



Part 2A of Form ADV Brochure

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This brochure provides information about the qualifications and business practices of MKP Capital Management, L.L.C. If you have any questions about the contents of this brochure, please contact the Investor Relations team at 212-303-7100. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about MKP Capital Management, L.L.C. also is available on the SEC's website at www.adviserinfo.sec.gov [Reg. No. 801-58039]. MKP Capital Management, L.L.C. is an SEC-registered investment adviser. This registration does not imply any level of skill or training.

ITEM NO. 2: MATERIAL CHANGES

MKP Capital Management, L.L.C. ("MKP" or the "Adviser") is required to identify and discuss any material changes made to its brochure since the last annual update. The following reflect material changes since the last annual update of this brochure on March 30, 2012.

Item 4 has been updated to reflect that Patrick McMahon is a principal of the Adviser and together with Mr. McMahon, Anthony C. Lembke, Thomas D. DeVita, Richard Lightburn, Henry Lee and Jason Bonanca are all managing members of the Adviser.

Item 4 was also updated to reflect the fact that the Adviser serves as a discretionary trading adviser to more than one separate account. Various sections throughout the Brochure (e.g., Item 5, Item 13) were updated to include information specific to the separate accounts.

Item 8 was updated to reference that the Adviser invests across global markets through three main strategies (i.e., global macro, credit and liquid rates relative value).

Item 10 was updated to reflect the fact that a private equity fund managed by NB Dyal Advisors LLC now holds a passive, non-voting, minority equity interest in each of the Adviser and the General Partner (as defined herein).

Item 14 was updated to add disclosure that the Adviser, its affiliates and/or the Funds have entered into agreements with placement agents with respect to investors introduced to the Funds (as defined herein).

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ITEM NO. 4: ADVISORY BUSINESS

MKP Capital Management, L.L.C. (“MKP” or the Adviser”), a Delaware limited liability company, is a diversified alternative investment manager. The Adviser has operated with a long-term approach to alternative investing since its founding in 1995, and has been registered with the Securities and Exchange Commission as an investment adviser since 2000. Patrick McMahon is a principal of the Adviser and together with Mr. McMahon, Anthony C. Lembke, Thomas D. DeVita, Richard Lightburn, Henry Lee and Jason Bonanca are managing members of the Adviser (collectively, the “Managing Members”). Please see the Adviser’s Form ADV Part 1, Schedules A and B for additional information regarding MKP’s current ownership.

The Adviser has entered into a sub-advisory relationship with MKP Capital Europe LLP (“MKP Europe”). MKP Capital Europe LLP is principally owned by MKP Capital UK Ltd., which is wholly owned by the Adviser. MKP Europe was formed in October 2010 and commenced operations in the second quarter of 2011. MKP Europe has been authorized and regulated with the U.K. Financial Services Authority since March 2011. The Adviser and MKP Europe are filing a single Form ADV in reliance on the position express in American Bar Association, Business Law Section, SEC No-Action Letter (January 18, 2012). Currently, the Adviser is the sole advisory client of MKP Europe.

MKP Strategies, L.L.C. (the “General Partner”), a Delaware limited liability company and an affiliate of the Adviser, serves as the general partner of certain U.S. private investment funds (as further described below). The Managing Members are also managing members of the General Partner.

The Adviser provides discretionary investment advice to pooled investment vehicles that invest in a wide range of financial instruments. Generally, the Adviser serves as the management company with discretionary trading authority to U.S. private investment partnerships structured as Delaware limited partnerships and as the investment manager with discretionary trading authority to non-U.S. private investment funds organized as Cayman Islands companies (collectively, the “MKP Funds”). Certain of the MKP Funds are organized as “master feeder” structures. The Adviser also serves as the discretionary trading adviser to certain separate accounts structured as investment vehicles (the “Separate Accounts” and together with the MKP Funds, the “Funds”).

The Funds invest in different strategies across global markets, including U.S. and global rates, emerging markets, foreign exchange, structured, corporate or other credit, equities, and commodities (see Item 8 for more detailed disclosure relating to investment strategies and types of investments). Investment advisory services are provided directly to the Funds and not individually to the Funds' investors. MKP has full discretionary authority with respect to investment decisions, and its advice with respect to each Fund is tailored according to such Fund’s investment objectives, guidelines, and requirements, as set forth in such Fund's offering memorandum or investment management agreement (as applicable).

MKP or a Fund may enter into “side letter” agreements with certain investors in such Fund that may provide for terms of investment that are more favorable than the terms provided to other investors in such Funds in terms of, among other things, the fees charged, redemption rights, voting rights, minimum and additional subscription amounts, informational rights, currency denomination, capacity rights and other rights. In addition, the Separate Accounts may have substantially similar investment programs to those of the MKP Funds and may be governed by terms different from those of the MKP Funds, including with respect to transparency, fees charged and redemption rights.

