

Key Square Group LP

Part 2A of Form ADV Brochure

650 Madison Avenue, 18th Floor
New York, NY 10022

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This Brochure provides information about the qualifications and business practices of Key Square Group LP (“Key Square”). If you have any questions about the contents of this Brochure, please contact us at compliance@keysq.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Key Square is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Item 2: Material Changes

Key Square submits this Brochure in connection with its application for registration as an investment adviser with the SEC.

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Item 4: Advisory Business

A. General Description of Advisory Firm.

Key Square, an investment advisory firm organized in 2015 under the laws of the State of Delaware, will provide discretionary investment advisory services to clients (“Clients”) including separately managed accounts (the “Accounts”) and the Fund (as defined below). Key Square is headquartered in New York with an office in London.

Key Square is principally owned by Mr. Scott Bessent.

B. Description of Advisory Services.

Key Square expects to initially manage one series of funds and an Account held by a private fund. The series of funds is comprised of multiple funds investing through a master-feeder structure, and includes: Key Square Partners LP, a Delaware limited partnership, Key Square International Fund Ltd, a Cayman Islands exempted limited company and Key Square Master Fund LP, a Cayman Island exempted limited partnership (together, the “Fund”). Key Square Fund General Partner LLC (the “General Partner”) will be the general partner of Key Square Partners LP and Key Square Master Fund LP. Key Square Management Capital LLC (the “Investment Manager”) will provide investment management services to the Key Square Master Fund LP.¹

Key Square applies a multidisciplinary approach to investing and may pursue multiple investment strategies including, but not limited to: global macro; long/short equities; investing in commodity and commodity-related industries; high yield, credit and distressed credit; event-driven/special situations investing; and relative value investing. Key Square’s investment objective is to achieve superior capital appreciation over time by applying a multi-disciplinary approach to investing, without limiting itself to pre-defined strategies with respect to the Accounts and the Fund. Key Square may, in its discretion, utilize the services of any sub-advisor or consultant (including the Sub-Advisor (as defined below) to provide non-binding research related or other advice (with no authorization to either conclude contracts or implement investment decisions), operational due diligence or on-going monitoring of investments.

Key Square’s investment strategies are more fully described in the offering documents for the Fund and the investment management agreements of the Accounts. Please see Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) below for a more detailed description of the investment strategies pursued and types of investments made by Key Square.

The descriptions set forth in this Brochure of specific advisory services that Key Square offers to Clients, and investment strategies pursued and investments made by Key Square on behalf of its Clients, should not be understood to limit in any way Key Square’s investment activities. Key

¹ Key Square and certain of its affiliated entities (“Relying Advisers”) are together filing a single Form ADV in reliance on the SEC staff’s guidance in a no-action letter to the American Bar Association (January, 18, 2012).

Square may offer any advisory services, engage in any investment strategy and make any investment, even if not described in this Brochure, that Key Square considers appropriate, subject to each Client's investment objectives and guidelines. Not all of the strategies described in this Brochure may be used at the same time or in the same proportions, and Key Square may add, suspend, eliminate or modify investment strategies at its discretion. The investment strategies Key Square pursues are speculative and entail substantial risks. Investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

C. Availability of Tailored Services for Clients.

As mentioned above, Key Square's investment advice is subject to investment objective and guidelines of the Fund and each Account, as set forth in the offering documents and/or constituent documents of such products, as applicable. With respect to the Fund, Key Square's advice is not subject to modification by investors, other than certain investors who may be granted more favorable rights not afforded other investors such as reduced rates of management and/or performance fees to be earned by Key Square, and preferential transparency and/or reporting rights.

The terms of the Accounts are individually negotiated and may provide better terms than those offered to investors in the Funds including lower management and performance-based fees and different liquidity and information rights including better transparency with respect to the holdings of the Fund relative to the investors in the Fund.

D. Wrap Fee Programs.

Key Square does not participate in wrap fee arrangements.

E. Assets under Management.

At the time of this filing, Key Square does not have any assets under management but expects to meet or exceed the SEC's minimum assets under management requirement shortly after registration.

Item 5: Fees and Compensation

A. Advisory Fees and Compensation.

Key Square or one of its affiliates typically receives compensation from each product based on a percentage of assets under management and a percentage of the performance achieved for such product. As described below, Key Square charges each product an annual management fee equal to a percentage of the assets managed by Key Square, and each product (or in the case of a master/feeder structure, the master fund) makes a performance-based allocation or pays a performance-based fee, as applicable, equal to a percentage of its net appreciation, subject to certain limitations further described below. Performance-based allocations and fees are calculated

after deducting certain expenses, including, without limitation, brokerage commissions, management fees, operational and research costs (as more fully described below).

