



Item 1
COVER PAGE

PART 2A OF FORM ADV: FIRM BROCHURE

SABA CAPITAL MANAGEMENT, L.P.

March 30, 2016

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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. (the "Investment Adviser" or "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: This Brochure may be provided to current or prospective investors in funds managed by Saba Capital, together with a Fund's (as defined below) offering and governing documents, prior to or in connection with such person's consideration or consummation of an investment in a Fund. 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 the Brochure includes information about a Fund, it is not a complete description of the terms, risks or conflicts associated with an investment in a Fund. More complete information about each Fund is included in such Fund'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 Fund 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 Fund 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 Fund'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 Funds in its sole discretion. In this Brochure, the Funds (as well as any potential future funds managed by Saba Capital) are referred to as "clients" and investors in the Funds are referred to as "investors". Investors are not clients of Saba Capital.

Item 2

MATERIAL CHANGES

This Brochure is being made in connection with an annual amendment and to disclose the addition of a new chief compliance officer as well as updating the Firm's total number of employees, RAUM, AUM, the addition of a new Fund and general updates to Saba Capital's policies and procedures. Saba Capital has provided a summary below of the key changes to the Brochure.

- Douglas Chiciak resigned as chief compliance officer;
- Michael D'Angelo joined Saba Capital as its new general counsel and chief compliance officer;
- Saba Capital updated its regulatory assets under management and assets under management;
- Saba Capital updated its number of employees; and
- Saba Capital CEF Opportunities Fund launched in October 2015.

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Item 4 ADVISORY BUSINESS

A. General Description of Advisory Firm

Saba Capital Management, L.P. (the "Investment Adviser" or "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 the Investment Adviser (the "Investment Adviser General Partner"). The Investment Adviser 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 private pooled investment vehicles that are offered to investors on a private placement basis (each, a "Fund" and collectively, the "Funds"). The Funds include:

- Saba Capital Partners, L.P., a Delaware limited partnership (the "Domestic Fund"), Saba Capital Offshore Fund, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "Offshore Fund"), Saba Capital Intermediate Fund, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "Intermediate Fund"), and Saba Capital Master Fund, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "Master Fund"). The Offshore Fund invests substantially all of its assets in the Intermediate Fund. The Domestic and Intermediate Funds invest substantially all of their assets in the Master Fund. The Domestic Fund, Offshore Fund, Intermediate Fund, and Master 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". Interests in the Saba II Funds are not currently being offered.

- 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 Seed Fund, LLC, a Delaware limited liability company and Saba Seed Fund Cayman, Ltd., an exempted company incorporated under the law of the Cayman Islands. The Saba Seed Fund, LLC and Saba Seed Fund Cayman, Ltd. are collectively referred to herein as the "Saba Seed 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".

As used herein, the term "client" generally refers to each Fund.

Saba Capital, LLC, a Delaware limited liability company affiliated with the Investment Adviser (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, (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 the Investment Adviser (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”.

Saba Capital Management (UK) LLP (the “U.K. Manager”), a limited liability partnership organized under the laws of England and Wales, is authorized and regulated by the UK Financial Conduct Authority to provide investment advisory services to Saba Capital. The U.K. Manager is ultimately controlled by the Investment Adviser.

Saba MM LLC, a Delaware limited liability company affiliated with the Investment Adviser, serves as the managing member of Saba Seed Fund LLC.

The interests in the Domestic Fund, Domestic Leveraged Fund, Domestic Tail Hedge Fund, Domestic CEF 1 Fund, Saba E Feeder Fund, and Saba Seed Funds are offered on a private placement basis, pursuant to Section 3(c)(7) of the Investment Company Act of 1940, as amended (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 Fund, Offshore Leveraged Fund, Offshore Tail Hedge Fund and Offshore CEF 1 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 Fund, Offshore Leveraged Fund, Offshore Tail Hedge Fund and Offshore CEF 1 Fund.