The Adviser also serves as the Collateral Manager for non-U.S. investment funds (the “CBOs”) that invest substantially all of their assets in collateral meeting specified criteria (“Portfolio Collateral”) and other eligible investments (“Eligible Investments”) purchased with the proceeds of the securities issued by the CBOs (commonly referred to as “Collateralized Bond Obligations”). The CBOs are currently in wind down and are not actively managed, but the Adviser does monitor the Portfolio Collateral and perform certain operational activities with the trustees of the CBOs. The Adviser does not plan to manage additional CBOs in the future.

The Adviser managed approximately \$6,108,023,000 total net assets on a discretionary basis as of December 31, 2012.

ITEM NO. 5: FEES AND COMPENSATION

This brochure is being delivered solely to qualified purchasers, as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the “Company Act”).

Management Fees

The fees and expenses applicable to each Fund are set forth in detail in each of the Fund's respective offering documents. A brief summary of those fees and expenses is provided below.

Generally, the Adviser receives from each Fund a monthly or quarterly management fee based on the net asset value of the shares or interests of the applicable Fund. Certain MKP Funds offer strategic investor classes, which are subject to lower management fees (in addition to higher minimum investments).

In the sole discretion of the Adviser, the management fee may be calculated differently with respect to, or may not be charged to, certain investors, including the General Partner, the Adviser, the Managing Members and employees of the Adviser.

With respect to the CBOs, the Adviser receives collateral investment management fees based on the value of the portfolio collateral. In consideration for such fees, the Adviser monitors the Portfolio Collateral and provides the CBO investors with certain information received from the trustee or collateral administrator. The CBOs are currently in wind down and are no longer actively managed.

Incentive Compensation

The Adviser is entitled to receive an annual incentive fee or allocation (as applicable) from each Fund based on a percentage of the net realized and unrealized capital appreciation, if any, of the capital accounts or the net asset value of the shares (as applicable) of each such Fund. In each case, the incentive compensation payable or allocable to the Adviser or the General Partner, as applicable, is subject to a "high watermark."

Incentive compensation is also paid or allocated to the Adviser or the General Partner, as applicable, upon an interim-year redemption or withdrawal as if such date were the end of the fiscal year, subject to certain adjustments.

In the sole discretion of the General Partner or the Adviser with respect to the Funds, the incentive compensation may be calculated differently with respect to, or may not be charged to, certain investors, including the General Partner, the Adviser, the Managing Members and employees of the Adviser.

Fees and compensation paid to the Adviser or its affiliates by the Funds are generally deducted from the assets of such Funds. As discussed above, management fees are generally deducted on a monthly or quarterly basis and incentive compensation is generally deducted on an annual basis.

Additional Fees and Expenses

As fully described in each of the MKP Fund offering documents, each MKP Fund bears all of its own, and (if applicable) its *pro rata* share of its master fund's expenses, which may include, without limitation, entity-level taxes, offering and investment expenses (e.g., expenses related to the investment of such MKP Fund's assets, such as brokerage commissions (see Item 12 for additional information), third-party software and services relating to pricing, trade execution and trade confirmation, interest expense and consulting and other professional fees relating to particular investments), legal expenses (including, without limitation, any legal expenses relating to regulatory filings in connection with such MKP Fund), accounting expenses, audit and tax preparation expenses, insurance costs (e.g., directors and officers insurance, and professional liability insurance and fidelity bonds, as applicable), corporate licensing, mutual fund registration fees, registered office fees, custodial fees, fees of the administrator, and other expenses relating to the offer and sale of securities of the MKP Fund and extraordinary expenses related to the MKP Fund. In practice, all or a substantial portion of the expenses relating to any MKP Fund that is a feeder fund in a master feeder structure are aggregated and paid for at the applicable master fund level and,

accordingly, each of the feeder funds in such master feeder structure bears its *pro rata* share of such expenses at the master fund level, even though, in certain circumstances, particular expenses may be attributable solely to any one of the feeder funds.

Each Separate Account is responsible for expenses as set forth in the applicable investment management agreement.

Prepayment of Fees

To the extent a management fee is payable on a quarterly basis, it is prorated for any capital contribution, redemption or withdrawal by an investor in a Fund that is effective other than as of the first day of a quarter.

Certain Funds pay the Adviser a management fee monthly or quarterly, as applicable, in advance based on the net asset value of each investor's shares or interests. In the event that the advisory contract between the Adviser and such a Fund is terminated prior to the end of the billing period, the Adviser will pay investors in such Fund an amount equal to the *pro rata* portion of the management fee, based on the number of days remaining in such month or quarter, as applicable, and such Fund will distribute such amounts to its investors.

Additional Compensation and Conflicts of Interest

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

ITEM NO. 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As discussed in Item 5 above, the Adviser is entitled to receive performance-based fees or allocations from the Funds. Further, certain Funds may have higher performance-based compensation arrangements than other Funds engaging in substantially similar investment strategies. As a result, the potential exists for the Adviser to seek to favor one Fund over another Fund in allocating investment opportunities or otherwise. Furthermore, such performance-based compensation arrangements may create an incentive for the Adviser or its affiliates to make investments that are riskier or more speculative than would be the case if such an arrangement were not in effect, particularly in any period after losses have been suffered since losses from prior periods must be recovered before any performance fee is payable. In addition, because the incentive compensation is calculated on a basis which includes unrealized appreciation of the Fund's assets, it may be greater than if such compensation were based solely on realized gains.

