incentive compensation arrangements of an existing investor with the consent of such investor. In addition, Saba Capital, the Clients, and their respective General Partners, Special Shareholders, or boards of directors reserve the right to impose different fees on future investors.

Saba Capital and its personnel may invest in one or more of the Clients. Partners, members or employees of Saba Capital and its affiliates, such person's family members and trusts or other entities established primarily for the benefit of such persons, or for charitable purposes and certain acquaintances of Saba Capital or its affiliates (or trusts or other entities established primarily for the benefit of such persons) are not charged a management fee or incentive compensation.

Any performance-based fees will be charged in accordance with Section 205 of the Advisers Act and Rule 205-3 thereunder.

B. Payment of Fees

Fees and compensation paid to Saba Capital or its affiliates by the Clients are generally deducted from the assets of such clients. As discussed above, Management Fees are generally deducted in advance on a quarterly or monthly basis and Incentive Compensation is generally deducted on an annual basis.

C. Additional Fees and Expenses

The following is a list of expenses that are charged by Saba Capital to one or more (but not necessarily all) of the Clients.

Each Client may bear its own expenses and in the case of feeder funds, their pro rata share of Client expenses, including, without limitation, the Client's investment-related expenses whether relating to investments that are consummated or unconsummated (e.g., brokerage commissions, expenses relating to short sales, trading platform and seat fees, fees and expenses of any counterparty or broker (which shall be at normal commercial rates), due diligence costs including consultant, valuation and appraisal fees, investment banking fees, sourcing or finder's fees (which may include a management fee component and/or a performance compensation component), borrowing charges on securities sold short, custodial fees and expenses,); bank service fees, regulatory expenses (including filing fees and legal expenses relating to filings attributable in whole or in part to such client, clearing and settlement charges, interest expense and investment-related travel and lodging expenses); expenses relating to proxy contest and solicitation fees and expenses; Management Fees; fees and expenses incidental to the purchase and sale of interests in, and the fees and expenses of, closed-end funds ("CEFs") in which certain Clients invest; expenses relating to software tools, programs or other technology utilized in managing the Client (including, without limitation, third-party software licensing, implementation, data management and recovery services and custom development costs); expenses relating to proxy contests, tender offers and solicitation fees and expenses; trading platform and seat fees; research-related expenses, including, without limitation, news and quotation equipment and services; fees for data and software providers; fees for other software tools including, without limitation, third-party software licensing, implementation, data management and recovery services and custom development costs; fees for risk management systems and service providers; regulatory expenses (including, without limitation, expenses relating to regulatory reporting such as consultants, software and filing fees, including such reporting made by Saba Capital with regard to the Client's portfolio or operations and expenses related to the preparation of Form PF, Form CPO-PQR, CTA-PR and any other similar expenses); fees and expenses related to compliance with the rules of any self-regulatory organization or applicable law in connection with the activities of the Client or any subsidiary, including, without limitation, any governmental regulatory licensing; fees for risk management systems and service providers; legal expenses; professional fees (including, without limitation, expenses of consultants and experts); the costs of organizing and maintaining any subsidiaries; costs relating to swaps (and similar agreements); external accounting and valuation expenses (including, without limitation, the cost of accounting software packages); auditing and tax preparation expenses (excluding external partnership accounting software); accounting expenses; costs of printing and mailing reports and notices; research and market data (including, without limitation, any computer hardware and connectivity hardware incorporated into the cost of obtaining such research and market data); administrative expenses (including, without limitation, fees and expenses of the administrator, disbursements and administration expenses (including fees for

the provision of middle-office and back-office services); directors' fees; Client-related insurance expenses (including, without limitation, premium payments of Directors' and Officers' and Errors and Omissions insurance and for Saba Capital and the General Partners liability insurance); other fees and expenses of the directors; entity-level taxes); organizational and offering expenses; management fees; incentive fees; trustees' fees; filing and registration fees; corporate licensing fees, taxes and other governmental fees; all regulatory expenses (including, without limitation, fees and expenses incurred in connection with the preparation and filing of regulatory filings); litigation-related and indemnification expenses; withholding and transfer fees; trademarks; other expenses related to the purchase, monitoring, sale, allocation, settlement, custody, valuation or transmittal of assets; the cost of fidelity bonds intended to comply with the requirements of Section 412 of ERISA, if applicable; extraordinary expenses; reasonable transactional charges; and other similar expenses. To the extent that the assets of the Client are not treated as "plan assets" for purposes of ERISA, administration expenses shall include the costs of administrative services (including, but not limited to, accounting software and certain risk systems) and certain Client-related insurance expenses shall include any insurance covering Saba Capital or its affiliates. To the extent the assets of the Client are treated as "plan assets" for purposes of ERISA, certain Clients will also bear administrative fees as described in a Client's offering memorandum. (See "Conflicts of Interest").

D. Additional Compensation and Conflicts of Interest

Neither Saba Capital 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

Saba Capital and its affiliates accept performance-based fees from every Client. As a result, Saba Capital and its affiliates do not face the conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

In the allocation of investment opportunities, performance-based compensation arrangements may also create an incentive to favor accounts from which Saba Capital may receive greater performance-based compensation over accounts from which Saba Capital may receive less performance-based compensation. Consistent with its fiduciary obligations, Saba Capital has a policy of allocating investment opportunities on a fair and equitable basis. Saba Capital's allocation guidelines are further discussed in Item 12.

Item 7
TYPES OF CLIENTS

Saba Capital provides either investment advisory or sub-advisory services to the following groups of clients:

- Private investment companies that are exempt from registration under Section 3(c)(7) of the Company Act, as described in Item 4. Interests in the Clients are offered to qualified investors in the U.S. and elsewhere on a private placement basis. Such investors may include financial institutions, individuals, investment companies or partnerships, trusts, family offices, endowments, pension funds, and others; and
- Registered Investment Companies under the U.S. Investment Company Act of 1940 (the “Investment Company Act”) for which Saba Capital serves as sub-adviser.

Item 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

The descriptions set forth in this Brochure of specific advisory services that Saba Capital offers to Clients, and investment strategies pursued and investments made by Saba Capital on behalf of its Clients, should not be understood to limit in any way Saba Capital's investment activities. Saba Capital may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that Saba Capital considers appropriate, subject to each Client's investment objectives and guidelines. The investment strategies Saba Capital pursues are speculative and entail substantial risks. Clients (and therefore, 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.

A. Methods of Analysis and Investment Strategies

The Clients are managed in accordance with the investment objectives and guidelines set forth in their respective offering documents. A summary of such investment programs is provided below (which summary is qualified in its entirety by the actual terms and conditions set forth in each Client's respective offering documents).

i. Flagship Funds

The Flagship Funds seeks to generate superior absolute returns by implementing an investment process that combines fundamental analysis, quantitative analysis and proprietary screening tools to take advantage of relative value opportunities across the capital structures of publicly traded and privately held companies. The Flagship Funds' focus is on portfolio construction and underlying trade construction with positive convexity profiles based on dislocations in the global credit markets.

Saba Capital has broad investment discretion in seeking to achieve the Flagship Funds' objectives. The Flagship Funds may invest and trade in a variety of financial instruments, including, but not limited to, public and private debt issues (such as investment and non-investment grade bonds, secured or unsecured), bank loans (secured or unsecured, funded or unfunded), public and 144A senior and subordinated debt offerings, bridge loans, private debt offerings, trade claims, convertible securities, distressed securities, mezzanine securities, vendor financing, DIP financing, collateralized obligations (such as collateralized loan obligations, collateralized debt obligations, collateralized bond obligations, residential mortgage backed securities, commercial mortgage backed securities and other asset backed securities), leases, trade claims, derivative indices (including, ABX, CMBX, CDX and iTRAXX indices), private placements, CEFs that are operated by a diversified group of closed-end fund managers ("CEF Managers"), which qualify as regulated investment companies ("RICs"), listed and unlisted common and preferred stocks and other equity-related instruments, rights, warrants, put and call options, forward contracts, when-issued securities and other derivatives, including credit default swaps ("CDS"), baskets of CDSs, total return swaps and index swaps, interest rate swaps, swaptions, futures contracts, and such other financial instruments as Saba Capital may deem appropriate from time to time. The Flagship Funds may also purchase and write options. Derivative instruments may be used for hedging as well as investment opportunities. Obligations may or may not be secured. The Flagship Funds expect to utilize leverage, and their portfolios may include both long and

short positions. The Flagship Funds invest globally, with a primary focus in the United States, Canada, Asia, the United Kingdom and Western Europe.

Saba Capital, on behalf of the Flagship Funds, may invest its excess funds in short term investments, including U.S. Government securities, money market funds, commercial paper, certificates of deposit and bankers' acceptances.

Saba Capital's investment team seeks to develop and manage a portfolio comprised primarily of long and short positions in corporate debt, equity and related derivatives and structured securities. A variety of trading strategies will be employed in order to take advantage of market opportunities. Market opportunities may include, among other things, mismatches between credit quality and bond yield, a security's price and its realizable claim, the pricing and valuation of securities within the same capital structure, the perceived richness or cheapness of a particular company's securities and the pricing of securities of one company versus another within the same industry. The investment team seeks to invest in securities and other investments that will satisfy Saba Capital's investment objectives and generally have investment horizons of one to twelve months.

ii. Saba E Funds

The Saba E Funds will generally invest in a substantially similar manner as the Flagship Funds.

iii. Leveraged Funds

The Leveraged Funds will generally invest in a substantially similar manner as the Flagship Funds, except that its notional leverage will generally be 1.25 to 1.5 times that of the Flagship Funds.

iv. Tail Hedge Funds

The Tail Hedge Master Fund seeks to provide a cost effective "tail hedge" with potentially strong absolute returns during periods of market stress and dislocation. A "tail hedge" is designed to hedge against the tail risk posed by events that, while rare, can significantly and adversely affect markets. Investors should be aware that because the Tail Hedge Master Fund is designed to provide a hedge against periods of market stress and dislocation, the Tail Hedge Master Fund is expected to incur losses during normal market conditions. To effect its investment objectives the Offshore Tail Hedge Fund and Domestic Tail Hedge Fund invests all of their investable assets in the Tail Hedge Master Fund. The Tail Hedge Master Fund invests primarily in CDS on a portfolio of low spread investment grade bonds, high yield bonds and equity puts. In addition, the Tail Hedge Master Fund may purchase other derivatives, including, but not limited to, CDS indices, CDS on bank loans ("LCDS") or sell short physical bonds and buy and sell bonds, options and equity index futures. Saba Capital believes that by using proprietary filters and blending fundamental credit analysis with trade analytics, it can effect portfolio selection strategies which will, in addition to establishing an effective tail hedge, generate alpha relative to CDX North America Investment Grade Index (CDX IG).

Saba Capital believes that there can be extended periods where spread levels of corporate bonds are not supported by the underlying company and macro fundamentals which suggest a widening of spreads is more likely than a tightening.

Saba Capital has broad investment discretion in seeking to achieve the Tail Hedge Master Fund's objectives. The Tail Hedge Master Fund may also invest and trade in a variety of financial instruments, including, but not limited to, public and private debt issues (such as investment and non-investment grade bonds, secured or unsecured), synthetic opportunities in sector indices (including, ABX, CMBX, CDX and iTRAXX indices and indices based on residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS")), listed and unlisted common and preferred stocks, equity-related instruments, rights and warrants, options on interest rates, credit and equity indices, commodities and currencies, put options, short call options, straddles, forward contracts, when-issued securities and other derivatives, including CDSs, baskets of CDSs, asset-backed securities ("ABS"), total return swaps and index swaps, interest rate swaps, swaptions, futures contracts and such other financial instruments as the Tail Hedge Master Fund may deem appropriate from time to time. The Tail Hedge Master Fund's portfolio may include both long and short positions in the foregoing securities, although the focus is on short positions. The Tail Hedge Master Fund invests globally, with a primary focus in the United States, Canada, Asia, the United Kingdom and Western Europe. The Tail Hedge Master Fund expects to utilize leverage. The Tail Hedge Master Fund may invest its excess funds in short term investments, including U.S. Government securities, money market funds, commercial paper, certificates of deposit and bankers' acceptances.