Saba Capital has full discretionary authority with respect to investment decisions, and its advice with respect to the Funds 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.

C. Availability of Customized Services for Individual Clients

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

D. Wrap Fee Programs

Not applicable.

E. Assets Under Management

Saba Capital had approximately \$1,469,420,784 of assets under management, and approximately \$4,247,258,589 of regulatory assets under management as of December 31, 2015 on a discretionary basis.

Item 5

FEES AND COMPENSATION

A. Advisory Fees and Compensation

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

i. Management Fee

Saba Capital generally is paid an asset based fee annually on assets under management for the Funds, either monthly or quarterly in advance. The Management Fee charged to the Funds 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. Saba Capital does not collect a Management Fee from the Saba Seed Funds.

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 Fund (other than the Saba Seed Funds) pursuant to the terms of the relevant Fund 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 Fund.

With respect to the Saba Seed Funds, in return for capital invested in the underlying seeded investment manager via the Saba Seed Funds, Saba Capital receives a participation interest in the net profits of Saba Capital.

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 20-35% 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 otherwise modify the fee arrangements of an existing investor with the consent of such investor. In addition, Saba Capital, the Funds, 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 Funds. Saba Capital, its affiliates, and its personnel 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 Funds 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 may be charged by Saba Capital to one or more (but not necessarily all) of the Funds.

Each client may bear its own expenses and in the case of feeder funds, their pro rata share of intermediate fund's and master fund's expenses, including, without limitation, investment-related expenses whether relating to investments that are consummated or unconsummated (*e.g.*, brokerage commissions, fees and expenses of any counterparty or broker (which shall be at normal commercial rates), due diligence costs, investment banking fees, sourcing or finder's fees (which may include a management fee component and/or a performance fee component), borrowing charges on securities sold short, custodial fees, 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); fees and expenses incidental to the purchase and sale of interests in, and the fees and expenses of, close-end funds, research-related expenses, including, without limitation, news and quotation equipment and services; fees for data and software providers and other expenses related to the purchase, sale or transmittal of investments; 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 the Investment Manager with regard to the Master Fund's portfolio or operations and expenses related to the preparation of Form PF, Form CPO-PQR, CTA-PR and any other similar expenses); 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; 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 fees for the provision of middle-office and back-office services); directors' fees; Fund-related insurance expenses (including, without limitation, premium payments of directors' and officers' and Errors and Omissions insurance and for Investment Adviser 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; registration fees, corporate licensing fees, taxes and other governmental fees; all litigation-related and indemnification expenses; withholding and transfer fees; trademarks; other expenses related to the purchase, monitoring, sale, settlement, custody or transmittal of assets; extraordinary expenses; reasonable transactional charges; and other similar expenses.

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's only clients are the Funds which are structured as 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 Funds 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.

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 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 Funds 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 Fund's respective offering documents).

i. Flagship Funds

The Flagship Funds' principal investment objective includes taking advantage of relative value opportunities across the capital structure of publicly traded and privately held companies and via long and short positions based on fundamental analysis. The Flagship Funds' focus will be on dislocations in the credit market, and the Flagship Funds will primarily invest in high yield bonds, investment grade bonds, credit default swaps ("CDS"), first and second lien bank loans, equities, and derivatives. Saba Capital believes the extreme dislocation in the credit markets presents an extraordinary opportunity for the Funds to invest across the capital structure of companies and take advantage of these opportunities.

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 instruments, including, but not limited to, public and private debt issues (such as investment and non-investment grade bonds, secured or unsecured), bank loans (funded or unfunded), trade claims, convertible securities, distressed securities, mezzanine securities, collateralized obligations (such as collateralized loan obligations, collateralized debt obligations, collateralized bond obligations), residential mortgage backed securities and commercial mortgage backed securities), leases, trade claims, synthetic opportunities in sector indices (including, ABX, CMBX and CDX indices), 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 CDSs, 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 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, 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 credit opportunities. Credit 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.