The Adviser recognizes that it is a fiduciary and as such, must act in the best interests of the Funds. The Adviser has adopted and implemented policies and procedures intended to

address conflicts of interest relating to the management of multiple Funds, including an allocation policy.

ITEM NO. 7: TYPES OF CLIENTS

As described above, the Adviser serves as the management company, investment manager or trading adviser to pooled investment vehicles. The pooled investment vehicles are typically structured as domestic limited partnerships or offshore exempted companies. Generally, limited partnership interests in any domestic limited partnerships are offered on a private placement basis, and in reliance on Section 3(c)(7) of the Company Act, to persons who generally are "accredited investors" as defined under the Securities Act of 1933, as amended (the "Securities Act"), and "qualified purchasers" as defined under the Company Act, and who are subject to certain other conditions, which are fully set forth in the offering documents for the applicable Fund. Shares in offshore Funds are generally offered to persons (x) who are not "U.S. Persons," as defined under Regulation S of the Securities Act, or who are tax-exempt U.S. Persons (or entities substantially comprised of tax-exempt U.S. Persons) on a private placement basis and in reliance on Section 3(c)(7) as described above, and (y) who are subject to certain other conditions, which are fully set forth in the offering documents for the applicable Funds. Investors in the Funds may include some or all of the following: institutional investors, pension and profit sharing plans, trusts, estates, charitable organizations, high net worth individuals, investment companies, corporations or business entities other than those listed previously, private investment funds or other entities.

The Adviser also serves as the Collateral Manager for the CBOs, which are no longer actively managed. Further, the Adviser is the sole client of MKP Europe.

The Adviser does not impose a minimum dollar value of assets or other conditions for opening or maintaining an account and the account minimums for the Separate Accounts are individually negotiated. However, the MKP Funds have minimum initial subscription requirements of \$3,000,000 to \$10,000,000, subject to the discretion of the General Partner or the board of directors (as applicable) of each MKP Fund to accept lesser amounts in each case. The Adviser reserves the right to impose, in the future, a minimum investment or other conditions for opening or maintaining an account.

ITEM NO. 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The investment strategies, methods of analysis, and material risks applicable to each Fund are set forth in detail in each of the Fund's respective offering documents. A general summary of those investment strategies, methods of analysis, and material risks is provided below.

The descriptions set forth in this brochure of specific advisory services that the Adviser offers to the Funds, and investment strategies pursued and investments made by the Adviser on

behalf of the Funds, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, whether or not described in this brochure, that the Adviser considers appropriate, subject to each Fund's investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Investors in the Funds should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Fund will be achieved.

Investment Strategies

The Adviser invests across global markets, including U.S. and global rates, currencies, credit, equities and commodities through three main strategies (i.e., global macro, credit and liquid rates relative value). Each investment strategy shares the objective of producing high risk-adjusted returns over the long term in a risk-controlled manner. With respect to all strategies, the Adviser may utilize significant leverage in its investment program.

Global Macro

The Adviser's global macro strategy uses a top-down fundamental approach to identify and exploit imbalances in global economies and asset classes. The Adviser seeks to achieve its investment objective by assessing investment and trading opportunities across global asset classes and allocating capital to strategies that offer the most attractive risk-adjusted returns. To affect the global macro strategy, the Adviser generally invests in a diversified portfolio of global interest rate and fixed-income instruments, credit instruments, currencies, commodities, equities, and their associated derivatives.

Credit

The Adviser's credit strategy invests in a broad range of credit-sensitive securities, including, but not limited to, the entire universe of structured fixed income securities, backed by residential mortgages, consumer or corporate loans, commercial mortgages or other types of loans and receivables, as well as corporate credit securities (both investment grade and below investment grade and unrated). The Adviser allocates its capital dynamically among a range of markets (including the U.S. and Europe), strategies and instruments as opportunities arise.

Liquid Rates Relative Value

The Adviser's liquid rates arbitrage strategy has a concentration in U.S. high credit-quality fixed income instruments. The Adviser seeks to achieve its objective by employing a disciplined and balanced arbitrage investment process utilizing quantitative risk management systems. The Adviser attempts to identify and purchase undervalued securities that are expected to appreciate over time, as well as construct cash flow arbitrages combining different securities. The Adviser may invest in fixed income securities, as well as

options, futures, swaps and other fixed income derivatives, and the Adviser may enter into repurchase and reverse repurchase agreements.

Investment Process

Generally, the Adviser's investment process consists of development of a fundamental top-down macroeconomic view to formulate investment themes that guide in the construction of a "high conviction" portfolio of diversified trading strategies. The Adviser's Strategy and Research group contributes to this process by identifying both long term and cyclical relationships among macroeconomic and financial variables. The goal is to find attractive risk-adjusted return trades in many markets that collectively express the core views while offering a high degree of diversification. In addition to individual risk-return profiles, correlations among trades are studied to determine optimal sizing designed to allow the Funds to achieve the best risk adjusted returns given the investment outlook.