Saba Capital's investment team seeks to develop and manage a portfolio comprised primarily of short positions in corporate debt, equity and related derivatives and structured securities, although, Saba Capital may invest in long positions as well. The investment team seeks to invest in securities and other investments that will satisfy the investment objectives of the Tail Hedge Master Fund and generally have investment horizons of one to twelve months.

Investments may include derivative instruments, including CDS, options, swaps, swaptions, futures and forwards, public and 144A senior and subordinated debt offerings, convertible securities, investments in vendor financing, DIP financing, common and preferred stock, warrants and other equity-related instruments. The Tail Hedge Master Fund may also purchase and write options. Obligations may or may not be secured. Securities may be traded on exchanges or over the counter or acquired in private placements. In addition to U.S. securities, the Tail Hedge Master Fund may invest in securities and other investments issued by non-U.S. governments and companies domiciled in other countries.

The investment team's strategy emphasizes the use of analytical models and extensive fundamental research of investment opportunities employing, among other items, due diligence procedures, relative value comparisons, analysis of business and industry fundamentals as well as detailed covenant analysis. Portfolio concentrations are to be limited from the perspective of individual security size and industry concentration.

v. Master II Funds

The Master II Funds pursue two investment strategies: one substantially similar to that of the Flagship Funds and one substantially similar to that of the Tail Hedge Master Fund.

vi. CEF 1 Funds

The CEF 1 Funds seeks to generate superior absolute returns by implementing an investment process that combines fundamental analysis, quantitative analysis and proprietary screening

tools to take advantage of opportunities by investing primarily in CEFs that are operated by a diversified group of CEF Managers, which qualify as RICs.

Saba Capital has broad investment discretion in seeking to achieve the CEF 1 Master Fund's objectives. The CEFs will have the flexibility to invest in a broad range of securities.

The CEFs that the CEF 1 Funds invest in may themselves invest in equity and/or debt securities. The debt securities may range from short- to long-term maturities and may include investment grade, high-yield and/or unrated securities. Substantially all of the CEF's assets may be invested in lower-rated securities, which may include securities having the lowest rating for non-subordinated debt instruments (i.e., rated C by Moody's Investors Service or CCC+ or lower by Standard & Poor's Ratings Services and Fitch Ratings) and unrated securities of equivalent investment quality. The CEFs may also invest in mortgage-related and other asset-backed securities, loan participations, inflation-protected securities, structured securities, variable, floating, and inverse floating rate instruments and preferred stock, and may use other investment techniques. The CEFs in which the CEF 1 Funds invest may also make short sales of securities or maintain a short position. The CEF 1 Funds may invest in CEFs that are domiciled outside of the U.S. or whose securities are traded on a non-U.S. exchange.

In seeking to maximize value, the CEF 1 Funds may invest in CEFs that are, or Saba Capital believes may become, the subject of an activist campaign by a shareholder, such as a proxy contest, whose aim is to eliminate or reduce the discount to the CEF's net asset value. Such activism may be initiated by Saba Capital or by third parties.

The CEF 1 Master Fund may hedge, use borrowings or other leverage for investment purposes. The CEF 1 Master Fund may also make direct investments, without limit, in derivatives, such as options, futures, forwards, or swap agreements.

vii. CEF 2 Funds

The CEF 2 Master Fund will generally invest in a substantially similar manner as the CEF 1 Master Fund. The CEF 2 Master Fund is expected to hedge, use borrowings or other leverage for investment purposes. It is anticipated that the CEF 2 Master Fund will hedge by short selling exposures to interest rates, equity baskets and corporate bonds utilizing such instruments as Saba Capital determines to be appropriate including, without limitation, futures, options, swaps, other derivatives, ETFs and similar equity-linked futures, and by buying investment grade credit default swap indices and high yield credit default swap indices.

viii. Index Funds

The Index Master Fund seeks to generate superior absolute returns by taking advantage of short to medium term relative value opportunities in the credit derivatives index and equity futures markets. Saba Capital believes the current structure of the credit derivatives index and equity futures markets present a unique opportunity for the Index Master Fund to invest and take advantage of these opportunities.

Saba Capital has broad investment discretion in seeking to achieve the Index Master Fund's objectives. The Index Master Fund may invest and trade in a variety of instruments, including, but not limited to, CDX and iTraxx indices, equity futures, derivatives thereon and

such other financial instruments as the Index Master Fund may deem appropriate from time to time. The Index Master Fund expects to utilize leverage, and its portfolio may include both long and short positions. The Index Master Fund invests globally, with a primary focus in the United States, Canada, the United Kingdom and Western Europe.

The Index Master Fund may invest its excess funds in short term investments, including U.S. Government securities, money market funds, commercial paper, certificates of deposit and bankers' acceptances.

A variety of trading strategies will be employed in order to take advantage of credit opportunities. Credit opportunities may include, among other things, mismatches between credit indices and/or between equity futures. The investment team seeks to invest in securities and other investments that will satisfy the Index Master Fund's investment objectives and will generally have intraday investment horizons.

The Index Master Fund may also purchase and write options. In addition, derivative instruments, including credit default swaps, options, swaps, swaptions, futures and forwards may be used for hedging and as investment opportunities. Securities will be traded on exchanges or through swap execution facilities. The Index Master Fund will only engage in futures trading after satisfying any applicable regulatory requirements relating to commodity pool operators and commodity trading advisors.

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

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by Saba Capital. These risk factors include only those risks Saba Capital believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by Saba Capital.

The risks set forth herein with respect to the Clients may be applicable to other private investment funds managed by Saba Capital in the future to the extent the investment programs overlaps with that of the Clients.

An investment in a Client involves a high degree of risk, including the risk that the entire amount invested may be lost. Some Clients may invest in, and actively trade, securities and other financial instruments using a variety of strategies and investment techniques with significant risk characteristics, including the risks arising from the volatility of the fixed-income markets, the risks of short sales, the illiquidity of derivative instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that a Client's investment program will be successful, or that the Client's returns will exhibit low correlation with an investor's traditional securities portfolio. Clients may use leverage and may utilize investment techniques such as option transactions, short sales, derivatives trading and futures and forward contracts, which practices can involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which the Client's investment portfolio may be subject. Moreover, certain of the following risk factors apply to both the private fund Client and the CEFs in which the Client invests. As a result, references herein to Clients, unless otherwise indicated or required by the context, shall include the CEFs, and references herein to Saba Capital, unless otherwise indicated or required by the context, shall include the CEF managers. Prospective investors should consider the following additional factors in determining whether an investment in the Client is a suitable investment: There can

be no assurance that a Client's investment objective will be achieved or that an investor will receive a return of its capital. In addition, there will be occasions when Saba Capital and its affiliates may encounter potential conflicts of interest in connection with a Client. Prospective investors should consider the following additional factors in determining whether an investment in a Client is a suitable investment.

Highly Volatile Markets. The prices of financial instruments in which Saba Capital, on behalf of the Clients, may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Clients' assets may be invested 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 Clients are subject to the risk of failure of any of the exchanges on which its positions trade or of their clearinghouses.

Global Market Investments. Saba Capital, on behalf of the Clients, may invest in the debt or other securities and instruments of issuers located outside the United States. In addition to business uncertainties, such investments may be affected by political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such companies.

The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other. Income received by the Clients from sources within some countries may be reduced by withholding and other taxes imposed by such countries.

The Clients may be subject to additional risks which include possible adverse political and economic developments and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the securities may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. While Saba Capital will take these factors into consideration in making investment decisions for the Clients, no assurance can be given that the Clients will be able to fully avoid these risks.

In addition, economic problems in a single country are increasingly affecting other markets and economies. A continuation of this trend could adversely affect global economic conditions and world markets and, in turn, could adversely affect the Clients' performance.

Emerging Market Investments. Certain markets in which the Clients may invest may be regarded as emerging or developing markets. In emerging and developing markets, there is often less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers, counterparties and issuers than in other more established markets. Any regulatory supervision which is in place may be subject to manipulation or control. Some emerging and developing market countries do not have mature legal systems comparable to those of more developed countries. Moreover, the

process of legal and regulatory reform may not be proceeding at the same pace as market developments, which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in financial instruments may not exist or may be subject to inconsistent or arbitrary appreciation or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. The Clients may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-U.S. courts. Due to the foregoing risks and complications, the costs associated with investments in emerging market securities generally are higher than for securities of issuers based in developed countries.

Currency Risks. The Clients' investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Saba Capital may try to hedge these risks by investing directly in foreign currencies, buying and selling forward foreign currency exchange contracts and buying and selling options on foreign currencies, but there can be no assurance such strategies will be effective.

Contingent Liabilities. From time to time the Clients may incur contingent liabilities in connection with an investment. For example, the Clients may enter into agreements pursuant to which they agree to assume responsibility for default risk presented by a third-party, and may, on the other hand, enter into agreements through which third-parties offer default protection to the Clients.

Short Selling. Saba Capital, on behalf of the Clients, will engage in short sales and, with respect to certain Clients, intends to be net short. Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which Saba Capital, on behalf of the Clients, engages in short sales will depend upon Saba Capital's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Clients of buying those securities to cover the short position. There can be no assurance that the Clients will be able to maintain the ability to borrow securities sold short. In such cases, the Clients can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. It may also be impossible for the Clients to borrow securities at the most desirable time to make a short sale, particularly in illiquid securities markets.

If the prices of securities sold short increase, the Clients will likely be required to provide additional funds or collateral to maintain the short positions. This could require Saba Capital, on behalf of such Clients, to liquidate other investments to provide additional margin, and

those liquidations might not be at favorable prices. A short sale involves the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Clients of buying those securities to cover the short position or resulting in the inability of the Clients to cover the short position.

Saba Capital, on behalf of the Clients, may make "short sales against-the-box," in which it will sell short securities the Clients own or have the right to obtain without payment of additional consideration. If Saba Capital, on behalf of the Clients, makes a short sale against-the-box, the Clients will be required to set aside securities equivalent in kind and amount to the securities sold short (or securities convertible or exchangeable into those securities) and will be required to hold those securities while the short sale is outstanding. The Clients will incur transaction costs, including interest expense, in connection with opening, maintaining and closing short sales against-the-box.

Maintenance of a Short Exposure. The investment strategy utilized by certain Clients involves the purchase of CDS protection on low spread investment grade bonds, equity puts and other equity derivatives, CDS on credit indices, CDS on high yield bonds, CDS on bank loans or selling short physical bonds and equity index futures – positions which may lose value over time in the event that credit spreads narrow or are unchanged. Selling short physical bonds and purchasing CDS protection results in negative carry with respect to such positions and thus, even with credit spreads unchanged, the Tail Hedge Fund may lose value in the event that the price of the securities do not move in such a way as to offset the negative carry. In a spread tightening environment, an investor may lose all or part of its investment in certain Clients. Losses will be higher with higher leverage and tighter spreads.

Legal and Regulatory Environment for Private Investment Funds and their Managers. The legal, tax and regulatory environment worldwide for private investment funds (such as the Clients) and their managers is evolving. Changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of the Clients to pursue its investment program and the value of investments held by the Client. There has been an increase in scrutiny of the private investment fund industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Client to pursue its investment program or employ brokers and other counterparties could have a material adverse effect on the Client and the investors' investments therein. In addition, Saba Capital may, in its sole discretion, cause the appropriate Client to be subject to certain laws and regulations if it believes that an investment or business activity is in the appropriate Client's interest, even if such laws and regulations may have a detrimental effect on one or more investors.

Increased Regulatory Oversight. Increased regulation and regulatory oversight of private investment funds and their managers may impose administrative burdens on Saba Capital, including, without limitation, responding to examinations and other regulatory inquiries and implementing policies and procedures. Such administrative burdens may divert Saba Capital's time, attention and resources from portfolio management activities. Such regulatory inquiries are generally confidential in nature, may involve a review of an individual's or a firm's activities or may involve studies of the industry or industry practices, as well as the practices of a particular institution.