With respect to the Fund, Key Square or an affiliate receives a management fee (the “Management Fee”) payable, in advance, at the beginning of each calendar quarter at a rate of between 0.375% (1.5% per annum) and 0.5% (2.0% per annum) of the net asset value of assets under its management.

With respect to the Accounts, Key Square or an affiliate receive a management fee (the “Account Management Fee”) payable, in arrears, at the end of each calendar quarter at a rate of between 0.125% (0.5% per annum) and 0.25% (1.0% per annum) of the net asset value of assets under its management.

With respect to the Fund, certain affiliates of Key Square receive performance-based allocations equal to between 15% and 20% of the net capital appreciation attributable to the master fund for the preceding fiscal year. In calculating the annual net capital appreciation of the Fund, prior losses are carried forward and must be made up before performance-based allocations are made. Performance-based allocations are assessed at the end of the fiscal year of the respective Fund or upon full or partial withdrawal of an investor’s capital and paid to certain affiliates of Key Square.

With respect to the Accounts, certain affiliates of Key Square receive performance-based fees equal to between 10% and 15% of the net capital appreciation attributable to such Account for the preceding fiscal year.

In the event that an investor is permitted or required to withdraw or redeem completely or partially from the Fund other than at the end of the fiscal year, the performance-based allocation or fee with respect to such investor for such year will be determined, at the time of withdrawal, with respect to the portion being withdrawn or redeemed through the applicable withdrawal date.

In general, fees are not negotiable although the Investment Manager has the discretion to permit certain investors to invest in the Funds on different fee terms. There may be different or negotiated fee schedules and other terms negotiated between Key Square and its Accounts. In addition, Key Square, either directly or through one of its affiliates, has the discretion to waive all or a portion of the Management Fee and/or performance-based allocations. In general, principals, partners and employees of Key Square do not pay management fees and are not subject to performance-based allocations. In addition, affiliates of Key Square, partners and employees (and former partners and former employees) of Key Square, immediate family members of such persons, trusts or other entities primarily for such persons’ benefit or for charitable purposes, friends and strategic investors may be granted a waiver with respect to the management fees and the performance-based allocation, at the discretion of Key Square or one of its affiliates. In addition, Key Square, the Fund or the General Partner may enter into side letters or similar written agreements with investors which have the effect of establishing rights under, or altering or supplementing the terms of, the relevant governing documents including the Management Fee or performance-based allocation.

B. Payment of Fees and Incentive Compensation.

The Investment Manager will deduct fees from the assets of Fund investors invested in the Fund. Investors in the Fund will not have the ability to choose to be billed directly for fees incurred. Investors in the Accounts will be invoiced for fees incurred.

C. Expenses.

In addition to the fees and compensation described above, each Client bears its own operational expenses as more fully described in the offering documents of the Fund and Investment Management Agreement of the Fund and the Accounts. The expenses that may be borne by the Fund and/or the Accounts, as applicable, may include, but are not limited to: legal and other organizational expenses including all expenses relating to the initial and on-going offer and sale of interests and the negotiation of side letters, operating and other expenses, including, but not limited to, investment-related expenses (*e.g.*, brokerage commissions, clearing and settlement charges, custodial fees, interest expenses, initial and variation margin, broken deal expenses and other transactional charges, fees or costs, consulting, advisory, investment banking, valuation, legal and other professional fees relating to particular investments or contemplated investments, research-related expenses, including, without limitation, news and quotation equipment and services, market data services (*e.g.*, Bloomberg) and/or portfolio risk management services); legal expenses (including with respect to litigation and threatened litigation, if any); any expenses associated with regulatory filings made in connection with Fund operations and portfolio holdings (*e.g.*, filings with the SEC including Form PF and expenses related to the offering and sale of interests in compliance with the Directive 2011/61/EU on Alternative Investment Fund Managers (the "AIFMD"), but excluding the preparation of Form ADV and membership with the National Futures Association); expenses related to the maintenance of the Fund's or Account's registered office, corporate licensing, middle-office expenses including fees of pricing, data and exchange services, valuation firms and financial modeling services, the costs and expenses related to acquisition, installation, servicing of, and consulting with respect to, order, trade, and commission management products and services (including, without limitation, risk management and trading software or database packages and); travel and lodging expenses incurred in connection with the discovery, evaluation, acquisition, holding, management, monitoring or disposition of investments, which may include business or first-class airfare and private air travel, including reimbursement of Key Square or its affiliates for use of chartered aircraft owned or leased by them up to the rate of an equivalent first-class ticket; accounting, audit and tax advice and preparation expenses (including preparation costs of financial statements, tax returns, reports to investors and schedule K-1s); printing and mailing costs; market information systems and computer software and information expenses; insurance costs (including, without limitation, directors' and officers' liability or other similar insurance policies, errors and omissions insurance and other similar policies for the benefit of the Fund or Account); filing and registration fees (*e.g.*, blue sky and corporate filing fees and expenses); fees of the administrator; directors' fees; the Management Fee or Account Management Fee; any extraordinary expenses (including indemnification or litigation expenses and any judgments or settlements paid in connection therewith); all other costs and expenses arising out of indemnification obligations; any and all taxes (including entity-level taxes) and governmental fees or other charges payable by or with respect to or levied against the Fund or Account, its investments, or to Federal, state or other