In addition, the Adviser's investment process includes risk discipline, such that the Adviser determines the appropriate levels of risk and evaluates returns relative to the risk taken to achieve them. The overriding goal of the risk management process is to manage overall performance volatility to enable the Funds to withstand extreme events in the financial markets. Sound risk management seeks to ensure that risk and returns are appropriately balanced. As such, the Adviser seeks to maximize returns given a targeted risk profile and quantified chance of loss or gain. The Adviser defines a draw-down guidelines for trades when initiated, as well as a draw-down guideline for each strategy, and incorporates those guidelines into the sizing of trades to fit the overall portfolio.

A team of portfolio managers manage the Funds and have primary responsibility for the day-to-day investment decisions made on behalf of the Funds. The portfolio managers are under the supervision of the Adviser's investment committee (the "Investment Committee"), which consists of Patrick McMahon and Anthony Lembke (each a Co-Chief Investment Officer) and other senior employees of the Adviser. The Investment Committee meets regularly with the portfolio managers, provides oversight of the Funds' investments and monitors risk for the Funds.

Risk of Loss

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

All investing involves a risk of loss that investors should be prepared to bear. The investment strategies offered by MKP could lose money over short or long periods of time. Identifying undervalued securities and other assets is difficult, and there are no assurances that MKP's investment strategies will succeed. MKP cannot give any guarantee that it will achieve Fund investment objectives or that any Fund will receive a return of its investment.

Investors should ultimately refer to their Fund's respective offering documents for detailed risk disclosures that specifically address the risks of each Fund's investment strategies, methods of analysis, and/or particular types of securities recommended. Below is a summary of potentially material risks for each significant MKP investment strategy used, the methods of analysis used, and/or the particular type of security recommended. Please note that MKP's use of the term "investor" in this section may refer to either a limited partner or a shareholder in a Fund (as applicable).

Risks Associated With Investments in Securities. Any investment in securities carries certain market risks. An investment in the Funds is highly speculative and involves a high degree of risk due to the nature of the Funds' investments and the strategies to be employed. An investment in a Fund should not in itself be considered a balanced investment program, but rather is intended to provide diversification in a more complete investment portfolio. Investors should be able to withstand the loss of their entire investment.

Fixed-Income Securities. The values of fixed-income securities in which the Funds invest change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Valuations of other fixed-income instruments may fluctuate in response to changes in the economic environment that may affect future cash flows.

Mortgage-Backed Securities and Asset-Backed Securities — General. The investment characteristics of mortgage-backed securities ("MBS") and asset-backed securities ("ABS") differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying mortgage loans or other assets generally may be prepaid at any time.

The Funds may also invest in variable rate MBS and ABS, including adjustable-rate mortgage securities, which are backed by mortgages with variable rates, and certain classes of collateralized mortgage obligation ("CMO") derivatives, the rate of interest payable under which varies with a designated rate or index. The value of these investments is closely tied to the absolute levels of such rates or indices, or the market's perception of anticipated changes in those rates or indices. This introduces additional risk factors related to the movements in specific indices or interest rates which may be difficult or impossible to hedge, and which also interact in a complex fashion with prepayment risks.

Collateralized Mortgage Obligations ("CMO") and Mortgaged-Backed Securities Derivatives. The CMO and stripped MBS markets were developed specifically to reallocate the various risks inherent in MBS across various bond classes ("tranches"). A Fund's use of these or other "derivative" securities will magnify the prepayment risks, interest rate risks, and hedging risks associated with MBS.

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

Commercial Mortgage-Backed Securities ("CMBS"). Mortgage loans on commercial properties often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity, and repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default. Most commercial mortgage loans underlying MBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related MBS are likely to be adversely affected.

Subordinated Securities. Investments in subordinated mortgage-backed securities (residential or commercial) and ABS involve greater credit risk of default than the senior classes of securities of the same issuer.

Credit Quality Securities. There are no restrictions on the credit quality of a Fund's investments. Investors should recognize that lower rated and unrated securities in which a Fund may invest have large uncertainties or major risk exposure to adverse conditions and are considered to be predominantly speculative. Generally, such securities offer a higher return potential than higher rated securities, but involve greater volatility of price and greater risk of loss of income and principal.

Use of Options. The Funds may buy or sell (write) options. When a Fund 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 security in the case of a put, could result in a total loss of the Fund's investment in the option (including commissions). When a Fund 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, an increase in the market price of the security above the exercise price would cause the Fund to lose the opportunity for gain on the underlying security — assuming it bought the security for less than 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 the Fund might suffer as a result of owning the security.

Swap Agreements. Swap agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments or market factors. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a Fund's portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency or other factors that determine the amounts of payments due to and from a Fund. If a swap agreement calls for payments by a Fund, the Fund must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Fund.

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. 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.

Other Derivative Instruments. The Funds may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of such Fund and legally permissible. Special risks may apply to instruments that are invested in by the Funds in the future that cannot be determined at this time or until such instruments are developed or invested in by the Funds.