Narrowing Credit Spreads. With respect to the certain Clients, Saba Capital seeks to hedge against a "tail hedge" event, including the possibility that the widening of credit spreads is more likely than a tightening. If credit spreads were to narrow, it would result in an increase in the cost to certain Clients of buying securities to cover the short position or resulting in the inability of certain Clients to cover the short position.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Clients due to unusual trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which Saba Capital would otherwise recommend, to the possible detriment of the Clients. Market illiquidity or disruption could result in major losses to the Clients.

Hedging Transactions. Saba Capital, on behalf of the Clients, may utilize financial instruments, both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of the Clients' investment portfolios resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Clients' unrealized gains in the value of the Clients' investment portfolios; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Clients' portfolios; (v) hedge the interest rate or currency exchange rate on any of the Clients' liabilities or assets; (vi) protect against any increase in the price of any securities the Clients anticipate purchasing at a later date or (vii) for any other reason that Saba Capital deems appropriate.

The success of the Clients' hedging strategies will depend, in part, upon Saba Capital's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Clients' hedging strategies will also be subject to Saba Capital's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Clients than if they had not engaged in such hedging transactions. For a variety of reasons, Saba Capital may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Clients from achieving the intended hedge or expose the Clients to risk of loss. Saba Capital may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Clients' portfolio holdings.

Leverage Risks. The use of leverage will, in certain instances, enable the Clients to achieve a higher rate of return than would be otherwise possible. Leverage may take the form of, without limitation, any of the financial instruments described herein, including derivative instruments which are inherently leveraged and trading in products with embedded leverage such as options, short sales, swaps and forwards. The instruments and borrowings utilized by the Clients to leverage investments may be collateralized by the Clients' portfolios.

The use of leverage will magnify the volatility of changes in the value of the investments of the Clients. Accordingly, any event which adversely affects the value of an investment would be magnified to the extent the investment is leveraged. The cumulative effect of the use of leverage by the Clients in a market that moves adversely to their investments could result in substantial losses to the Clients, which would be greater than if the Clients were not leveraged.

While leverage increases the buying power of the Clients and presents opportunities for increasing total returns, it has the effect of potentially increasing losses as well. For example, funds borrowed for leveraging will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Clients' portfolios. Leverage will increase the investment return of the Clients if an investment purchased with or utilizing leverage earns a greater return than the cost to the Clients of such leverage. The use of leverage will decrease the investment return if the Clients fail to recover the cost of such leverage.

Portfolio Divergence. Although, other than the difference in leverage, (i) the Flagship Funds' portfolio is expected to be substantially similar to that of the Leveraged Funds', Master II Funds', and Saba E Funds', and (ii) the CEF 1 Funds' portfolio is expected to be substantially similar to that of the CEF 2 Funds' portfolio, in each case, there may be divergences between the portfolios. These divergences may result from legal, tax, accounting, regulatory, liquidity, leverage, risk management, transaction costs, investment horizon, timing of formation and other similar considerations and restrictions. Saba Capital at its sole discretion, may periodically rebalance the portfolios of the Clients, but is under no obligation to do so. Divergences in the portfolios may be material and may impact the relative performance of one Client versus another Client.

Portfolio Concentration. During the initial investment period of a Client, Saba Capital may acquire portfolio positions in quantities based on its anticipated Client assets under management in the future. Accordingly, the Client may hold more concentrated positions than it otherwise would if and when the Client reaches its target level of assets under management.

Counterparty Risk. Some of the markets in which Saba Capital, on behalf of the Clients, may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Clients to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Clients have concentrated their transactions with a single or small group of counterparties. The Clients are not restricted from dealing with any particular

counterparty or from concentrating any or all of its transactions with one counterparty. The lack of a complete and "foolproof" evaluation of the financial capabilities of the Clients' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Clients.

Counterparty Insolvency. The Clients' assets may be held in one or more accounts maintained for the Clients by counterparties, including their prime brokers. There is a risk that any of such counterparties could become insolvent. In September 2008, Lehman Brothers Holdings Inc., a major investment bank based in the United States, filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. While none of its U.S. broker-dealer subsidiaries was included in the Chapter 11 filing and all of its U.S. registered broker-dealer subsidiaries currently continue to operate, certain of Lehman Brothers subsidiaries, including Lehman Brothers International (Europe) ("LBIE") have been placed under the administration chartered to wind down their respective business. To date, it is uncertain what percentage of the assets custodied with LBIE by its trading counterparties (including hedge funds) will ultimately be recovered and when. The insolvency of the Clients' counterparties is likely to impair the operational capabilities or the assets of the Clients. Although Saba Capital regularly monitors the financial condition of the counterparties it uses, if one or more of the Clients' counterparties were to become insolvent or the subject of liquidation proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of the Clients' securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, the Clients may use counterparties located in various jurisdictions outside the United States like LBIE. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Client's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Clients and their assets. Investors should assume that the insolvency of any counterparty would result in a loss to the Clients, which could be material.

Selection of Brokers. Saba Capital may be subject to conflicts of interest relating to its selection of brokers on behalf of the Clients. Transactions for the Clients will be allocated to brokers on the basis of, among other things, best execution and in consideration of a broker's ability to effect the transactions, its facilities, reliability and financial responsibility, as well as the provision or payment by the broker of the costs of research and research-related services. In addition, brokers may provide other services that are beneficial to Saba Capital, but not necessarily beneficial to the Clients, including, without limitation, capital introduction, marketing assistance, consulting with respect to technology, operations or equipment, and other services or items. Such services and items may influence Saba Capital's selection of brokers.

Cybersecurity Risk. As part of its business, Saba Capital processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Clients and personally identifiable information of the investor. Similarly, service providers of Saba Capital and the Clients, especially the administrator, may process, store and

transmit such information. Saba Capital has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to Saba Capital may be susceptible to compromise, leading to a breach of Saba Capital's network. Saba Capital's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services that may be provided by Saba Capital to the investors may also be susceptible to compromise. Breach of Saba Capital's information systems may cause information relating to the transactions of the Clients and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed.

The service providers of Saba Capital and the Clients are subject to the same electronic information security threats as Saba Capital. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Clients and personally identifiable information of the investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of Saba Capital's or the Clients' proprietary information may cause Saba Capital or the Clients to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Clients and the investors' investments therein.

Dependence on Service Providers. Clients are also dependent upon their counterparties and the businesses that are not controlled by Saba Capital that provide services to the Clients. Examples of service providers include the administrator, prime brokers, legal counsel and auditors. Errors are inherent in the business and operations of any business, and although Saba Capital will adopt measures to prevent and detect errors by, and misconduct of, counterparties and service providers, and transact with counterparties and service providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct could have a material adverse effect on the Client and the investors' investments therein.

Limitation of Liability of Service Providers. Investors should note that the day-to-day operation of the Clients has been delegated to Saba Capital and the administrator, and that the agreements in place between the Clients and such service providers limit the extent to which those service providers will be liable for losses caused to the Client. Accordingly, it is possible that the Clients may incur a loss through the errors or omissions of a service provider, but will be unable to obtain redress from that service provider due to the limited liability provisions in the relevant agreement.

Side Letters / Access to Information. The Client, by consent of the Board of Directors and/or the General Partner, in consultation with Saba Capital, may from time to time, to the fullest extent permitted by its governing documents and applicable law, seek to induce investment in the Client by offering investment terms to certain prospective investors which are not available to existing investors in the Client. In such cases the parties will enter into a written side arrangement varying the standard terms of offer herein. Such variations may

include, without limitation but as permitted by its governing documents and applicable law, variations to minimum investment, redemptions and fees, the right to receive reports from the Client on a more frequent basis or the right to receive reports that include information not provided to other investors and such other rights as may be negotiated with such investors, with the effect that not all investors in the Client will invest on the same terms and some investors may be expected to enjoy more favorable terms than others. As a result, should the Client experience a decline in performance over a period of time, an investor who is a party to a side letter that permits different redemption terms may be able to redeem prior to other investors.

In addition, in response to questions and requests and in connection with due diligence meetings and other communications, Saba Capital may provide additional information to investors and prospective investors in other Clients that is not distributed to all investors. Such information may affect a prospective investor's decision to invest (or to remain invested) in the Clients, and investors in other Clients (which may include personnel and affiliates of Saba Capital) may be able to act on such additional information and withdraw their investments potentially at higher values than other investors. Any such withdrawals may result in reduced liquidity for other investors.

Affiliate Investors. Certain affiliates of Saba Capital may be substantial investors in the Clients (“Affiliate Investors”). As a result of their investment and affiliation with Saba Capital, such investors may receive additional benefits including, but not limited to, a reduced obligation with respect to compensation otherwise payable or allocable, as the case may be, to Saba Capital and/or the General Partner. In addition, as a result of their affiliation with Saba Capital, such Affiliate Investors may have access to more information than other investors, including access to certain operations of Saba Capital, and accordingly would be in a position to time the redemption of their shares in the funds or withdrawal from the Clients ahead of other investors based on such information. Such Affiliate Investors may be issued a separate class of their shares.

Possible Adverse Effects of Substantial Redemptions. Actions taken to meet substantial redemption requests from the private fund could result in a decrease in the value of investments held by the Client. In addition, in the event that there are substantial redemptions from the private fund, Saba Capital may find it difficult to adjust its asset allocation and trading strategies to the suddenly reduced amount of assets under management. Under such circumstances, in order to provide funds to pay redemptions, Saba Capital may be required to liquidate positions of the Client at an inappropriate time or on unfavorable terms, resulting in lower net assets for the remaining investors and a lower redemption price for the redeeming investors. The General Partner or board of directors may elect to cause the redemption of all investor shares and liquidate the Client at any time if, in its view, continued operation of the Client would be impracticable or imprudent for any reason, including if the amount of the Client's assets declines to a significant extent.

Investment and Due Diligence Process. Before making investments, Saba Capital will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, Saba Capital may be required to evaluate important and complex business, financial, tax, accounting and legal issues. When conducting due diligence and making an assessment regarding an investment, Saba Capital will rely on the resources reasonably available to it, which in some circumstances, whether or not known to Saba Capital at the time, may not be sufficient,

accurate, complete or reliable. The due diligence process may at times be subjective and/or limited with respect to newly organized funds or companies for which only limited information is available. Due diligence may not reveal or highlight matters that could have material adverse effect on the value of an investment.

Limited Liquidity. An investment provides limited liquidity since the shares in a private fund are not freely transferable and, generally, an investor has the right to redeem their shares only as described in the private fund's offering documents. A Client may invest a portion of its assets in financial instruments that are not publicly traded or that have become illiquid. The Client may not be able to readily dispose of such non-publicly traded financial instruments and, in some cases, may be contractually prohibited from disposing of such securities for a specified period of time. Accordingly, the Client may be forced to sell its more liquid positions at a disadvantageous time, resulting in a greater percentage of the portfolio consisting of illiquid securities and/or assets. The private fund may also suspend the redemption rights of an investor. An investment in the private fund is suitable only for sophisticated investors who do not require immediate liquidity for their investment.

Regulation in the Derivatives Industry. There are many rules related to derivatives that may negatively impact the Client, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared over-the-counter ("OTC") instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps, are also subject to extensive business conduct standards, additional "know your counterparty" obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of Saba Capital and the Clients, and increase the amount of time that Saba Capital spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the Clients.

These rules are operationally and technologically burdensome for Saba Capital and the Client. These compliance obligations require employee training and use of technology, and there are operational risks borne by the Client in implementing procedures to comply with many of these additional obligations.

These regulations may also result in the Client forgoing the use of certain trading counterparties (such as broker-dealers and futures commission merchants ("FCMs")), as the use of other parties may be more efficient for the Client from a regulatory perspective. However, this could limit the Client's trading activities, create losses, preclude the Client from engaging in certain transactions or prevent the Client from trading at optimal rates and terms.