governmental agencies, domestic or foreign, including real estate, stamp or other transfer taxes and expenses related to complying with Sections 1471 to 1474 of the Internal Revenue Code of 1986, and similar regulations outside the U.S.; wind-up and liquidation expenses and other similar expenses. For the avoidance of doubt, “similar expenses” refers to any expenses that are similar in type and nature to the expenses described in the previous sentence, and any expenses determined by the General Partner to be primarily related to providing the proper infrastructure for the General Partner and the Investment Manager in connection with the Fund’s investments and operations. All or a portion of any eligible costs and expenses may be paid for using soft dollars generated by the Fund, a Account, and/or any other fund or vehicle managed by Key Square or an affiliate thereof (together with the Fund and the Accounts, the “Key Square Funds”).

If any of the above expenses are incurred jointly by one or more Key Square Funds, such expenses will be allocated pro rata based on the relative amount of capital available (*i.e.*, notional commitment available with respect to the Accounts, and capital, taking into account leverage, with respect to other Key Square Funds) in each instance after taking into account factors deemed appropriate or relevant by Key Square or its affiliates.

See Item 12 for more detail on Key Square’s brokerage practices.

Existing and prospective investors and Clients should refer to their respective offering memorandum or constituent documents, as applicable, for detailed information with respect to the fees and expenses associated with the Fund or the Accounts, as applicable. The information contained here is a summary only and is qualified in its entirety by such documents.

D. Prepayment of Fees.

The Management Fee and performance-based allocation payable by investors by the Fund is generally prorated and subject to adjustment for any partial periods. The Account Management Fee and performance-based fees payable with respect to the Accounts will be payable in arrears and prorated at the termination of each Account’s term.

E. Additional Compensation and Conflicts of Interest.

Neither Key Square nor its officers, employees, or other affiliates accept compensation for the sale of securities or other investment products.

Item 6: Performance Based Fees and Side-by-Side Management

As described in Item 5 above, Key Square (or an affiliate) expects to receive its performance-based allocation or fee from the Accounts and the Fund, respectively. The receipt of a performance-based allocation may create an incentive for Key Square to make investments that are riskier or more speculative than would be the case if such compensation arrangements were not in place.

It should also be noted that even though Key Square may receive a performance-based allocation or fee from both the Accounts and the Fund, there may be a difference in the fee structure assigned to a particular Client. As such, Key Square’s receipt of a performance-based allocation

or fee creates a potential conflict of interest in that it may create an incentive for Key Square to make investments on behalf of certain Clients that are riskier or more speculative than would be the case if all Clients assumed the same fee structure. In addition, since performance-based allocations and fees will be calculated on the basis of realized and unrealized gains, such allocation may be based on gains that some Clients might never realize.

In addition, Key Square may be incentivized to favor certain Clients over other Clients (i) as a result of higher investment participation levels by principals, partners and employees of Key Square in certain Clients and/or (ii) because the compensation received from some Clients may exceed the compensation received from other Clients. In order to mitigate this risk and conflict, Key Square implements designed to seek fair and equitable treatment for all Clients and to prevent conflicts from influencing the allocation of investment opportunities among the Clients, as further described in Item 12.

A description of the services offered, and corresponding fees charged, by Key Square will be provided in the applicable offering documents or investment management agreements.