Commodity Interest Trading is Speculative and Volatile. The prices of commodities and related financial instruments in which the Funds may invest can be highly volatile. Price movements of commodities and related financial instruments are influenced by, among other things: changing supply and demand relationships; weather and climate conditions; trade, fiscal, monetary, and exchange control programs and policies of governments; political and economic events and policies; changes in interest rates and rates of inflation; currency devaluations and revaluations; and emotions of the marketplace. Governments from time to time intervene, directly and by regulation, in certain markets. Such intervention is often intended to influence prices directly.

Futures. Futures positions may be illiquid because, for example, most U.S. commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Futures contract

practices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent a Fund from promptly liquidating unfavorable positions and subject the Fund to substantial losses. In addition, the Funds may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or the U.S. Commodity Futures Trading Commission may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are generally 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. Disruptions can occur in any market traded by the Funds due to unusually high trading volume, political intervention or other factors. Market illiquidity or disruption could result in major losses to the Funds.

Proprietary Models. The Adviser carries out its investment process and risk control procedures, in part, by applying various trading models (including proprietary credit models) developed by the Adviser. These models are used to evaluate prospective investments, as well as to monitor and value existing holdings. The accuracy and effectiveness of these models cannot be guaranteed.

Leverage and Financing Risk. While leverage presents opportunities for increasing a Fund's total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by a Fund would be magnified to the extent such Fund is leveraged. The cumulative effect of the use of leverage by a Fund in a market that moves adversely to such Fund's investments could result in a substantial loss to the Fund which would be greater than if the Fund were not leveraged.

Loans of Portfolio Securities. The Funds may lend their portfolio securities. By doing so, a Fund attempts to increase its income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Fund could experience delays in recovering the securities it lent. To the extent that the value of the securities the Fund lent has increased, the Fund could experience a loss if such securities are not recovered.

Hedging Transactions. The success of a hedging strategy will be subject to the Adviser'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 investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of a hedging strategy will also be subject to the Adviser's ability to continually recalculate, readjust, and execute hedges in an efficient and timely

manner. While the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a Fund than if it had not engaged in any such hedging transactions. In periods of market stress, the instruments necessary to permit a Fund to engage in hedging activity may not generally be available or may not, in the Adviser's judgment, be economically priced.

Short Selling. 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 Fund of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover 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.

Limited Diversification. The Funds are not restricted from concentrating their investments in the securities of a single issuer or guarantor, and may invest all or most of their assets in a single market sector. In doing so, the negative impact on the Funds of adverse movements in the value of the securities of a single issuer, guarantor or market sector could be considerably greater than if the Funds were not permitted to concentrate their investments to such an extent.

Non-U.S. Securities. Investments in securities of non-U.S. issuers (including non-U.S. governments) and securities denominated or whose prices are quoted in non-U.S. currencies pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability) as well as a range of other potential risks which could include expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. Income realized, and gross sale or other disposition proceeds received, by the Funds from sources within some countries may be reduced by withholding and other taxes imposed by such countries.

Investments in Emerging Markets. Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or markets.

Exchange Rate Fluctuations; Currency Considerations. A Fund may invest a portion of its assets in the instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. Dollar. The Funds, however, value their assets in U.S. Dollars. The Funds may hedge their non-U.S. currency exposure, but may not always do so. To the extent unhedged, the value of the Funds' positions in non-U.S. investments will fluctuate with U.S. Dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. Dollar compared to the other currencies in which a Fund makes its investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of such Fund's investments in their local markets and may result in a loss to the Fund. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect on

such Fund's non-U.S. Dollar investments. Furthermore, a Fund may incur costs in connection with conversions between various currencies.

A Fund may seek to protect the value of some portion or all of its portfolio holdings against currency fluctuations by engaging in hedging transactions, but there can be no assurance that such hedging transactions will be effective.

Currency Hedging. With respect to Funds that accept investments in currencies other than the U.S. Dollar, a Fund may generally employ various hedging techniques which may include, but are not limited to, spot or forward contracts, currency options and currency futures contracts or other financial investments (a "Currency Hedge"). Such hedging may substantially limit the benefit experienced by the holders of non-U.S. Dollar denominated shares (the "Non-U.S. Dollar Shares") from any increase in the U.S. Dollar value of the Non-U.S. Dollar currencies in which they subscribed.

With respect to Funds that accept investments in currencies other than the U.S. Dollar, the Adviser may affect a Currency Hedge by entering into forward contracts for the Fund. Differences in prevailing interest rates for deposits of different currencies can cause the price for future delivery of a currency to diverge from its spot price. Under such circumstances, the Fund would incur a loss with respect to such Currency Hedge (assuming no change in the relevant exchange rate during the relevant period) which would be allocable to the Non-U.S. Dollar Shares.

The Funds' investment programs are speculative and entail substantial risks. There can be no assurance that the investment objectives of the Funds will be achieved, or that investment results might not vary substantially on a monthly, quarterly or annual basis. In fact, the use of leverage, options, forward contracts, futures and derivatives and the limited diversification of the Funds' portfolios can, in certain circumstances, maximize the adverse impact to which the Funds' investment portfolios may be subject. The Funds' activities could result in substantial losses under certain circumstances.