Investments may include bank loans and public and 144A senior and subordinated debt offerings, bridge loans, private debt offerings, trade claims, convertible securities, common and preferred stock, warrants and other equity-related instruments. Saba Capital, on behalf of the Flagship Funds, 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. 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 Flagship Funds 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 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.

ii. Saba E Funds

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

iii. Leveraged Funds

The Leveraged Funds will generally invest in a substantially similar investment portfolio as the Flagship Funds, except that its notional leverage will generally be 1.5 times that of the Flagship Funds. On a position by position basis, the Leveraged Funds will seek to achieve, to the extent practicable, gross long and short exposures that are approximately 50% larger, as calculated at the Leveraged Master Fund level, than those of the Flagship Funds (on a capital adjusted basis); however, such percentage may vary because of changes in the gross long and short exposures of the Flagship Funds relative to those of the Leveraged Master Fund, as well as other factors.

iv. Tail Hedge Funds

The Tail Hedge Funds' principal investment objective includes the provision of 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 in the Tail Hedge Funds should be aware that because the Tail Hedge Funds are designed to provide a hedge against periods of market stress and dislocation, the Tail Hedge Funds are expected to incur losses during normal market conditions. To affect their investment objectives the Offshore Tail Hedge Fund and Domestic Tail Hedge Fund invest all of their investable assets in the Tail Hedge Master Fund. The Tail Hedge Master Fund will invest primarily in credit default swaps ("CDS") on a portfolio of low spread investment grade bonds. In addition, the Tail Hedge Master Fund may purchase equity puts and other equity derivatives, CDS on credit indices, CDS on high yield bonds, CDS on bank loans ("LCDS") or sell short physical bonds and buy and sell 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 the Standard & Poor's U.S. Investment Grade (IG) CDS Index.

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 Funds' objectives. Saba Capital, on behalf of the Tail Hedge Master Fund may invest and trade in a variety of 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 and CDX indices and indices based on residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS")), equity-related instruments, put options, short call options, straddles, forward contracts, 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 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, the United Kingdom and Western Europe. Saba Capital expects to utilize leverage.

Saba Capital, on behalf of 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 Funds 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, common and preferred stock, warrants and other equity-related instruments. Saba Capital, on behalf of 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, Saba Capital, on behalf of 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 ("Class IIA") and one substantially similar to that of the Tail Hedge Funds ("Class IIB"). Additionally, the AIV II Fund will invest primarily in U.S. dollar denominated equity positions related to Class IIA and Class IIB corresponding strategies.

vi. Saba Seed Funds

The Saba Seed Funds were organized for the purpose of investing in Camares European Credit Fund, L.P. (the "Camares Fund"), and acquiring an interest in the revenues of that fund's manager. Generally, the Saba Seed Funds expect the Camares Fund to pursue a relative value investment strategy primarily focused on European liquid credit markets. The Saba Seed Funds expect Camares Fund's portfolio to be primarily comprised of positively convex positions in bonds, CDS, and loans of investment grade and high yield credits.

vii. CEF 1 Funds

The CEF 1 Master Fund 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 closed-end funds (the "CEFs") that are operated by a diversified group of closed-end fund managers ("CEF Managers"), which qualify as registered investment companies ("RICs").

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

The CEFs that the CEF 1 Master Fund's invest in may invest in securities with a range of maturities from short- to long-term. 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 also may invest in equities, investment grade securities and unrated securities. The CEFs may 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 CEF 1 Master Fund's chosen CEFs may also make short sales of securities or maintain a short position.

The CEF 1 Master Fund may hedge, use borrowings or other leverage for investment purposes.

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 Funds 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 Funds.

An investment in a Fund involves a high degree of risk, including the risk that the entire amount invested may be lost. **There can be no assurance that a Fund'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 Fund. Prospective investors should consider the following additional factors in determining whether an investment in the Fund is a suitable investment.**

Highly Volatile Markets. The prices of financial instruments in which Saba Capital, on behalf of the Funds, may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Funds' 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 Funds 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 Funds, 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 Funds from sources within some countries may be reduced by withholding and other taxes imposed by such countries.