Many of these requirements were implemented pursuant to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the EU Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (known as the European Market Infrastructure Regulation, or "EMIR") and similar regulations globally. In the United States, the Dodd-Frank Act divides the regulatory responsibility for derivatives between the SEC and the CFTC, a distinction that does not exist in any other jurisdiction. The SEC has regulatory authority over "security-based swaps" and the CFTC has regulatory authority over "swaps". EMIR is being implemented in phases through the adoption of delegated acts by the European Commission. As a result of the SEC and CFTC bifurcation and the different pace at

which the SEC, the CFTC, the European Commission and other international regulators have promulgated necessary regulations, different transactions are subject to different levels of regulation. Though many rules and regulations have been finalized, there are others, particularly SEC regulations with respect to security-based swaps and EMIR regulations, that are still in the proposal stage or are expected to be introduced in the future.

The following describes derivatives regulations that may have the most significant impact on the Client:

Reporting. Most swap transactions have become subject to anonymous "real time reporting" requirements, meaning that information relating to transactions entered into by the Client will become visible to the market in ways that may impair the Client's ability to enter into additional transactions at comparable prices or could enable competitors to "front run" or replicate the Client's strategies.

Central Clearing. In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives are underway to require certain derivatives to be cleared through central clearinghouses. In the United States, clearing requirements have been implemented as part of the Dodd-Frank Act. The CFTC imposed its first clearing mandate on December 13, 2012 affecting certain interest rate and credit default swaps. The CFTC and the SEC may introduce clearing requirements for additional classes of derivatives in the future. EMIR also requires OTC derivatives contracts meeting specific criteria to be cleared through central counterparties.

While such clearing requirements may be beneficial for the Client in many respects (for instance, they may reduce the counterparty risk to the dealers to which the Client would be exposed under non-cleared derivatives), the Client could be exposed to new risks, such as the risk that an increasing percentage of derivatives will be required to be standardized and/or cleared through central clearinghouses, and, as a result, the Client may not be able to hedge its risks or express an investment view as well as it would have been able to had it used customizable derivatives available in the over-the-counter markets. The Client may have to split its derivatives portfolio between centrally cleared and over-the-counter derivatives, which may result in operational inefficiencies and an inability to offset risk between centrally cleared and over-the counter positions, and which could lead to increased costs.

Another risk is that the Client may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the Client's FCM and the clearinghouse. Virtually all margin models utilized by the clearinghouses are dynamic, meaning that unlike traditional bilateral swap contracts where the amount of initial margin posted on the contract is typically static throughout of the life of the contract, the amount of the initial margin that is required to be posted in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses and the fact that the margin models might be changed at any time may subject the Client to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect on the Client. Clearinghouses also limit collateral that they will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require the Client to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to the Client. In addition, clearinghouses may not allow the Client to portfolio-margin its positions, which may increase the Client's costs.

Although standardized clearing for derivatives is intended to reduce counterparty risk (for instance, it may reduce the counterparty risk to the dealers to which the Client would have been exposed under OTC derivatives), it does not eliminate risk. Derivatives clearing may also lead to concentration of counterparty risk, namely in the clearinghouse and the Client's FCM, subjecting the Client to the risk that the assets of the FCM are insufficient to satisfy all of the FCM's payment obligations, leading to a payment default. The failure of a clearinghouse or FCM could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on FCMs during a financial crisis, which could lead FCMs to default and thus worsen the crisis.

Swap Execution Facilities. In addition to the central clearing requirement, certain swap transactions are required to trade on regulated electronic platforms such as swap execution facilities ("SEFs"), which require the Client to subject itself to regulation by these venues and subject the Client to the jurisdiction of the CFTC.

The EU regulatory framework governing derivatives is set not only by EMIR but also a legislative package known as a recast of the Markets in Financial Instruments Directive ("MiFID II"). Among other things, MiFID II requires transactions in derivatives to be executed on regulated trading venues. The SEC has yet to finalize rules related to security-based swap execution facilities.

It is not clear whether these trading venues will benefit or impede liquidity, or how they will fare in times of market stress. Trading on these trading venues may increase the pricing discrepancy between assets and their hedges as products may not be able to be executed simultaneously, therefore increasing basis risk. It may also become relatively expensive for the Client to obtain tailored swap products to hedge particular risks in its portfolio due to higher collateral requirements on bilateral transactions as a result of these regulations.

Margin Requirements for Non-Cleared Swaps. Rules issued by U.S., EU and other regulators globally (the "Margin Rules") impose various margin requirements on all swaps that are not centrally cleared, including the establishment of minimum amounts of initial margin that must be posted, and, in some cases, the mandatory segregation of initial margin with a third-party custodian. Although the Margin Rules are intended to increase the stability of the derivatives market, the overall amount of margin that the Client will be required to post to swap counterparties may increase by a material amount, and as a result the Client may not be able to deploy capital as effectively. Additionally, to the extent the Client is required to segregate initial margin with a third party custodian, additional costs will be incurred by the Client.

Systemic Risk. Credit risk may arise through a default by or because of one of several large institutions that are dependent on one another to meet their liquidity or operational needs. A default by or because of one institution may cause a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which the Client interacts. A systemic failure could have material adverse consequences on the Client and on the markets for the securities in which the Client seeks to invest.

Counterparty Risk. The Client expects to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Client to trade in any variety of markets or asset classes over time. However, there can be no assurance that the

Client will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Client's trading activities, create losses, preclude the Client from engaging in certain transactions or prevent the Client from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the Client's business due to the Client's reliance on such counterparties.

The Client may effect transactions in the "over-the-counter" or "OTC" derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, the Client enters into a contract directly with dealer counterparties which may expose the Client to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). In addition, the Client may have a concentrated risk in a particular counterparty, which may mean that if such counterparty were to become insolvent or have a liquidity problem, losses would be greater than if the Client had entered into contracts with multiple counterparties. Certain OTC derivative contracts require that the Client post collateral.

If there is a default by a counterparty, the Client under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the Net Asset Value of the Client being less than if the Client had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Client's securities from such counterparty or the payment of claims therefor may be significantly delayed and the Client may recover substantially less than the full value of the securities entrusted to such counterparty. In addition, there are a number of proposed rules that, if they were to go into effect, may impact the laws that apply to insolvency proceeding and may impact whether the Client may terminate its agreement with an insolvent counterparty.

Collateral that the Client posts to its counterparties that is not segregated with a third party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, the Client may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, the Client may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to the Client's assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on the Client and its assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering the Client's securities from or the payment of claims therefor by such counterparty and a loss to the Client, which could be material.

Brexit. The United Kingdom has notified the European Council of its intention to withdraw from the European Union. The ongoing withdrawal process could cause an extended period of uncertainty and market volatility, not just in the United Kingdom but throughout the European Union, the European Economic Area and globally. It is not possible to ascertain the precise impact these events may have on the Client or Saba Capital from an economic, financial or regulatory perspective but any such impact could have material consequences for the Client.

MiFID II. The package of European Union market infrastructure reforms known as "MiFID II" in effect from January 3, 2018, is expected to have a significant impact on the European capital markets.

MiFID II increases regulation of trading platforms and firms providing investment services in the European Union. Among its many market infrastructure reforms, MiFID II has brought in: (i) significant changes to pre- and post-trade transparency obligations applicable to financial instruments admitted to trading on EU trading venues (including a new transparency regime for non-equity financial instruments); (ii) an obligation to execute transactions in shares and derivatives on an EU regulated trading venue; and (iii) a new focus on regulation of algorithmic and high frequency trading. These reforms may lead to a reduction in liquidity in certain financial instruments, as some of the sources of liquidity exit European markets, and may result in significant increases in transaction costs.

Other regulatory changes, such as an increase in the scope of commodities and commodity derivatives regulation, including position limits and position management powers could similarly lead to liquidity reduction and/or an increase in costs and spreads in the European commodities markets.

Although the full impact of these reforms is difficult to assess at present, it is possible that the resulting changes in the available trading liquidity options and increases in transactional costs may have an adverse effect on the ability of Saba Capital to execute the investment program.

Limited Operating History. Each Client, the General Partners, and Saba Capital have a limited operating history upon which prospective and current investors can evaluate their anticipated performance. The investment professionals of Saba Capital have been using investment strategies similar to the investment strategies described herein for several years. However, there can be no assurance that the Client or Saba Capital will achieve results comparable to those that the investment professionals have achieved in the past.

C. Risks Associated With Particular Types of Securities

Debt Securities Generally. Saba Capital, on behalf of the Clients, expects to invest in private and government debt securities and instruments. Saba Capital, on behalf of the Clients, may invest in debt instruments that are unrated, and whether or not rated, the debt instruments may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions.

Distressed Securities. Saba Capital, on behalf of the Clients, may invest in "below investment grade" securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. It is anticipated that certain debt instruments purchased by Saba Capital for the Clients will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the loans. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Clients' investments in any instrument, and a significant portion of the obligations and securities in which the Clients invest may be less than investment grade. 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 is no assurance that Saba Capital will correctly evaluate the value of the assets underlying the Clients' investments or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Clients invest, the Clients may lose its entire investment, may be required to accept cash or securities with a value less than the Clients' original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Clients' investments may not compensate the investors adequately for the risks assumed.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Client of the security in respect to which such distribution was made.

In certain transactions, the Clients may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

High Yield Securities. Saba Capital, on behalf of the Clients, may invest in bonds or other fixed income securities, including without limitation "higher yielding" (including non-investment grade) debt securities. Such securities are generally not exchange traded and, as a result, these financial instruments trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. In addition, Saba Capital, on behalf of the Clients, may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with

such investments. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. High yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. High yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High yield securities may also not be protected by financial covenants or limitations on additional indebtedness.

The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

Bank Loans. The Clients' investment programs may include investments in significant amounts of bank loans and participations. These obligations are subject to unique risks, including, without limitation: (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 ability of the Clients to directly enforce their rights with respect to participations. In analyzing each bank loan or participation, Saba Capital attempts to compare the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the Clients.

Second Lien Loans. Saba Capital, on behalf of the Clients, may invest in loans that are secured by a second lien on assets. Second lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second lien loans in adverse economic circumstances. In addition, second lien loan products are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy which can materially affect recoveries. While there is broad market acceptance of some second lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second lien loan products. This variation in key intercreditor terms may result in dissimilar recoveries across otherwise similarly situated second lien loans in insolvency or distressed situations. While uncertainty of recovery in an insolvency or distressed situation is inherent in all debt instruments, second lien loan products carry more risks than certain other debt products.

In August 2007, the market for many loan products, including second lien loans, contracted significantly which made virtually all leveraged loan products, particularly second lien loan products, less liquid or illiquid. Many participants ceased underwriting and purchasing certain second lien loan products. Such illiquidity may continue to persist with respect to loans, and

second lien loans in particular, and the depth of the market for second lien loans may contract further.

Bankruptcy Claims. Saba Capital, on behalf of the Clients, may invest in bankruptcy claims which are amounts owed to creditors of companies in financial difficulty. Bankruptcy claims are illiquid and generally do not pay interest and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated by U.S. securities laws or the SEC. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, under certain circumstances, payments and distributions may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

Equitable Subordination. Under common law principles that in some cases form the basis for lender liability claims, if a lender (a) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). Saba Capital, on behalf of the Clients, does not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine; however, because of the nature of the debt obligations, the Clients may be subject to claims from creditors of an obligor that debt obligations of such obligor which are held by the issuer should be equitably subordinated.

Credit Default Swaps. Saba Capital, on behalf of the Clients, may invest in credit default swaps. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. In essence, an institution which owns corporate debt instruments can purchase a limited form of default protection by entering into a credit default swap with another bank, broker-dealer or financial intermediary. Upon an event of default, the swap may be terminated in one of two ways: (i) by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value, or (ii) by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference security less the price at which the reference security trades subsequent to default. The first way is the more common form of credit default swap termination.

In the manner described above, credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. Credit default swaps can be used to implement Saba Capital's view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, the Clients may sell credit default protection in which they receive a premium to take on the risk. In such an instance, the obligation of the Clients to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Clients may also "purchase" credit default protection even in the case in which they do not own the referenced instrument if, in the judgment of Saba Capital, there is a high likelihood of credit deterioration.