ITEM NO. 9: DISCIPLINARY INFORMATION

To the best of the Adviser's knowledge, there are no legal or disciplinary events that are material to an advisory client or prospective advisory client's evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

As part of the Adviser's routine compliance training and monitoring, all employees are asked to certify upon hire, and thereafter on an annual basis, whether they have been the subject of any disciplinary actions.

ITEM NO. 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Adviser 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.

Each of the Adviser and the General Partner is registered as a commodity pool operator with the Commodity Futures Trading Commission ("CFTC") and each are a member of the National Futures Association ("NFA"). The Adviser is also registered as a commodity trading adviser with the CFTC. The Adviser and General Partner have (as applicable) claimed an exemption with respect to each applicable MKP Fund from certain of the CFTC's disclosure, reporting and record-keeping requirements applicable to registered commodity pool operators and registered commodity trader advisers pursuant to Rule 4.7 under the Commodity Exchange Act.

As noted in Item 4, the Adviser has a sub-advisory relationship with MKP Europe. MKP Europe manages a portion of the Funds' portfolios and provides research and investment recommendations to the Adviser.

A private equity fund managed by NB Dyal Advisors LLC ("Dyal") holds a passive, non-voting, minority equity interest in each of the Adviser and the General Partner. Dyal is ultimately controlled by Neuberger Berman. Dyal has no control over the investment process or day-to-day operations of the General Partner, the Adviser, or the Funds, but has certain consent rights relating to actions by the Adviser and the General Partner in respect of themselves.

Except as otherwise disclosed in this brochure, neither the Adviser nor any of its management persons has a relationship or an arrangement that is material to its advisory business or to its advisory clients with any related person that is a pooled investment vehicle, investment adviser, commodity pool operator or commodity trading adviser. In addition, the Adviser does not recommend or select other investment advisers for its clients.

ITEM NO. 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

The Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Adviser has adopted a Code of Ethics (the "Code").

The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of clients first;

- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of the Funds, including their investors, must be kept confidential;
- all advice and analysis regarding potential transactions must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

The Code also places restrictions on personal trades by employees, including that they (i) disclose their personal securities holdings and transactions to the Adviser, in accordance with the Investment Advisers Act of 1940, as amended; and (ii) pre-clear certain types of personal securities transactions. In addition, certain types of personal securities transactions are subject to a minimum holding period. Further, the Adviser maintains a "Restricted List" of companies about which a determination has been made that it is prudent to restrict trading activity. This might include, for example, a company about which investment personnel may have acquired material, nonpublic information, sometimes pursuant to a confidentiality agreement, or a position where the Firm may have a securities filing obligation. As a general rule, trades will not be allowed for Funds, or for the personal accounts of employees, in the securities of a company appearing on the Restricted List. In addition, employees are generally prohibited from transacting in any securities currently held in the portfolio of a Fund. It should be noted that employees may have personal investments in the MKP Funds.

The Code also requires all employees to notify the Adviser of (and in certain cases, pre-clear) certain political contributions, gifts and business entertainment and outside business activities.

The Adviser also maintains insider trading policies and procedures (the "Insider Trading Policies") that are designed to prevent the misuse of material, non-public information. The Adviser's personnel are required to certify to their compliance with the Code, including the Insider Trading Policies, on a periodic basis. Employees receive periodic training on the Code, insider trading and other compliance related matters.

Investors may request a copy of the Code by contacting the Adviser at the address or telephone number listed on the cover page of this document.

To the extent an investment opportunity is determined to be appropriate for multiple Funds, the Adviser will use its best judgment and act in a manner which it considers fair and reasonable in allocating such investment opportunity. It is the policy of the Adviser to allocate such investment opportunities for the Funds on an equitable basis, taking into account various factors. Such factors may include, among others:

- the risk parameters of such account;

- the eligible assets of such account;
- the investment objectives and restrictions on the account;
- the margin or premium requirement of a trade in a commodity interest product;
- the relative size and cash availability of the applicable strategy within such account;
- the nature and size of the proportion of a securities issue likely to be available to the Adviser or the nature and size of the proposed sale;
- the ability to borrow and the cost of borrowed funds;
- tax consequences;
- legal restrictions, including those that may arise in foreign jurisdictions;
- the liquidity of the investment relative to the need of such account;
- the degree of specialization of an account relative to the investment offered;
- the relative historical participation of an account in the investment;
- the difficulty of liquidating an investment for more than one Fund;
- the possibility that an allocation may result in a small or odd lot;
- new Funds with a substantial amount of investable cash;
- relative exposure to market trends;
- transaction costs;
- counterparty availability; and
- other factors considered relevant.

The Adviser, however, will have no obligation to purchase, sell or exchange any security or financial instrument for one Fund which the Adviser may purchase, sell or exchange for another Fund if the Adviser believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for a particular Fund.

ITEM NO. 12: BROKERAGE PRACTICES

In selecting brokers and dealers to effect portfolio transactions, the Adviser considers such factors as commission rates, price, the ability of the brokers and dealers to effect the transaction, the brokers'-dealers' facilities, reliability and financial responsibility and the provision of, or payment for (or the rebate to the Funds for payment of), the costs of research-related products or services that are of benefit to the Funds or the Adviser. The Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commissions and other costs. Accordingly, if the Adviser determines in good faith that the amount of commissions and other compensation charged by a broker or the prices charged by a dealer are reasonable in relation to the value of the research-related goods and services, including prime broker services, provided by such broker or dealer, the Funds may pay commissions and other compensation to such broker or prices to such dealer which are greater than those another might charge.