Item 7: Types of Clients

As described in Item 4 above, Key Square and/or its affiliates(s) expects to provide investment advice to the Fund and the Accounts. Investors in the Fund are not considered clients of Key Square. Such investors may include pension plans, charitable foundations, endowments, fund of funds, sovereign wealth funds, private funds, investment companies, trusts, high net worth individuals and other entities and institutions. Investors in the Fund must meet certain suitability requirements as set forth in the Fund's offering documents. The investor in the Account is a private fund.

The minimum initial investment in the Fund will be \$25,000,000 and the minimum ongoing investment amount will be \$10,000,000. These requirements may be waived or modified at the discretion of Key Square or its affiliates.

From time to time, Key Square may offer Accounts to potential Clients that meet certain financial and/or sophistication requirements, which may include a minimum size of investment which is individually negotiated or be based on a strategic relationship to Key Square and/or an affiliate.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis and Investment Strategies.

Key Square's principal investment objective is to achieve superior capital appreciation for Client accounts. Over time, Key Square expects to apply a multi-disciplinary approach to investing, without limiting itself to pre-defined strategies. The strategies pursued for the Clients, at least initially, may (or may not) include, but will not be limited to: global macro; long/short equities; investing in commodity and commodity-related industries; high yield, credit and distressed credit; event-driven/special situations investing; and relative value investing. Generally, there are no limitations on the markets or types of instruments in which the Clients may invest.

Key Square expects to invest by creating long or short exposure globally in interests commonly referred to as securities, other financial instruments and other assets of U.S. and non-U.S. entities, whether traded on an organized exchange, through “pink sheets”, over-the-counter (“OTC”), or otherwise, including capital stock; shares of beneficial interest; partnership interests and similar financial instruments; bonds, notes and debentures (whether subordinated, convertible, or otherwise); currencies; commodities; physical and intangible assets; interest rate, currency, commodity, equity and other derivative products, including, but not limited to, (i) futures contracts (and options thereon) relating to stock indices, currencies, U.S. government securities and securities of non-U.S. governments, other financial instruments and all other commodities, (ii) swaps (including credit default swaps), options, swaptions, warrants, caps, collars, floors and forward rate agreements, (iii) spot and forward currency transactions and (iv) agreements relating to or securing such transactions; mortgage-backed obligations issued or collateralized by U.S. federal agencies (including fixed rate pass-throughs, adjustable rate mortgages, collateralized mortgage obligations, stripped mortgage-backed securities and REMICs); repurchase and reverse repurchase agreements; equipment lease certificates; equipment trust certificates; loans; structured finance instruments; accounts and notes receivable and payable held by trade or other creditors; trade acceptances; contract and other claims; executory contracts; participations; mutual funds, exchange traded funds and similar financial instruments; money market funds; portfolio funds; obligations of the United States or any non-U.S. government, or any country, state, governmental agency or political subdivision thereof; commercial paper; certificates of deposit; bankers’ acceptances; choses in action; trust receipts; and any other obligations and instruments or evidences of indebtedness of whatever kind or nature that exist now or are hereafter created; in each case, of any natural person, partnership, limited liability company, corporation, unincorporated association, joint venture, trust, state or any other entity or any governmental agency or political subdivision thereof, whether or not publicly traded or readily marketable (collectively, “Financial Instruments”). Certain of the Financial Instruments in which Clients invest into may be thinly-traded, illiquid and/or privately-placed. Clients may co-invest with third parties through joint ventures or otherwise. Such investments may involve risks in connection with such third-party involvement.

Key Square has broad and unfettered investment authority, and may trade in any type of security, issuer or group of related issuers, country, region and sector that it believes will help the Fund achieve its investment objective. Additionally, the strategies that Key Square may pursue for the Fund are not limited to the strategies described herein; furthermore, such strategies may change and evolve materially over time. Key Square has broad latitude with respect to the management of the Fund’s risk parameters.

Key Square will opportunistically implement whatever strategies, risk management techniques and discretionary approaches, as well as such other investment tactics, as it believes from time to time may be suited to prevailing market conditions. Key Square may utilize such leverage, position size, duration and other portfolio management techniques as it believes are appropriate for the Fund. Prospective investors must recognize that in investing, they are placing their capital indirectly under the full discretionary management of Key Square and authorizing Key Square indirectly to trade using whatever strategies in such manner as Key Square may determine. Any of these new investment strategies, techniques, discretionary approaches and investment tactics may

not be thoroughly tested before being employed and may have operational or other shortcomings which could result in unsuccessful investments and, ultimately, losses to the Fund.