The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Yield curve, among other factors. As such, there are many factors upon which market participants may have divergent views. Saba Capital may also enter into credit default swap transactions, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

Index or Index Options. Saba Capital, on behalf of the Clients, may also purchase and sell indices as well as call and put options on indices, whether or not stock indices listed on securities exchanges or traded in the over-the-counter market. An index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular instrument, whether the Clients will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the instrument market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular instruments.

Collateralized Debt Obligations. Saba Capital, on behalf of the Clients, may invest in CDOs and similar structured debt products (collectively, "CDO Securities"). CDO Securities in which the Clients invest will be backed by certain fixed income securities, such as asset-backed securities, CDO Securities, corporate leveraged loans, credit default swaps and other derivatives. CDO Securities are instruments representing interests in pools, the underlying asset classes of which include bonds, debentures, syndicated loans, and private placement debt and are limited-recourse obligations of the issuer thereof payable solely from the underlying securities in the portfolio of such issuer. CDO Securities are subject to various risks including the following credit, liquidity, interest rate and other risks:

(i) *Limited Diversification.* CDOs may invest in concentrated portfolios of assets. The concentration of an underlying portfolio in any one obligor would subject the holder of the related CDO Securities to a greater degree of risk with respect to defaults by such obligor and the concentration of a portfolio in any one industry would subject the holder of the related CDOs to a greater degree of risk with respect to economic downturns relating to such industry or region.

(ii) *Leverage Risk.* The Clients' investments in CDOs involve significant leverage. Leverage is embedded in all classes of a CDO other than the most senior tranche. While the leverage presents opportunities for increasing the Clients' total returns, it has the effect of potentially increasing losses as well.

(iii) *Risks of Investment Focus.* The value of the CDO Securities owned by the Clients generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO ("CDO Collateral"), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

(iv) *Interest Rate Mismatch.* CDOs are subject to significant interest rate risk. Some of the CDO Collateral of an issuer of a CDO bears interest at a fixed rate, while the CDO Security typically bears interest at a floating rate. As a result, there could be a floating/fixed rate mismatch between such CDO Security and the CDO Collateral.

(v) *Lower Credit Quality Securities.* There are no restrictions on the credit quality of the investments of the Clients. CDO Securities in which the Clients may invest may be deemed by rating agencies to have substantial vulnerability to default in payment of interest and/or principal. In general, the ratings of nationally recognized rating organizations represent the opinions of such agencies as to the quality of securities that they rate. Such ratings are relative and subjective; they are not guarantees of performance or absolute standards of credit quality and do not evaluate the market value risk of the securities. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events.

(vi) *Liquidity of Markets.* At times, the fixed income markets have in the past experienced significant falloffs in liquidity. While such events may sometimes be attributable to changes in interest rates or other factors, the cause is not always apparent. During such periods of market illiquidity, a CDO may not be able to sell assets in its portfolio or may only be able to do so at unfavorable prices. Such "liquidity risk" could adversely impact the value of the Clients' portfolios, and may be difficult or impossible to hedge against.

Risks Associated with Residential Mortgage-Backed Securities. Saba Capital, on behalf of the Clients, may invest in RMBS. Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represents interests in pools of residential mortgage loans secured by one- to four-family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The rate of defaults and losses on residential mortgages will be affected by a number of factors, including general economic conditions, conditions in the area where the mortgaged property is located, 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 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. Residential mortgage loans may be more susceptible to geographic risks relating to an area in which the collateral is concentrated, such as adverse economic conditions, adverse events affecting industries located in such area and natural hazards affecting such area, than would be the case for a pool of mortgage loans having more diverse property locations.

Residential mortgage loans in an issue of RMBS may be subject to various federal and state laws, public policies and principles of equity that protect consumers which, among other things, may regulate interest rates and other fees, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Violation of such laws, public policies and principles may limit the servicer's ability to collect all or part of the principal or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could also result in cash flow delays and losses on the related issue of RMBS.

It is not expected that RMBS will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

Risks Associated with Commercial Mortgage-Backed Securities. Saba Capital, on behalf of the Clients, may invest in CMBS and other mortgage-backed securities, including subordinated tranches of such securities. The value of CMBS will be influenced by factors affecting the value of the underlying real estate portfolio, and by the terms and payment histories of such CMBS.

Some or all of the CMBS contemplated to be acquired by the Clients may not be rated, or may be rated lower than investment-grade securities, by one or more nationally recognized statistical rating organizations. Lower-rated or unrated CMBS, so-called "B-pieces," in which the Clients intend to invest have speculative characteristics and can involve substantial financial risks as a result. The prices of lower credit quality securities have been found to be less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic or real estate market conditions or individual issuer concerns. Securities rated lower than "B" by rating organizations may be regarded as having extremely poor prospects of attaining any real investment standing and may be in default. Existing credit support and the owner's equity in the property may be insufficient to protect the Clients from loss.

The Clients may acquire subordinated tranches of CMBS issuances. In general, subordinated tranches of CMBS are entitled to receive repayment of principal only after all principal payments have been made on more senior tranches and have subordinated rights as to receipt of interest distributions. Such subordinated tranches are subject to a greater risk of nonpayment than senior tranches of CMBS or CMBS backed by third-party credit enhancement. As investors in subordinated CMBS, the Clients will be first among debt holders to bear the risk of loss from delinquencies and defaults experienced on the collateral. In addition, an active secondary market for such subordinated securities is not as well developed as the market for other mortgage-backed securities. Accordingly, such subordinated CMBS may have limited marketability and there can be no assurance that a more efficient secondary market will develop.

The value of CMBS and other mortgage-backed securities in which the Clients may invest generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise the value of such securities will decline. In addition, to the extent that the mortgage loans which underlie specific mortgage-backed securities are prepayable, the value of such mortgage securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline. Typically, commercial mortgage loans are not prepayable or are subject to prepayment penalties or interest rate adjustments while most residential mortgage loans may be prepaid at any time without penalty.

ABS. Asset-backed securities ("ABS") use trusts and special purpose corporations to securitize various types of assets, primarily automobile and credit card receivables. Saba Capital, on behalf of the Clients, may invest, either directly or indirectly, through CDOs, in these and other types of ABS that may be developed in the future.

ABS present certain risks that are not presented by mortgage-backed securities. Primarily, these financial instruments do not have the benefit of security interest in collateral. Credit

card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related ABS. In addition, because of the large number of entities involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABS may not have a proper security interest in all of the obligations backing such ABS. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. As with mortgage-backed securities, ABS are often backed by a pool of assets representing the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

Illiquid Investments. Clients may invest in securities, bank debt and other claims, and other assets, which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and Clients may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Clients 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. An investment in the private funds is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

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

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market

value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a 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 Clients is called for redemption, the Clients 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 Clients' ability to achieve their investment objective.

Valuation. Securities which Saba Capital believes are fundamentally undervalued or overvalued may not ultimately be valued in the capital markets at prices and/or within the time frame Saba Capital anticipates. In particular, purchasing securities at prices which Saba Capital believes to be distressed or below fair value is no guarantee that the price of such securities will not decline even further.

Closed-End Funds. Clients may invest in CEFs that are operated by a diversified group of CEF Managers. To the extent that such CEFs invest in financial instruments similar to those invested in by the Clients, the risk factors that are set forth herein with respect to such instruments, will also apply to the CEFs in which the Clients invest, and thus indirectly apply to the Client private fund.

Clients' investments in CEFs may generate dividend income that may be subject to withholding by the withholding agent. Clients may be entitled to a refund of all or a portion of the withheld amounts. In the event an investor redeems all or a portion of its shares prior to the Clients' receipt of any tax refund, such redeeming investors will not receive any portion of such refund in respect of its redeemed shares.

Clients' Investments in CEFs.

Risks Relating to Underlying CEF Managers. CEF Managers are subject to various risks, including, but not limited to, operational risks such as the ability to provide the adequate operating environment for a CEF such as back office functions, trade processing, accounting, administration, risk management, valuation services and reporting. CEF Managers may also face competition from other investment managers, which may be more established and have larger capital bases and have larger numbers of qualified management and technical personnel. Additionally, certain CEF Managers may pursue over time different investment strategies which may limit certain Clients' abilities to assess a CEF Manager's ability to achieve its long-term investment objective. Furthermore, a CEF Manager may face

additional risks as the assets of a CEF increase over time. In such instances, a CEF Manager may not be able to handle properly the operating volumes of a CEF with an increased capital basis. Also, a CEF Manager may be unable to manage a CEF's increased assets effectively because it may be unable to maintain such CEF's current investment strategy or find the types of investments better suited for a CEF with an increased capital basis.

Independent CEF Managers. CEF Managers generally invest wholly independently of one another and may at times hold economically offsetting positions. To the extent that such CEF Managers do, in fact, hold offsetting positions, certain Clients, considered as a whole, may not achieve any gains or losses despite incurring investment expenses, including, without limitation, performance-based compensation. In addition, there may often be times when a particular CEF Manager may receive performance-based compensation in respect of certain Clients' investments for a period even though certain Clients' overall portfolios depreciated during such period. Some CEF 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 CEFs managed by such CEF Managers. In addition, although Saba Capital receives detailed information from each CEF Manager regarding its investment performance and investment strategy, Saba Capital may have little or no means of independently verifying this information. A CEF Manager may use proprietary investment strategies that are not fully disclosed to Saba Capital, which may involve risks that are not anticipated by Saba Capital.

Misconduct of Bad Judgment of CEF Managers and Their Service Providers. Misconduct by employees of CEF Managers or by third-party service providers of such CEFs could cause losses to certain Clients. Employee misconduct may include binding a CEF to transactions that exceed authorized limits or present unacceptable risks and unauthorized trading activities or concealing unsuccessful trading activities (which, in either case, may result in unknown and unmanaged risks or losses) or other fraud. Losses could also result from actions by third-party service providers, including, without limitation, failing to recognize trades and misappropriating assets. Although Saba Capital will seek to monitor CEF Managers and their CEFs, such measures may not be effective in all cases in detecting fraud or misconduct.

In addition, certain Clients will still face the risk of CEF Manager misrepresentation, material strategy alteration or poor judgment. Although CEF Managers are required to adhere to the offering documents for the respective funds, Saba Capital cannot control the investments made by a CEF Manager. Saba Capital's sole remedy in the event of a deviation by a CEF Manager from its offering documents (such as in the case of "style drift") may be to cause certain Clients to withdraw capital from a CEF Manager's fund, subject to any applicable withdrawal restrictions.

Style Drift. Saba Capital relies primarily on information provided by CEF Managers in assessing a CEF Manager's defined investment strategy, the underlying risks of such a strategy and, ultimately, determining whether, and to what extent, it will allocate certain Clients' assets to particular CEF Managers. "Style drift" is the risk that a CEF Manager may deviate from his or her stated or expected investment strategy. Style drift can occur abruptly if a CEF Manager believes it has identified an investment opportunity for higher returns from a different approach (and the manager disposes of an interest quickly to pursue this approach) or it can occur gradually, such as if, for instance, a "value"-oriented CEF Manager gradually increases a CEF's investments in "growth" stocks. Style drift can also occur if a CEF Manager focuses on factors it had deemed immaterial in its offering documents—such as

particular statistical information or returns relative to certain benchmarks. Additionally, style drift may result in a manager pursuing investment opportunities in an area in which it has a competitive disadvantage or is outside the manager's area of expertise (e.g., a large-cap manager focusing on small-cap investment opportunities). Moreover, style drift poses a particular risk for multiple-manager structures since, as a consequence, certain Clients may be exposed to particular markets or strategies to a greater extent than was anticipated by Saba Capital when it assessed the portfolio's risk-return characteristics and allocated assets to a CEF Manager (and which may, in turn, result in overlapping investment strategies among various CEF Managers).