Soft Dollar Usage

Research-related goods and services provided by brokers and dealers through which portfolio transactions for the Funds are executed, settled and cleared may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, research services, and other goods and services providing lawful and appropriate assistance to the Adviser in the performance of its investment decision-making responsibilities on behalf of the Funds (collectively, "soft dollar items").

Soft dollar items may be provided directly by brokers and dealers, by third parties at the direction of brokers and dealers, or purchased on behalf of the Funds with credits or rebates provided by brokers and dealers. Soft dollar items may arise from over-the-counter principal transactions, as well as exchange-traded agency transactions. In addition, such payments or rebates may be made by futures commission merchants in connection with futures transactions. Brokers and dealers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual business received by any broker or dealer may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total transaction volume is allocated on the basis of all the considerations described above. A broker or dealer will not be excluded from executing transactions for the Funds because it has not been identified as providing soft dollar items.

"Soft dollars" will generally be used only for brokerage and research within the safe harbor provided by Section 28(e) of the U.S. Securities and Exchange Act of 1934, as amended, even though soft dollars may be generated in transactions not falling within the requirements of Section 28(e). Soft dollars generated in respect of principal transactions (other than riskless principal transactions), futures, currency and derivatives transactions do not fall within the safe harbor created by Section 28(e) and will be utilized only with respect to brokerage and research-related products and services and other authorized Fund expenses specified herein.

The Adviser does not currently have any formal soft dollar arrangements in place at this time, but reserves the right to enter into such arrangements in the future. Any soft dollars generated under a formal soft dollar arrangement with respect to equity transactions and utilized by the Fund would fall within the safe harbor provided by Section 28(e).

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

Other Brokerage Considerations

From time to time, the Funds may accept investments from the asset management division or an affiliate of full-service financial firms who are investing on their own behalf or on behalf of third-parties. The financial service firms may have related entities that include broker-

dealers and the Adviser may from time-to-time utilize these broker-dealers when the Adviser believes that a particular broker-dealer provides best execution for client transactions. This is not a material part of the Adviser's business and the Adviser does not take these investments into consideration when determining which broker-dealers to use to execute client transactions.

From time to time, brokers (including prime brokers) may assist the Funds in raising additional funds from investors, and representatives of the Adviser may speak at conferences and programs sponsored by such brokers for investors interested in investing in hedge funds. Through such "capital introduction" events, prospective investors in a Fund would have the opportunity to meet with the Adviser. Currently, none of the Adviser, the General Partner or the Funds compensates any broker for organizing such events or for any investments ultimately made by prospective investors attending such events, nor do they anticipate doing so in the future. While such events and other services provided by a broker may influence the Adviser in deciding whether to use such broker in connection with brokerage, financing and other activities of the Funds, the Adviser will not commit to allocate a particular amount of brokerage to a broker in any such situation.

Trade Error Policy

Pursuant to the various exculpation and indemnification provisions described in the Funds' offering documents, the Adviser and its affiliates and personnel will generally not be liable to the Funds for any act or omission, absent bad faith, fraud, willful misconduct or gross negligence, and the Funds will generally be required to indemnify such persons against any losses they may incur by reason of any act or omission related to the Funds, absent bad faith, fraud, willful misconduct or gross negligence. As a result of these provisions, the Funds (and not the Adviser) will be responsible for any losses resulting from trade errors and similar human errors, absent bad faith, fraud, willful misconduct or gross negligence. While the Adviser and its counterparties have controls in place to prevent trade errors, there is always the possibility that such errors may occur. Trading errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system resulting in the wrong amount of securities purchased/sold or the wrong security purchased/sold. Given the volume of transactions executed by the Adviser on behalf of the Funds, investors should assume that trade errors (and similar errors) may occur and that the Funds will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of the Adviser's personnel. Investors may contact the Adviser with any questions related to the Adviser's trade error policies.

Order Aggregation

The Adviser will generally execute Fund transactions on an aggregated basis when the Adviser believes that doing so will allow it to obtain best execution and to negotiate more favorable commission rates or other transaction costs than might have otherwise been paid had such orders been placed independently. When aggregating orders all Funds will be treated in a fair and equitable manner.

ITEM NO. 13: REVIEW OF ACCOUNTS

The Adviser performs various daily, weekly, monthly, quarterly and periodic reviews of the portfolios of the Funds. Such reviews are conducted by the members of the Adviser's Investment Committee, portfolio managers, research associates and operational personnel. Each of the MKP Funds are administered by a third-party administrator and the Adviser reconciles their accounting regularly.