The Funds 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 Funds, no assurance can be given that the Funds 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 Funds' performance.

Emerging Market Investments. Certain markets in which the Funds 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 Funds 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 Funds' 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 Funds may incur contingent liabilities in connection with an investment. For example, the Funds 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 Funds.

Short Selling. Saba Capital, on behalf of the Funds, will engage in short sales and, with respect to the Tail Hedge Master Fund, 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 Funds, 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 Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds 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 Funds 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 Funds will likely be required to provide additional funds or collateral to maintain the short positions. This could require Saba Capital, on behalf of such Funds, 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 Funds of buying those securities to cover the short position or resulting in the inability of the Funds to cover the short position.

Saba Capital, on behalf of the Funds, may make "short sales against-the-box," in which it will sell short securities the Funds own or have the right to obtain without payment of additional consideration. If Saba Capital, on behalf of the Funds, makes a short sale against-the-box, the Funds 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 Funds 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 the Tail Hedge Funds 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 Master 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, a shareholder may lose all or part of its investment in the Tail Hedge Funds. Losses will be higher with higher leverage and tighter spreads.

Narrowing Credit Spreads. With respect to the Tail Hedge Funds, 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 the Tail Hedge Funds of buying securities to cover the short position or resulting in the inability of the Tail Hedge Funds 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 Funds 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 Funds. Market illiquidity or disruption could result in major losses to the Funds.

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

The success of the Funds' 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 Funds' 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 Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds 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 Funds from achieving the intended hedge or expose the Funds 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 Funds' portfolio holdings.

Leverage Risks. The use of leverage will, in certain instances, enable the Funds 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 Funds to leverage investments may be collateralized by the Funds' portfolios.

The use of leverage will magnify the volatility of changes in the value of the investments of the Funds. 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 Funds in a market that moves adversely to their investments could result in substantial losses to the Funds, which would be greater than if the Funds were not leveraged.

While leverage increases the buying power of the Funds 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 Funds' portfolios. Leverage will increase the investment return of the Funds if an investment purchased with or utilizing leverage earns a greater return than the cost to the Funds of such leverage. The use of leverage will decrease the investment return if the Funds fail to recover the cost of such leverage.

Portfolio Divergence. Although, other than the difference in leverage, the Leveraged Funds' portfolio is expected to be substantially similar to that of the Flagship Funds' and Saba E Funds', there may be divergences between the portfolios. These divergences may result from legal, tax, accounting, regulatory, liquidity, and other similar considerations and restrictions. For example, the Leveraged Fund may not invest in certain positions held by the Flagship Funds and Saba E Funds prior to the formation of the Leveraged Funds. Saba Capital at its sole discretion, may periodically rebalance the portfolios of the Leveraged Funds, Saba E Funds, and the Flagship Funds, but is under no obligation to do so. Saba Capital may take into account, when making a determination regarding rebalancing, legal and regulatory considerations, transaction costs, considerations relating to disposal of investments, and other considerations.

Divergences in the portfolios may be material and may impact the relative performance of the Leveraged Funds' portfolio versus the portfolio of the Flagship Funds and Saba E Funds.

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

Counterparty Risk. Some of the markets in which Saba Capital, on behalf of the Funds, 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 Funds 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 Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated their transactions with a single or small group of counterparties. The Funds 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 Funds' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

Counterparty Insolvency. The Funds' assets may be held in one or more accounts maintained for the Funds 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 Funds' counterparties is likely to impair the operational capabilities or the assets of the Funds. Although Saba Capital regularly monitors the financial condition of the counterparties it uses, if one or more of the Funds' 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 Funds' 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 Funds 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 Fund'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 Funds and their assets. Investors should assume that the insolvency of any counterparty would result in a loss to the Funds, 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 Funds. Transactions for the Funds 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 Funds, 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 Funds and personally identifiable information of the shareholders. Similarly, service providers of Saba Capital, the Funds, 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 shareholders may also be susceptible to compromise. Breach of Saba Capital's information systems may cause information relating to the transactions of the Funds and personally identifiable information of the shareholders to be lost or improperly accessed, used or disclosed.