Payment of Redemption Proceeds Prior to the Receipt of Tax Refunds. As a result of potential withholding by the withholding agent with respect to the underlying CEFs, the Client may be entitled to a refund of all or a portion of the taxes withheld. Such tax refunds are generally received by the Client in the year following the year in which the withholding occurred. In the event an investor redeems prior to the Client's receipt of any tax refund, the redeeming investor will receive its estimated and accrued pro rata share of such refund based on the value of such tax refund (as calculated in accordance with accounting rules). The amount of the refunds received may be more or less than the value of such refunds. In the event that the amount of tax refunds received by the Client are less than valued, the Client will not seek reimbursement from any redeemed investor and in the event that the amount of tax refunds received by the Client are more than valued, the Client will not pay additional amounts to any redeemed investor. As a result, a redeeming investor may be positively or negatively affected by the amount of tax refunds actually received by the Client. To the extent that the amounts of tax refunds received by the Client are less than valued, the outstanding shares will be adversely affected. Conversely, in the event that the amounts of tax refunds received by the Client are more than valued, the outstanding shares will benefit.

General Economic and Market Conditions. The success of the Client's and the CEFs' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Client's and the CEFs' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Client's and the CEFs' investments. Volatility or illiquidity could impair the Client's and the CEFs' profitability or result in losses. The Client and the CEFs may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

Government Interventions. Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on the Client's and the CEFs' strategies.

Potential Interest Rate Increases. The United States is experiencing historically low interest rate levels. However, the continued recovery of the U.S. economy and recent and

potential future changes in U.S. government policy, including the tapering of the U.S. Federal Reserve Board's quantitative easing program, increase the risk that interest rates will rise in the near future. Any future interest rate increases may result in periods of volatility and cause the value of the fixed income securities held by the Client and the CEFs to decrease, which may result in substantial redemptions from the Client or such CEFs that, in turn, force the Client of the CEFs to liquidate such securities at disadvantageous prices negatively impacting the performance of the Client and the CEFs.

CEF Specific Investment Strategy Risk Factors

Fixed Income. The CEFs in which certain Clients invest may invest in bonds or other fixed-income securities that are "higher yielding" (including non-investment grade) debt securities are generally not exchange-traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer's inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. In addition, each CEF may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

Each CEF may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer's obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default and are generally considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

Credit Risk. An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security.

Interest Rate Risk. Changes in interest rates will affect the value of the CEF's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income

securities tends to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.

Global Market Investments. Certain Clients invest in CEFs that may invest in the debt or other securities and instruments of issuers located outside the United States. In addition to business uncertainties, such investments may be affected by political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such companies.

The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other. Income received by a CEF from sources within some countries may be reduced by withholding and other taxes imposed by such countries.

A CEF may be subject to additional risks which include possible adverse political and economic developments and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the securities may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. While Saba Capital will take these factors into consideration in making investment decisions for certain Clients, no assurance can be given that a CEF in which certain Clients invest will be able to fully avoid these risks.

In addition, economic problems in a single country are increasingly affecting other markets and economies. A continuation of this trend could adversely affect global economic conditions and world markets and, in turn, could adversely affect the performance of a CEF that certain Clients invest in.

Emerging Market Investments. Certain markets in which a CEF may invest may be regarded as emerging or developing markets. In emerging and developing markets, there is often less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers, counterparties and issuers than in other more established markets. Any regulatory supervision which is in place may be subject to manipulation or control. Some emerging and developing market countries do not have mature legal systems comparable to those of more developed countries. Moreover, the process of legal and regulatory reform may not be proceeding at the same pace as market developments, which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in financial instruments may not exist or may be subject to inconsistent or arbitrary appreciation or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. CEFs may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-U.S. courts. Due to the foregoing

risks and complications, the costs associated with investments in emerging market securities generally are higher than for securities of issuers based in developed countries.

Equity Securities Generally. The CEFs in which certain Clients invest may invest in equity securities. The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the CEFs in which certain Clients invest may suffer losses if it invests in equity instruments of issuers whose performance diverges from the CEF Manager's expectations or if equity markets generally move in a single direction and the CEF in which certain Clients invest has not hedged against such a general move. Certain of the CEFs in which certain Clients invest also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Market Risks. The value of the assets of a CEF in which certain Clients invest will fluctuate as the stock or bond market fluctuates. The value of a CEF's investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.

Below Investment Grade Securities. The value of the assets of a CEF in which the certain Clients invest will fluctuate as the stock or bond market fluctuates. The value of such CEF's investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.

Activist Investing. The success of the certain Clients' activist investment strategies depends upon, among other things: (i) Saba Capital's ability to properly identify CEFs whose securities prices can be improved through corporate and/or strategic action; (ii) certain Clients' ability to acquire sufficient securities of such CEFs at a sufficiently attractive price; (iii) certain Clients' ability to avoid triggering anti-takeover and regulatory obstacles while aggregating its position; (iv) the willingness of the management of such CEFs and other security holders to respond positively to Saba Capital's proposals; and (v) favorable movements in the market price of any such CEFs' securities in response to any actions taken by such CEFs. There can be no assurance that any of the foregoing will occur.

Inflation Risks. The value of assets or income from investments may be less in the future as inflation decreases the value of money. As inflation increases, the value of a CEF's assets can decline as can the value of such CEF's distributions. This risk is significantly greater if such CEF invests a significant portion of its assets in fixed-income securities with longer maturities.

Currency Risks. A CEF in which certain Clients invest may have investments that are denominated in a foreign currency and are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Non-Diversified Status. Certain CEFs in which certain Clients invest may be non-diversified funds. These particular CEFs may invest a greater portion of their assets in the

securities of one issuer than a diversified fund. Such CEF may be more sensitive to economic, business, political or other changes affecting similar issuers or securities, which may result in greater fluctuation in the value of a CEF's shares.

Illiquid Investments. Certain Clients invest in CEFs that may invest in securities, bank debt and other claims, and other assets, which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable and a CEF may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. A CEF 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. In turn, an investment in certain Clients is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets and negotiate each transaction on an individual basis. Forward and "cash" trading are substantially unregulated. There is no limitation on daily price movements, and speculative position limits are not applicable. The primary risks associated with entering into such transactions include the risk that there will not be a market for such instruments; that trading will be disrupted because of unusually high trading volume, government intervention or other factors; that there is counterparty credit risk; and that the counterparty may not be able to perform on its obligation under the contract. Market illiquidity, trading disruption, or failure of the counterparty to perform could result in major losses to a CEF. To the extent possible, Saba Capital endeavors to select CEF Managers that it believes will deal only with counterparties that are creditworthy and reputable institutions, but such counterparties need not be rated investment grade.

Central Clearing. In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives are underway to require certain derivatives to be cleared through a clearinghouse. In the United States, clearing requirements were part of the Dodd-Frank Act. The CFTC imposed its first clearing mandate on December 13, 2012 affecting certain interest rate and credit default swaps. It is expected that the CFTC and the SEC will introduce clearing requirements for other derivatives in the future. Trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, the futures commission merchant ("FCM"), as well as possible SEC or CFTC mandated margin requirements. Each CEF may not be in direct privity with the clearinghouse, but instead acts through a member of the clearinghouse, an FCM, which acts as a quasi-agent, guaranteeing the obligations of such CEF to the clearinghouse. This regime is modeled in large part after the U.S. futures clearing regime. Clearing through FCMs has in certain cases led to losses caused by operational failure or fraud.

As products become more standardized in order to be cleared, standardized derivatives may mean that each CEF may not be able to hedge its risks or express an investment view as well as it would using customizable derivatives available in the over-the-counter markets.

Compared to the OTC derivatives market, a CEF may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the clearinghouse and the FCM. Virtually all of the margin models that are utilized by the clearinghouses are dynamic, meaning that, unlike many of such CEF's bilateral swap contracts where the amount of initial margin posted on the contract is typically static throughout of the life of the contract, the amount of the initial margin that is required to be posted in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses and the fact that the margin models might be changed at any time may subject a CEF to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment which could have a detrimental effect on such CEF. Clearinghouses also limit collateral that they will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require a CEF to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to such CEF. In addition, clearinghouses may not allow a CEF to portfolio margin (or cross margin) its positions, which may increase the amount of overall margin that such CEF needs to post. While clearinghouse margin models are dynamic and may change daily, they are also different from the margin models applied by OTC derivative dealers. The OTC derivative dealers generally have a model that is supported by a team of individuals that analyze the credit risk of each Client and fund manager by reviewing, among other variables, strategy, performance, key portfolio managers, sophistication of technology and operations, traditional volatility, types of products, and lock-up periods. The model used by the dealers to apply margin is tailored for the risk of each Client and fund manager. In contrast, the clearinghouse margin model is applied across all types of counterparties and there is no analysis of individual counterparty risks. This may mean that the clearinghouse margin model may be less fluid. It may mean that it is also more expensive overall for a CEF than if specific factors of such CEF were considered.

Also, each clearinghouse only covers a limited range of products and a CEF may have to spread its derivative portfolio across multiple clearinghouses, which in turn reduces the benefits of netting that derivatives users rely on to mitigate counterparty risk.

Although standardized clearing for derivatives is intended to reduce risk (for instance, they may reduce the counterparty risk to the dealers to which a CEF would be exposed under OTC derivatives), it does not eliminate risk. Rather, standardized clearing transfers risk of default from the over-the-counter derivatives dealer to the central clearinghouse, which may increase systemic risk, potentially more so than a failure by an OTC derivatives counterparty. The failure of a clearinghouse could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on member firms during a financial crisis, which could lead member firms to default, worsening the crisis. Because these clearinghouses are still developing and the related bankruptcy process is untested, it is difficult to speculate what the actual risks would be to a CEF related to the default of a clearinghouse. While the futures model worked well during the Lehman crisis in 2008, there has been no testing whether the model is scalable so that it would apply to derivatives more generally. In addition, there is no one international standard for clearinghouses; existing clearinghouses have different waterfalls that apply upon the insolvency of a clearinghouse or a clearinghouse member and it is possible that a CEF could be in a worse position if a clearinghouse were to fail than had such CEF executed a trade with a traditional derivative counterparty. Also, a clearinghouse will likely require that a CEF relinquish control of its transactions if the clearinghouse were to become insolvent, and, therefore, such CEF would not be able to terminate and close out of a defaulting

clearinghouse's positions, but would become subject to regulators' control over those positions. In such a circumstance, a CEF may not be able to take actions that it deems appropriate to lessen the impact of such clearinghouse default. Clearinghouses tend to trade in particular products in order to achieve economy of scale. This heightens the concentration risk for a CEF, which might not be easily hedged. In that case, a CEF may only be able to protect itself from clearinghouse risk by exiting the market entirely, potentially foregoing an entire segment of beneficial transactions.

Applicable regulations may also require a CEF to make public information regarding its swaps volume, position size and/or trades, which could detrimentally impact such CEF's ability to achieve its investment objectives.

Short Selling. CEF Managers with which the certain Clients invest may engage in short selling. Short selling involves selling securities, which may or may not be owned, and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows an investor to seek profits from declines in the prices of securities. A short sale creates the risk of a theoretically unlimited loss because the price of the underlying security could theoretically increase without limit and increase the cost of buying those securities to close the short position. There can be no assurance that the securities necessary to close a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and a CEF may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though a CEF generally secure a "good borrow" of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing such CEF to purchase the security at the then-prevailing market price, which may be higher.

Trading of Swaps. A CEF may enter into swap transactions. A swap transaction is an individually negotiated, non-standardized derivative agreement between two parties to exchange cash flows (and sometimes principal amounts) measured by different interest rates, currency exchange rates, securities, commodities or other items, indices, or prices, with payments generally calculated by reference to a principal ("notional") amount or quantity. Swap contracts are not traded on exchanges and are not otherwise regulated, and as a consequence investors in such contracts do not benefit from regulatory protections. Swap trading is similar to the spot and forward markets in that banks, broker-dealers or their affiliates generally act as principals in the swap markets, and a CEF is subject to risks similar to those described in the discussion of the spot and forward markets.