With respect to the MKP Funds, the Adviser or its administrator provides the following written, unaudited reports to all MKP Fund investors:

- Weekly month-to-date performance estimates
- Month-end performance estimate
- Month-end fund profiles (consisting of risk & performance attribution)
- Monthly account statements
- Quarterly investor letter

The Adviser sends to MKP Fund investors estimated month-to-date returns, net of all fees and expenses as of the weekly close of business on the first business day of the following week. Typically, on the 3rd business day after month-end, MKP sends to MKP Fund investors estimated performance, net of all fees and expenses. Monthly performance attribution is typically sent to MKP Fund investors the 2nd week of the month, in addition to a full quarterly newsletter. Performance figures are updated on MKP's secure website, www.mkpcapital.com; assets under management are also available on the website. The MKP Funds' administrator sends account statements to MKP Fund investors once each applicable Fund's net asset value is finalized, typically by the 20th of the month. The MKP Funds' administrator also produces a monthly transparency report which includes confirmation of fund assets, the pricing process and ACS 820 leveling.

MKP intends to provide all MKP Fund investors with the information necessary for the ongoing monitoring of their investments in the Funds. As such, MKP provides monthly fund-specific information regarding portfolio exposures, attribution and risk parameters.

Generally, the Separate Accounts receive reports and/or statements as set forth in each Separate Account's governing documents.

In addition to the above, investors in the MKP Funds receive audited financial statements annually, generally within 90 days but no later than 120 days of the end of the Fund's fiscal year end.

ITEM NO. 14: CLIENT REFERRALS AND OTHER COMPENSATION

MKP does not receive economic benefits from non-advisory clients for providing investment advice and other advisory services and there are no sales charges payable to the Adviser, its affiliates or the MKP Funds in connection with the offering of the fund shares or interests, as applicable.

However, the Adviser, its affiliates and/or the MKP Funds have entered into agreements with placement agents with respect to investors introduced to certain of the MKP Funds by such placement agents providing for (i) a payment by such investors to the applicable placement agent, (ii) one-time or ongoing payments to the applicable placement agent from the MKP Funds or the Adviser based upon the amount of such investor's investment in the MKP Funds or the management fees and/or incentive compensation attributable to such investor or (iii) rebates to the investor of management fees or incentive compensation paid to the Adviser. Any amounts paid by an MKP Fund to placement agents will reduce the management fees and/or incentive compensation otherwise payable in respect of the shares or interests held by investors who were introduced to an MKP Fund by such placement agents.

Placement agents that introduce investors to a MKP Fund are subject to a conflict of interest to the extent that they will be compensated in connection with their introduction activities. If a prospective investor is introduced to an MKP Fund through a placement agent, appropriate disclosure will be made to such prospective investor regarding the arrangement, if any, with such placement agent.

ITEM NO. 15: CUSTODY

The Adviser is deemed to have custody of most advisory client funds and securities attributable to the MKP Funds. The Adviser does not have custody of the CBOs or the Separate Accounts. Account statements related to the advisory clients are sent by qualified custodians to the Adviser and each MKP Fund's administrator.

The Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each MKP Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception," which, among other things, requires that each MKP Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each MKP Fund

distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

ITEM NO. 16: INVESTMENT DISCRETION

As noted previously, MKP has full discretionary authority to manage the Funds, 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 markups and markdowns paid. MKP's authority is limited by its own internal policies and procedures and each Fund's investment guidelines. Investment advisory services are provided directly to the Funds, and not to the Funds' investors individually. The Adviser makes investments for each Fund based on its investment program.

ITEM NO. 17: VOTING CLIENT SECURITIES

The Securities and Exchange Commission adopted Rule 206(4)-6, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. In compliance with such rule, the Adviser has adopted proxy voting policies and procedures (the "Policies"). The 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 client accounts, as determined by the Adviser in its discretion, taking into account factors such as: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) effect on liquidity; and (iv) customary industry and business practices.

On occasion the Adviser receives a request for consent to matters pertaining to a bond. Examples include requests for consent to: a debt restructuring, a bond exchange or an issuer bond repurchase. In such instances, the Adviser may respond to such consents taking into account relevant factors, including, but not limited to: (i) the impact to the applicable Fund's expected profits and losses; (ii) the structural and liquidity differences between the bonds currently held and offered in exchange; and (iii) customary industry and business practices.

The Adviser may refrain from voting proxies or consents where the Adviser believes that voting would be inappropriate. In addition, to the extent there is a conflict of interest between the applicable Fund and the interests of the Adviser (or its affiliates), the Adviser maintains additional procedures with respect to addressing any such conflict of interest. A copy of the Policies and the consent voting relating to a Fund may be obtained by contacting the Adviser.

From time to time, the Adviser may receive notices regarding class action lawsuits involving securities that are or were held by the Funds. As a matter of policy, the Adviser shall act in the best interests of its investors and generally refrain from serving as the lead plaintiff in class action matters and also refrain from submitting proofs of claim where the Adviser

reasonably believes that either the recovery amounts are likely to be negligible or for other reasons. As a result, the Adviser, in most cases, will not likely participate in class action lawsuits.

ITEM NO. 18: FINANCIAL INFORMATION

The Adviser is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its advisory clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.

The Adviser does not need to provide a balance sheet since it does not solicit prepayment of more than \$1,200 in fees per advisory client, six months or more in advance.