The service providers of Saba Capital, the Funds 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 Funds and personally identifiable information of the shareholders may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of Saba Capital's or the Funds' proprietary information may cause Saba Capital or the Funds 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 Funds and the shareholders' investments therein.

C. Risks Associated With Particular Types of Securities

Debt Securities Generally. Saba Capital, on behalf of the Funds, expects to invest in private and government debt securities and instruments. Saba Capital, on behalf of the Funds, 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 Funds, 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 Funds 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 Funds' investments in any instrument, and a significant portion of the obligations and securities in which the Funds 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 Funds' investments or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Funds invest, the Funds may lose its entire investment, may be required to accept cash or securities with a value less than the Funds' original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Funds' investments may not compensate the investors adequately for the risks assumed.

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 Fund of the security in respect to which such distribution was made.

In certain transactions, the Funds 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 Funds, 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 Funds, 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 Funds' 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 Funds 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 Funds.

Second Lien Loans. Saba Capital, on behalf of the Funds, 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 Funds, 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 Funds, 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 Funds 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 Funds, 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 Funds may sell credit default protection in which they receive a premium to take on the risk. In such an instance, the obligation of the Funds to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Funds 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 Funds, 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 Funds 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 Funds, may invest in CDOs and similar structured debt products (collectively, "CDO Securities"). CDO Securities in which the Funds 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 Funds' investments in CDOs involves 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 Funds' 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 Funds 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 Funds. CDO Securities in which the Funds 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 Funds' portfolios, and may be difficult or impossible to hedge against.

Risks Associated with Residential Mortgage-Backed Securities. Saba Capital, on behalf of the Funds, may invest in residential mortgage-backed securities ("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 Funds, may invest in commercial mortgage-backed securities ("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 Funds 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 Funds 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 Funds from loss.

The Funds 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 Funds 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 Funds 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 Funds, 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. Saba Capital, on behalf of the Funds, 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 the Funds 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. These investments will not necessarily be designated as "Special Investments." 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. The Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. An investment in the Funds is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

Special Investments. Saba Capital, on behalf of the Funds may invest part of the Funds' assets in investments that Saba Capital believes either lack a readily assessable market value or should be held until the resolution of a special event or circumstances (i.e., Special Investments). Shares corresponding to a new Special Investment will not be issued to a shareholder to the extent that the issuance of such shares would cause the aggregate Net Asset Value of such shares issued to such shareholder to exceed the Special Investment Limit (as defined below) with respect to such shareholder. A "Special Investment Limit" is equal to 15% of the Net Asset Value of a shareholder's shares (including, for these purposes, the fair value of a shareholder's shares associated with such Special Investment. Notwithstanding the foregoing, such shareholder will be issued shares in connection with any investment that Saba Capital determines is a follow-up investment to a Special Investment in which such shareholder has an interest. The Special Investment Limit will be measured each time shares corresponding to a new Special Investment are issued. The Funds may not be able to readily dispose of Special Investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time.

Special Investments and other assets and liabilities for which no such market prices are available will generally be carried on the books of the Funds at fair value (which may be cost) as reasonably determined by Saba Capital. There is no guarantee that fair value will represent the value that will be realized by the Funds on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. A redeeming shareholder with an interest in a Special Investment will not receive any amount in respect of such interest until the related Special Investment is realized or deemed realized.

Investors having no interest in a Special Investment could have the value of their investment negatively impacted by losses relating to such Special Investment that exceed its value (e.g., if leverage is used to acquire the Special Investment and the amount owed to the creditor exceeds the value of the investment).