Credit Default Swaps. Credit default swaps can be used to implement a CEF Manager's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, a CEF may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of a CEF to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. A CEF may also buy credit

default protection with respect to a referenced entity if, in such CEF Manager's judgment, as applicable, there is a high likelihood of credit deterioration. In such instance, such CEF will pay a premium regardless of whether there is a credit event. The credit default swap market in high-yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid, and making it potentially more difficult to exit or enter into a particular transaction.

Non-Investment Grade and Unrated Instruments. A portion of a CEF's assets may be invested in instruments that are unrated or have a credit quality rating below investment grade by internationally recognized credit rating organizations, such as Moody's Investors Service Inc. ("Moody's") and Standard & Poor's Ratings Group ("S&P"). The market prices of those securities may fluctuate more than higher-rated securities, and may decline significantly in periods of general economic difficulty. Those securities generally are considered to have extremely poor prospects of ever attaining any real investment grade standing and to have a current identifiable vulnerability to default. The issuers or guarantors of those securities are considered to be less likely to have the capacity to pay interest and repay principal when due in the event of adverse business, financial or economic conditions. Alternatively, such issuers may be in default or not current in the payment of interest or principal.

Stock Index Options and Futures. CEF Managers may purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing its investment objectives or for the purpose of hedging its portfolio. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in the portfolio correlate with price movements of the stock indices selected. 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 such CEF Managers 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 a CEF Manager of options on stock indices will be subject to an 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. Put and call options are highly specialized activities and entail greater than ordinary investment risks. For example, traders who sell options are subject to the entire loss that occurs in the underlying item (less any premium received).

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, 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 temporary price distortions. Successful use of stock index futures contracts is subject to a CEF Managers' ability to correctly predict movements in the direction of the market.

Risk Factors Applicable to Both Clients and the CEFs

The following risk factors apply to both certain Clients and the CEFs. As a result, references herein to CEFs, unless otherwise indicated or required by the context, shall include only those Clients whom invest in CEFs.

Systemic Risks. Credit risk may arise through a default by or because of one of several large institutions that are dependent on one another to meet their liquidity or operational needs. A default by or because of one institution may cause a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which each CEF interacts. A systemic failure could have material adverse consequences on each CEF and on the markets for the securities in which such CEF seeks to invest.

Derivative Investments. The prices of derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. 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, a CEF's assets are subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

A CEF may buy or sell (write) both call options and put options, and when it writes options, it may do so on a "covered" or an "uncovered" basis. A call option is "covered" when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. A CEF's option transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which such CEF has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

In general, without taking into account other positions or transactions a CEF may enter into, the principal risks involved in options trading can be described as follows: When a CEF buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of such CEF investment in the option (including commissions). Such CEF could mitigate those losses by selling short, or buying puts on, the securities for which it holds call options, or by taking a long position (e.g., by buying the securities or buying calls on them) in securities for which it holds put options.

When a CEF sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered". If it is covered, such CEF would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price,

the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss such CEF might suffer as a result of owning the security.

Swaps and certain options and other customized instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk.

Item 9
DISCIPLINARY INFORMATION

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

Item 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status

Saba Capital 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

Saba Capital is registered as a CPO. In connection with Saba Capital's status as a registered CPO, Boaz Weinstein, Leah Jordan, and Russell Brawer are management persons registered as Associated Persons with the NFA.

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

C. Material Relationships or Arrangements with Industry Participants, Other Investment Advisers, or Sub-Advisors

Saba Capital, its personnel and its affiliates, including Saba Capital, LLC and Saba Capital II, LLC, serve as investment advisers, management companies, general partners, managing members, and/or special shareholders to multiple clients.

Saba Capital will devote as much of its time to the activities of each of the Clients as it deems necessary and appropriate. Saba Capital is not restricted from forming additional investment funds, from entering into other investment advisory or sub-advisory relationships or from engaging in other business activities, even though such activities may be in direct competition with existing Clients and may involve substantial time and resources of Saba Capital. These activities could be viewed as creating a conflict of interest in that the time and effort of the members and partners of Saba Capital and its officers and employees will not be devoted exclusively to the business of the existing Clients but will be allocated between the business of the existing Clients and the management of the monies of other advisees of Saba Capital.

From time to time employees of Saba Capital may serve as directors or advisory board members of portfolio companies or other entities. In connection with such services, Saba Capital may receive directors' fees or other similar compensation attributable to such employees' services. Such amounts are not expected to be material. Employees of Saba Capital that serve as directors of the Clients do not receive fees with respect to such services, and must have such arrangements pre-approved by the Chief Compliance Officer. Similarly, Employees are required to seek pre-approval from the Chief Compliance Officer and their relevant supervisor prior to serving as a director of any company, or engaging in any similar outside business activities that are not related to an investment by the Clients.

Because Saba Capital may invest in the same securities for both its private funds and for the Saba ETF, this may give rise to additional number of actual and potential conflicts of interest.

Saba Capital will provide discretionary and/or non-discretionary investment management services to other clients, as well as managed accounts and other investment partnerships or funds, which may have similar investment objectives to those of the Clients. Saba Capital may give advice and recommend securities to other clients which may differ from advice given to, or securities recommended or bought for, the Clients, even though their investment objectives may be the same or similar to those of the Clients.

Saba Capital currently manages, advises, sub-advises or controls certain other funds and accounts, including a public fund that pursues a substantially similar sub-strategy to those of the private funds. Such other accounts may now or in the future provide, lower management fees and incentive compensation, more favorable liquidity terms (such as, more frequent liquidity or immediate termination rights), and/or more favorable transparency rights than those provided to investors by the private funds. To the extent certain investors of such other accounts receive better transparency, such investors may be able to act on additional information that other investors in the appropriate Client do not receive, which, in certain circumstances may affect an investor's decision to invest additional capital (or to remain invested) in other accounts. In addition, redemptions by investors in, or terminations by holders of, such other accounts may have a negative impact on the Client to the extent the Client holds the same or similar positions as such other accounts.

Saba Capital may provide investment recommendations to other accounts to which Saba Capital provides non-discretionary advice ("Non-Discretionary Accounts") prior to implementing such recommendations to the other accounts to which Saba Capital provides discretionary management services ("Discretionary Accounts"). Accordingly, the Clients and other Discretionary Accounts may be seeking to obtain limited capacity from investments at the same time as such Non-Discretionary Accounts. In addition, to the extent such investments impose liquidity constraints, actions taken by the Non-Discretionary Accounts may be adverse to the Clients or other Discretionary Accounts. Non-Discretionary Accounts, may from time to time, have access or have the right to obtain information about investment decisions made for the Clients or Discretionary Accounts. Based on such information, the Non-Discretionary Accounts may take actions that are adverse to the Clients or Discretionary Accounts.

Saba Capital may purchase or sell securities on its own behalf or on behalf of other accounts, which may differ from those purchased or sold for the Client, even though their investment objectives may be the same or similar. The Client, for example, may make an investment at the same time that one or more of the other accounts is disposing of the same or a similar investment. Likewise, the Client may make an investment in a position which is already held by one or more of the other accounts or a position that is adverse to a position held by one or more of the other accounts. It is possible that the activities or strategies used for the other accounts could conflict with the activities and strategies employed in managing the assets of the Client and affect the prices and availability of the securities and instruments in which the Client invests. Decisions about what action should be taken in a troubled situation, raise conflicts of interest. If additional capital is necessary as a result of financial or other difficulties, other accounts may or may not provide such additional capital as each determines in their sole discretion. Saba Capital will seek to resolve such conflicts of interest in a fair and equitable manner.

From time to time, Saba Capital and/or one or more of its affiliates may come into possession of material, non-public information, and such information may limit the ability of the Clients

to buy and sell investments, even if such information was obtained in the context of the investment activities of other accounts. The Clients will not be free to act upon any such information. Due to these restrictions and/or contractual restrictions imposed on any affiliate of Saba Capital in connection with the management of other accounts, the Clients may not be able to initiate a transaction that they otherwise might have initiated and may not be able to sell an investment that they otherwise might have sold.

Orders may be combined for all such accounts, and if any order is not filled at the same price, they may be allocated on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which Saba Capital considers equitable.

During periods in which the assets of the Clients are not treated as "plan assets" for purposes of ERISA, Saba Capital may determine that it would be in the best interests of the Clients and one or more funds and investment accounts managed by Saba Capital to transfer certain assets held by one or more such funds and investment accounts managed by Saba Capital to other funds and investment accounts managed by Saba Capital, including for the purpose of rebalancing the portfolios of such funds and investment accounts. For example, certain "cross" trades may occur between Clients as may be necessary to rebalance cash or various portfolio positions. Such transactions will be conducted in accordance with, and subject to, Saba Capital's fiduciary obligations to the Clients.

From time to time, employees of Saba Capital may serve as directors or advisory board members of portfolio companies or other entities. In connection with such services, Saba Capital may, to the extent that the assets of a Client are not treated as "plan assets" for purposes of ERISA, receive directors' fees or other similar compensation attributable to such employees' services. Such amounts are not expected to be material.

Other present and future activities of Saba Capital may give rise to additional conflicts of interest. In the event that a conflict of interest arises, Saba Capital will attempt to resolve such conflicts in a fair and equitable manner.

By investing in a Client, each investor will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

The directors, the administrator, the auditors and the prime brokers may from time to time act in a similar capacity to, or otherwise be involved in, other funds or investment schemes, some of which may have similar investment objectives to those of the Clients. Thus, each may be subject to conflicting demands in respect of allocating management time, services and other functions between the activities each has undertaken with respect to the Clients and the activities each has undertaken or will undertake with respect to other investors or other accounts. It is therefore possible that any of them may, in the course of their respective businesses, have potential conflicts of interest with the Clients or their investors. The directors of the Clients, the administrator and the prime brokers may also provide services to other funds and may have similar conflicts of interest. This is a consideration of which investors should be aware.

D. Material Conflicts of Interest Relating to Other Investment Advisers

Saba Capital does not recommend or select other investment advisers for its clients.

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

A. Code of Ethics

Saba Capital serves as an investment adviser to the Clients, and as a result stands in a position of trust and confidence with respect to them. Accordingly, Saba Capital has a duty to act in the best interests of the Clients. Each partner, director, officer, and employee (together, the “Employees”) of Saba Capital is required to conduct his/her business consistent with the highest legal and ethical standards and in accordance with all applicable laws, rules, and regulations. In order to comply with these requirements, and protect the Firm’s reputation for integrity, Saba Capital has adopted a Code of Ethics.

The Code of Ethics contains policies and procedures that serve to address certain conflicts of interest by, among other things:

- Requiring employees to act in the best interests of the Clients;
- Requiring that personal securities transactions must comply with all applicable laws, rules, and regulations of the countries in which Saba Capital operates or invests;
- Prohibiting Employees from taking inappropriate advantage of opportunities belonging to the Clients;
- Placing limitations on personal trading by Employees in “Covered Securities” (as defined in the Code of Ethics) and imposes pre-clearance and reporting obligations, a thirty-day holdings period with respect to most securities, and the prohibition of trading securities which the Client owns or routinely trades with limited exceptions;
- Requiring Employees to disclose and in most cases pre-approve personal investments in private securities, outside business activities, and political contributions;
- Requiring the disclosure of certain gifts or entertainment from certain third-parties;
- Limiting Employee use of social media; and
- Requiring that information concerning the identity of securities and the financial circumstances of the Clients and their investors be kept confidential.

A copy of Saba Capital’s Code of Ethics is available to investors and prospective investors upon request by contacting Michael D’Angelo, Esq., Saba Capital’s Chief Compliance Officer, at (212) 542-4635.

B. Investment in Securities that Saba Capital or a Related Person Has a Material Financial Interest

i. Cross Trades

If permissible under applicable law, Saba Capital only permits cross trades in limited circumstances, where Saba Capital determines that it is in the best interests of its clients to transfer an investment between Clients (a “Cross Trade”). Such circumstances may involve, without limitation, tax, liquidity, leverage, rebalancing, risk management, or some other reason, or for purposes of reducing transaction costs that may arise in an open market transaction. If Saba Capital determines that a Cross Trade is in the best interests of the Clients involved, the trade must be executed consistent with the principles of best execution under

the circumstances, and it must be valued pursuant to Saba Capital's Valuation Policy in place at the time.