Clients generally will not be informed of any changes in Key Square's strategies, techniques, discretionary approach and tactics. There can be no assurance that Key Square will be successful in applying its approach and there is material risk that a Client may suffer significant impairment or total loss of its capital.

Investing in securities involves a risk of loss that investors should be prepared to bear. Investors should be aware that they will be required to bear the financial risks of an investment in a Fund or Account for a substantial period of time. An investment in one or more products is suitable only for sophisticated investors who fully understand and are willing to assume the risks involved in the investment program of the relevant Client(s), including, without limitation, the risks that Key Square may not achieve its investment objectives and that investors may lose all or part of their investment.

The initial Account held by the private fund mentioned in Item 4 is expected to pursue an investment strategy that is substantially similar to that of the Fund, subject to certain differing risk, liquidity, leverage or futures positions parameters and differing regulatory and compliance requirements (including compliance with such Account's restricted list). The items set forth in this Item 8, as identified with respect to the Fund, are also applicable to the Accounts as well as any special purpose vehicles formed to facilitate investments.

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

Relationship with the Accounts.

The Investment Manager or an affiliate thereof will manage the Accounts for the private fund described in item 4. The initial managed Account is expected, at least initially, to pursue an investment strategy that is substantially similar to that of the Master Fund, subject to certain differing risk, liquidity, leverage or futures positions parameters and differing regulatory and compliance requirements (including compliance with such investor's restricted list). The private fund investor will have full transparency with respect to the positions and transactions in such Account.

Loss of Investment. Investments are exposed to the risk of the loss of capital. The prices of the Financial Instruments in which the Fund invests may be volatile and market movements as they relate to such Financial Instruments are difficult to predict. No guarantee or representation is made that the Fund's investment strategy will be successful. In addition, the Fund is expected to use investment techniques such as leverage, short sales, uncovered option transactions, securities lending, forward transactions, futures and options on futures transactions, foreign currency transactions and a highly concentrated portfolio with respect to the Financial Instruments, among others, which could under certain circumstances magnify the impact of any adverse market or investment developments.

An investment in the Fund should not in itself be considered a balanced investment program, but rather is intended to provide diversification in a more complete investment portfolio. Investors should be able to withstand the loss of their entire investment, as there can be no assurance that the investments made by the Fund will increase in value or that the Fund will not incur significant losses.

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

Concentration of Investments. The Fund is not limited as to the amount of capital or exposure which may be committed to any one issuer, industry, sector, strategy, country or geographic region. In fact, the Fund's portfolio, at times, may be highly concentrated. The Fund's investment technique of concentrating investment positions increases the volatility of investment results over time and creates the potential that a loss in any such position could have a material adverse impact on the Fund's Financial Instruments.

Hedging Transactions. The Fund is not required to hedge any particular risk in connection with a particular investment or its portfolio generally and may elect to not hedge its risks at all. For example, the Fund may elect to not hedge against fluctuations in the value of the Fund's portfolio positions as a result of changes in market interest rates or any other developments. While the Fund may enter into hedging transactions to seek to manage risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in

any such hedging transaction. Moreover, the Fund may not anticipate a particular risk so as to hedge against it and the portfolio will always be exposed to certain risks that may not be hedged.

Global Macro Strategy. The Fund's global macro investing will consist primarily of investing in global fixed income, currency and equity markets, and their related derivatives, in order to exploit fundamental, economic, financial and political imbalances that may exist in and between markets throughout the world. The success of the Investment Manager's global macro investing depends on the Investment Manager's ability to identify and exploit such perceived imbalances. Identification and exploitation of such imbalances involves significant uncertainties. There can be no assurance that the Investment Manager will be able to locate investment opportunities or to exploit such imbalances. In the event that the theses underlying the Fund's positions fail to be borne out in developments expected by the Investment Manager, the Fund may incur losses, which could be substantial.