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 Funds is called for redemption, the Funds will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on the Funds' ability to achieve their investment objective.

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, the Funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties.

Saba Capital, on behalf of the Funds, 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. The Funds' 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 the Funds have 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 the Funds may enter into, the principal risks involved in options trading can be described as follows: When the Funds buy 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 the Funds' investment in the option (including commissions). The Funds could mitigate those losses by selling short, or buying puts on, the securities for which they hold call options, or by taking a long position (*e.g.*, by buying the securities or buying calls on them) in securities for which they hold put options.

When the Funds sell (write) an option, the risk can be substantially greater than when they buy 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, the Funds 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 the Funds 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.

Saba Seed Funds' Investments in Fund Managers. While a venture capital type investment offers the opportunity for significant capital gains, such investment involves a high degree of business and financial risks that can result in substantial losses. These include the risks associated with investments in businesses in an early stage of development or with little or no history of operating results.

Although the Saba Seed Funds do not intend to control the underlying fund managers, the participation rights in an underlying fund manager could expose its assets to claims by an underlying fund manager, other equity holders of the funds managed by an underlying fund manager and creditors of an underlying fund manager. In addition, the Saba Seed Funds may not be in a position to limit or otherwise protect the value of its investment with an underlying fund manager, as an underlying fund manager may have economic or business interests or goals that are inconsistent with those of the Saba Seed Funds. Control by Saba Capital over the investment policies of an underlying fund manager will be extremely limited.

The Saba Seed Funds' ability to obtain transparency from an underlying fund manager regarding portfolio positions will be limited. As such, the Saba Seed Funds' ability to closely monitor performance will be limited, as will its ability to withdraw on a timely basis.

Because the assets of the Saba Seed Funds will be invested with an underlying fund manager, the success of the Saba Seed Funds depends upon the ability of an underlying fund manager

to develop and implement investment strategies that achieve the stated investment objectives. For example, an underlying fund manager's inability to effectively hedge an investment strategy that it utilizes may cause the assets of the Saba Seed Funds invested with an underlying manager to significantly decline in value and could result in substantial losses to the Saba Seed Funds.

The principals of an underlying fund manager may have limited experience in operating an investment fund and may not have significant track records. Thus, an investment with an underlying fund manager may be subject to more significant risks than would be the case if the Saba Seed Funds invested with a more "seasoned" fund manager with a longer track record.

The ability of the Saba Seed Funds to engage in risk due diligence relating to an underlying fund manager is dependent on access to the portfolio and risk management systems of an underlying fund manager. Such access will be limited. As such, estimates of risk will be made which may turn out to be inaccurate. No amount of diligence can eliminate the possibility that an underlying fund manager may engage in improper or fraudulent conduct, including unauthorized changes in investment strategy, misappropriation of assets and unsupportable valuations of portfolio securities.

An underlying fund manager will receive compensation based on the performance of its investments. Such compensation arrangements may create an incentive to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. In addition, because performance-based compensation is calculated on a basis that includes unrealized appreciation of the Saba Seed Funds' assets, it may be greater than if such compensation were based solely on realized gains.

An underlying fund manager may engage in other forms of related and unrelated activities in addition to advising investments by the Saba Seed Funds. The principals of an underlying fund manager may also make investments in other products for their own account. Activities such as these could detract from the time an underlying fund manager devotes to the affairs of funds in which the assets of the Saba Seed Funds are invested. In addition, an underlying fund manager may engage affiliated entities to furnish services to its funds. As a result, in such instance the choice of the affiliated entity and the level of commissions or other fees paid for such services (including the size of any mark-up imposed by a counterparty) may not have been made at arm's length.

CEF Funds' 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 the CEF 1 Fund's ability 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, the CEF 1 Funds, 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 the CEF 1 Fund's investments for a period even though the CEF 1 Fund's overall portfolio 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 the CEF 1 Funds. 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, the CEF 1 Funds 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 CEF 1 Funds 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 the CEF 1 Fund's 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, the CEF 1 Funds 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).