Saba Capital generally executes Cross Trades with the assistance of a broker-dealer who executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a Cross Trade between two Clients may occur as an "internal cross", where Saba Capital instructs the custodian for the clients to book the transaction at the price determined in accordance with Saba Capital's Valuation Policy. If Saba Capital effects a Cross Trade, it will not receive any fee in connection with the completion of the transaction. Cross trades will be approved by the relevant Client's board of directors (if applicable), as well as the Chief Compliance Officer, Chief Financial Officer, and Chief Operations Officer.

ii. Principal Transactions

To the extent that a Cross Trade may be viewed as a principal transaction, Saba Capital will comply with the requirements of Section 206(3) of the Advisers Act. A principal transaction occurs when an investment advisor, acting for its own account (or the account of an affiliate), buys a security from, or sells a security to, a client's account. In no event will a Client engage in a principal transaction except where Saba Capital has designated one or more unaffiliated persons to evaluate and opine on the proposed transaction (such as the board of directors of the Client). Compliance will determine whether or not the transaction would constitute a principal transaction, and, if so, ensure that applicable pre-approvals and legal requirements are satisfied.

iii. Trade Errors

Although Firm employees exercise due care in making and implementing investment decisions, errors inadvertently may occur from time to time. Errors may include any incorrect transaction in a Client account, including, but not limited to: the purchase or sale of the wrong security; the purchase or sale of a security for the wrong account; buying or selling the incorrect quantity; placing a buy order as a sell order (or vice versa); duplicating trades; using an incorrect symbol; selling a security long that was intended to be sold short (or vice versa); or the inadvertent purchase or sale of a security contrary to regulatory, Firm or Client guidelines or restrictions.

It is the policy of the Firm to ensure that any trade error is addressed in an expeditious manner. Trade errors should be corrected as soon as reasonably practicable after discovery, allowing for the orderly disposition or acquisition of securities to correct the error.

C. Investing in Securities that Saba Capital or Related Person Recommends to Clients

The Code of Ethics, together with Saba Capital's policies and procedures to prevent and detect market abuse and insider trading, place restrictions on personal trading by Employees. Employees are required to periodically submit holdings and transaction reports, pre-approve transactions in covered securities prior to execution, and maintain exposure to a position in a security for a minimum of 30 days before exiting the transaction. Unless approved by the CCO, employees are generally prohibited from transacting in any security (or related security) that Saba Capital recommends to Clients, except for one limited exception allowing Employees to generally invest in the current largest twenty ETFs by volume irrespective of any Clients' ownership of such ETFs (or similar products). It is the responsibility of all Employees to ensure their adherence to the Code of Ethics. Compliance is responsible for

monitoring for potential violations of the Code of Ethics, including without limitation the monitoring and review of Employee personal securities transactions.

Item 12

BROKERAGE PRACTICES

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

Saba Capital has full discretionary authority to manage the Clients, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or mark-ups and mark-downs paid. Saba Capital's authority is limited by its own internal policies and procedures, its duty to obtain “best execution” on behalf of its clients, and each Client's investment guidelines.

Saba Capital is not required to solicit competitive bids and does not have an obligation to seek the lowest available commission. In selecting brokers or dealers to execute transactions, Saba Capital seeks to obtain best execution, taking into account quantitative and qualitative factors affecting the execution quality of a transaction including but not limited to (i) the size and type of the transaction, (ii) the nature and character of the markets for the security to be purchased or sold, and (iii) the execution efficiency, execution speed, market impact, settlement capability, research provided, and the financial condition of the broker-dealer firm. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Clients by brokers in the foregoing circumstances may be higher than those charged by other brokers who may not offer such services.

Saba Capital has established a Brokerage Committee to oversee, and perform reviews of its best execution policies and procedures. The Brokerage Committee is chaired by the Chief Compliance Officer. On a periodic basis, the Brokerage Committee reviews the overall execution quality of the Clients, as well as potential conflicts of interest which may arise from gifts and entertainment received-from, or family relationships with, broker-dealers.

i. Research and Other Soft Dollar Benefits

Saba Capital may allocate portfolio transactions to brokers that pay some or all of the costs of brokerage and research services which are of benefit to the Clients and Saba Capital. Saba Capital has not and does not plan to enter into commission-sharing arrangements with, and does not maintain soft dollar or client commission accounts with broker-dealers. Saba Capital may accept products or services that may be considered soft dollar benefits, but will only do so within the parameters of the safe harbor of Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended.

ii. Brokerage for Client Referrals

Neither Saba Capital nor any related person receives client referrals from any broker-dealer or third party. However, as discussed above, subject to best execution, Saba Capital may consider, among other things, capital introduction and marketing assistance with respect to investors in the Clients in selecting or recommending broker-dealers for the Clients.

iii. Directed Brokerage

Saba Capital does not have directed brokerage agreements.

B. Order Aggregation

Client transactions will generally be executed on an aggregated basis where Saba Capital believes that to do so will allow it to obtain best execution and/or reduce transaction costs. If an order is not filled at the same price, they may be allocated among clients on an average price basis. Similarly, if an order on behalf of more than one client cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which Saba Capital considers fair and equitable.

Saba Capital will allocate investment opportunities among its Clients in a fair and equitable manner as to the extent practical and in accordance with each Client's applicable investment strategies measured over a period of time, Saba Capital will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to, any client solely because Saba Capital purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to another client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical, or desirable for the client.

If an investment opportunity is appropriate for more than one Client, it will generally be allocated among the Clients on a pro rata basis. However, investment opportunities may be allocated on a non-pro rata basis if deemed appropriate by Saba Capital taking into consideration certain factors including, but not limited to, (i) the potential for the investment to create an imbalance, (ii) available capital (adjusted for leverage) of such account or fund and its investment program's time horizon or constraints, (iii) potentially adverse tax consequences, (iv) regulatory and risk considerations and restrictions, (iv) an effort to avoid odd lots, (v) whether the risk-return profile of the proposed investment is consistent with the account's objectives, whether such objectives are considered (i) solely in light of the specific investment under consideration or (ii) in the context of the portfolio's overall holdings, and (vi) other exceptions approved in keeping with principles of fiduciary responsibility, equitable allocation, and the Clients' investment guidelines. Allocations of investment opportunities among a Client and one or more of the other accounts are generally on a pari passu basis; provided that priority allocations may be made to an underallocated other account until such account "catches up." Saba Capital's policies and procedures are intended to produce fairness over time, but may not, and are not expected to, produce mathematical precision in the allocation of individual purchases and sales of investments in any given case or over time.

With respect to allocations of limited investment opportunities, such as privately placed securities and initial public offerings of securities, Saba Capital will determine which Clients are eligible to participate in those opportunities. Limited investment opportunities will generally be allocated among all eligible clients in proportion to their relative capital balances in accordance with the procedures set forth above. Clients without sufficient available capital will not participate. In certain circumstances, Saba Capital may give added weight to those clients whose investment programs are responsible for obtaining the investment opportunity when allocating limited investment opportunities.

Item 13

REVIEW OF ACCOUNTS

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

Saba Capital performs various daily, weekly, monthly, quarterly, periodic, and ad hoc reviews of each client's portfolio. Such reviews are conducted by personnel of Saba Capital's trading, operations, research, and compliance staff.

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

Generally, investors in the Clients receive weekly and monthly performance estimates, and a monthly and/or weekly report from Saba Capital documenting the performance of their Client, along with a monthly report of selected risk attributions of the Client, although Saba Capital may provide certain investors with information on a more frequent and detailed basis if agreed to by Saba Capital. Such reports are created by Saba Capital as well a third-party independent administrator. Information contained in these reports also may be available through the administrator's password protected website. In addition, Saba Capital issues investors tax reports and audited financial statements concerning their respective Clients within 90-120 days of the end of a Client's fiscal year.

Item 14
CLIENT REFERRALS AND OTHER COMPENSATION

Saba Capital may enter, and in the past has entered, into capital introduction arrangements with certain financial institutions under which the financial institution does not receive compensation for the service. Saba Capital does not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither Saba Capital nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

Saba Capital does not currently utilize third-party placement agents. If Saba Capital elects to utilize such placement agents in the future, Saba Capital will disclose if such placement agents may receive compensation for referring investors to the Clients.

Saba Capital, on behalf of its Clients, utilizes a foreign paying agent and representative bank in order to comply with specific marketing regulations in a foreign jurisdiction. The payment agent and representative bank receives a set fee for their services. Neither the paying agent or representative bank solicit potential clients for the Clients, and they do not provide, and are not compensated for, client referrals.

Item 15

CUSTODY

Client assets are generally held in custody at unaffiliated qualified custodians; however Saba Capital 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.

Each Client is subject to audit at least annually by an independent public accountant that is registered with, and subject to regular oversight by, the Public Company Accounting Oversight Board. Ernst & Young is the Clients' independent public accountant. Within 90-120 days of the applicable fiscal year, Saba Capital will ensure that the Clients distribute their audited financial statements to all clients, and investors within the Clients.

Item 16
INVESTMENT DISCRETION

Saba Capital has discretionary authority to manage the securities portfolios of the Clients pursuant to investment management agreements.

Saba Capital's discretionary authority is generally subject to such restrictions as set forth in each Client's offering documents (i.e., offering memorandum, investment management agreement, subscription documents, and limited partnership agreement for the Delaware limited partnerships or articles of association for the Cayman Islands companies) as well as any written instructions provided by the client to Saba Capital and applicable regulations.

Item 17

VOTING CLIENT SECURITIES

Proxy Voting

The SEC adopted Rule 206(4)-6 under the Advisers Act, requiring registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. Saba Capital has adopted proxy voting policies and procedures to ensure compliance with the Advisers Act. Saba Capital's general policy is to vote proxy proposals, amendments, consents or resolutions relating to Client securities, including interests in private investment funds, if any (collectively "proxies"), in a manner that serves the best interests of the Clients. Except as set forth below, the Firm has engaged BroadRidge Financial Solutions, Inc. to compile and vote all proxy ballots on behalf of the Firm, using specific guidelines and recommendations provided by Glass, Lewis & Co., LLC ("Glass Lewis"). Notwithstanding the foregoing, with respect to the proxy proposals relating to CEFs, the Firm will generally vote in favor of liquidation, open-ending tender offers or other similar votes that can impact a CEF's discount (collectively, "Discount Recommendations"), or otherwise pursuant to Glass Lewis for all of the votes. Saba Capital may, from time to time, determine that it is in the best interests of its Clients to depart from (i) specific Glass Lewis recommendations (ii) and Discount Recommendations, such as where a portfolio manager, with the approval of the CIO or his designee, has a view on a particular issuer or corporate action that deviates from such recommendations. Investment professionals deviating from these recommendations must seek preapproval from the CCO and provide the CCO with a written explanation of the reason for the deviation, except with respect to proxy proposals relating to CEFs that are in favor of liquidation, open-ending or tender offers.

For the avoidance of doubt, Saba Capital retains the authority to vote proxies, has not delegated such authority to any other party, and may vote against any proxy voting service recommendation if it determines such recommendation is contrary to its client best interest. Saba Capital believes that the proxy voting service's internal policy regarding conflicts of interest satisfies conflicts of interest concerns.

Class Actions

Saba Capital does not commit to participate in all class actions that may arise with regard to a Client's portfolio securities. Upon receipt of class action information, the general counsel will evaluate the costs versus the benefits of participation in the suit for each pertinent Client. Unless the general counsel determines that it would be in the best interests of a Client, Saba Capital will not participate in the class action on behalf of the Client. Saba Capital generally does not serve as the lead plaintiff in class actions because the costs of such participation typically exceed any extra benefits that accrue to lead plaintiffs.

Item 18
FINANCIAL INFORMATION

Saba Capital 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