Reliance on Experts. The Investment Manager expects to engage and retain strategic advisors, consultants, senior advisors and other similar professionals, including members of "expert networks" who are not employees or affiliates of the Key Square Group and which may include former heads of state, senior officials, and other high-profile political figures, including persons known to be close associates of such individuals. The nature of the relationship with each of these professionals and the amount of time devoted or required to be devoted by them may vary considerably. In certain cases, they provide the Investment Manager with industry- or jurisdiction-specific insights and feedback on investment themes, assist in transaction due diligence, make introductions to and provide reference checks on management teams. In other cases, they take on more extensive roles and contribute to the origination of new investment opportunities. In certain instances the Investment Manager expects to have formal arrangements with these professionals (which may or may not be terminable upon notice by any party), and in other cases the relationships may be more informal.

There can be no assurance that any of the consultants and/or other professionals will continue to serve in such roles and/or continue their arrangements with the Investment Manager throughout the term of the Fund. Further, in the event that material non-public information is obtained by such persons, the Fund may become subject to trading restrictions pursuant to the internal trading policies of the Investment Manager or as a result of applicable law or regulations or be prohibited for a period of time from purchasing or selling Financial Instruments, which prohibition may have an adverse effect on the Fund. The Key Square Funds and the Investment Manager may also become subject to legal, regulatory, reputational and other unforeseen risks as a result of these professionals' high-profile positions.

Long/Short Investment Strategies. The identification of investment opportunities in the implementation of the Fund's long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully identified or realized. In the event that the perceived opportunities underlying the Fund's positions were to fail to converge toward, or were to diverge further from values expected by the Investment Manager, the Fund may incur a loss. In the event of market disruptions, the Fund could be forced to close out one or more positions at unfavorable prices, thereby incurring significant losses. Furthermore, the models and analytics used to determine whether an investment presents an attractive opportunity consistent

with the Investment Manager's long/short strategies may become outdated and inaccurate as market conditions change.

Short Sales. 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 may also refer to other instances in which a party engages in trading aimed to benefit from negative price movements (such as in the case of a "buyer" of a credit default swap"). Short selling allows the seller to profit from a decline in market price to the extent such decline exceeds the transaction costs and, in the case of a stock short sale, the costs of borrowing the Financial Instruments. The extent to which the Fund engages in short sales will depend upon the Investment Manager's investment strategy and opportunities. A stock short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying stock could theoretically increase without limit, thus increasing the cost to the Fund of buying that stock to cover the short position. There can be no assurance that the Fund will be able to maintain the ability to borrow stocks sold short. In such cases, the Fund may be forced to repurchase stocks in the open market to return to the lender. There also can be no assurance that the stocks necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing stocks to close out a short position can itself cause the price of the stocks to rise further, thereby exacerbating the loss.

Margin Borrowings. Whenever the Fund uses financing extended by broker-dealers to leverage its portfolio, it may be subject to changes in the value that broker-dealers ascribe to a given Financial Instrument, the amount of margin required to support such Financial Instrument, the borrowing rate to finance such Financial Instrument and/or such broker-dealers' willingness to continue to provide any such credit to the Fund. The Fund could be forced to liquidate its portfolio on short notice to meet its financing obligations. The forced liquidation of all or any portion of the Fund's portfolio at distressed prices could result in significant losses to the Fund.

In particular, the Fund could be subject to a "margin call," pursuant to which the Fund would either be required to deposit additional funds or Financial Instruments with the broker-dealer, or suffer mandatory liquidation of the pledged Financial Instruments to compensate for the decline in value. In the event of a sudden drop in the value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements.

Event-Driven Investing. Event-driven investing requires the investor to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a Financial Instrument. If the event fails to occur or it does not have the predicted effect, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the Investment Manager had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value and fail to implement it, resulting in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed 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 of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a

variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a U.S. federal or state regulatory agency; (iii) efforts by the target company to pursue a “defensive” strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in prices; (vi) compliance with any applicable U.S. federal or state securities laws, or in the case of foreign issuers, non-U.S. laws; and (vii) inability to obtain adequate financing.

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

The success of the Investment Manager’s relative value investment strategy depends on the Investment Manager’s ability to identify and exploit perceived inefficiencies in the pricing of securities, financial products, or markets. Identification and exploitation of such discrepancies involve uncertainty. There can be no assurance that the Investment Manager will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. A reduction in the pricing inefficiency of the markets in which the Investment Manager seeks to invest will reduce the scope for the Investment Manager’s investment strategies. In the event that the perceived mispricings underlying the Fund’s positions were to fail to converge toward, or were to diverge further from, relationships expected by the Investment Manager, the Fund may incur losses. Even if the Investment Manager’s relative value investment strategy is successful, it may result in high portfolio turnover and, consequently, high transaction costs.