CEF Specific Investment Strategy Risk Factors

Fixed Income. The CEFs in which the CEF 1 Funds 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. The CEF 1 Funds 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 the CEF 1 Funds, no assurance can be given that a CEF in which the CEF 1 Funds 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 the CEF 1 Funds 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.

Market Risks. The value of the assets of a CEF in which the CEF 1 Funds 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 CEF 1 Funds 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.

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 increase, 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 the CEF 1 Funds 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 the CEF 1 Funds 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. The CEF 1 Funds 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 CEF 1 Funds 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 fund 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 fund 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 CEF 1 Funds 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 CEF 1 Funds and the CEFs

The following risk factors apply to both CEF 1 Funds and the CEFs. As a result, references herein to CEFs, unless otherwise indicated or required by the context, shall include the CEF 1 Funds.

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 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, Joy C. Semple and Muqu Karim 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

The Investment Adviser, its personnel and its affiliates, including Saba Capital, LLC, Saba Capital II, LLC, Saba MM LLC, and Saba Capital Management (UK) LLP 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 Funds as it deems necessary and appropriate. Saba Capital is not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may be in competition with existing Funds 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 Funds but will be allocated between the business of the existing Funds 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 Funds 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 Funds.

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 Funds, 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 Funds. 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 Funds;
- 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 Funds;
- Placing limitations on personal trading by Employees 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 Fund 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 any 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 Funds 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, Saba Capital’s Chief Compliance Officer, at (212)-542-4635.

B. Investment in Securities that the Investment Adviser or a Related Person Has a Material Financial Interest

i. Cross Trades

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, or some other legal 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 Firm's Board of Directors, 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 Saba Capital allow a client to engage in a principal transaction except where Saba Capital's General Partner selects one or more unaffiliated persons to serve on a committee, the purpose of which will be to consider and approve or disapprove the proposed principal transaction.

C. Investing in Securities that the Investment Adviser 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 Saba Capital's 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. 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 invest in the current largest twenty ETFs by volume irrespective of any clients' ownership of such ETFs. It is the responsibility of all Employees to ensure their adherence to the Code of Ethics. The Chief Compliance Officer 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 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 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 Fund'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, 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 Funds 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 regular 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 Funds, 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 Funds and Saba Capital. Saba Capital has not and does not plan to enter into soft dollar 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 harbour 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 Funds in selecting or recommending broker-dealers for the Funds.

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 to the extent practical and in accordance with each client's applicable investment strategies, 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) cash flow considerations and available leverage, (iii) potentially adverse tax consequences, (iv) regulatory and risk considerations and restrictions, (iv) an effort to avoid odd lots, and (v) other exceptions approved in keeping with principles of fiduciary responsibility, equitable allocation, and the Funds' investment guidelines.

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 the members of Saba Capital's Management Committee, 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 Funds receive weekly and monthly performance estimates, and a monthly and/or weekly report from Saba Capital documenting the performance of their Fund, along with a monthly report of selected risk attributions of the Fund, 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 as 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 Funds within 90-120 days of the end of a Fund'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 Funds.

Saba Capital, on behalf of its Funds, 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 Funds, 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 Fund 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 Funds' independent public accountant. Within 90-120 days of the applicable fiscal year, Saba Capital will ensure that the Funds distribute their audited financial statements to all clients, and investors within the Funds.

Item 16
INVESTMENT DISCRETION

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

Saba Capital's discretionary authority is generally subject to such restrictions as set forth in each Fund'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

The Securities and Exchange Commission 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 its clients. Saba Capital may, from time to time, determine that it is in the best interests of its clients to depart from specific proxy voting service recommendations, such as where a portfolio manager has a view on a particular issuer or corporate action that deviates from such recommendations.

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.

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.