Event-Driven Arbitrage. In general, event-driven arbitrage investing is exposed to adverse outcomes of the “event” being positioned. Adverse outcomes or developments might arise from fundamental reasons, regulatory rulings, legal or tax rulings, or even extreme market movements. The financing component of many announced corporate actions could come under pressure and result in a cancellation or change in terms of the proposed transaction. Even where the corporate action or event occurs as expected, but is significantly delayed or advanced in timing of completion, deviations from the expected return or profitability could be high. At times, the amount of announced deals in the market might be inadequate to allow for a diversified portfolio to be constructed, or for returns to be near historic and meaningful levels relative to the risks. There can be no assurance that the Investment Manager’s event-driven arbitrage strategy will result in the Fund achieving its objective.

Corporate Governance Approaches. The Investment Manager generally does not expect to take an “activist” approach toward the management team or board of directors of the

companies in which the Fund invests and, consequently, does not expect to enter into an investment for the purpose of implementing an activist strategy toward an issuer. In certain circumstances, however, the success of the Fund's investment of any portion of its capital in publicly traded equity and/or debt securities may require that the Fund adopt an "activist" or "suggestivist" approach to defend its investment in such Financial Instruments. In pursuing an activist or "suggestivist" approach for defensive purposes, the Fund may act alone or together with one or more other investors or investment managers acting as a group. In order to implement any actions deemed necessary to defend the investment and maximize value, the Investment Manager, or other members of the investing group, may share their perspectives on long-term value creation with the management team, and occasionally with the board of directors of the issuer to design an alternate strategic plan and assist them in the plan's execution and may secure the appointment of persons selected by the Investment Manager or other members of the group to the company's management team or board of directors. In order to accomplish the foregoing, the Investment Manager may cause the Fund, either alone or together with other members of a group, to acquire a "control" position in the issuer's securities. Moreover, there can be no assurance that any of the foregoing will succeed, and such control positions may subject the Fund to additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability including those in which the limited liability that is generally characteristic of such business operations may be ignored. All of the Fund's assets might be used to satisfy these liabilities.

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

Additionally, the regulatory overlay, and consequently, risks, associated with activist, or even not entirely passive, investments is fundamentally different from the regulatory overlay that is applicable to purely passive investments. For instance, the Fund may be required to make filings pursuant to Sections 13(d), 13(g) and/or 16 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), or the rules and regulations promulgated pursuant thereto, and possibly be subject to "short swing profits" disgorgement, and to certain fees, penalties or sanctions, if it fails to do so. The Fund may also be required to make filings pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Independent Money Managers. The Investment Manager does not generally expect to allocate any portion of its assets to other money managers (the "Money Managers"). To the extent the Fund does allocate any portion of its assets to such managers, investors are not expected to bear two layers of incentive or similar fees. Each of such Money Managers may invest wholly independently of one another (and of the Fund) and may at times hold economically offsetting positions. To the extent that the Money Managers and/or the Fund do, in fact, hold offsetting positions, the Fund, considered as a whole, may not achieve any gain or loss despite incurring investment expenses, including, without limitation, performance-based compensation. If the Fund is concentrated in a position, as a result of the Fund and/or one or more funds managed by a Money Manager holding the same position, the risks associated with such position will be

magnified. The Fund and some Money Managers also may compete with each other from time to time for the same positions in certain markets. Such competition may adversely affect the performance of the Fund and/or the funds managed by the Money Managers.

Prepayment Risk. The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur in the Financial Instruments in which the Fund may invest will be affected by a variety of factors, including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal, political and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

In general, “premium” securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since certain of the Financial Instruments in which the Fund may invest may be discount instruments when interest rates and/or spreads are high, and may be premium instruments when interest rates and/or spreads are low, such Financial Instruments may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact the Fund’s portfolio negatively in various ways. For example, particular investments may experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments. Furthermore, particular investments may underperform relative to hedges that the Investment Manager may have constructed for these investments, resulting in a loss to the Fund’s overall portfolio. In particular, prepayments (at par) may limit the potential upside of many instruments to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

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

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) includes provisions that comprehensively regulate OTC derivatives markets for the first time, including the swap markets.

The Dodd-Frank Act and regulations implementing the Act mandate that certain OTC derivatives must be submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearing member and clearinghouse, as well as possible SEC or U.S. Commodity Futures Trading Commission (“CFTC”) mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives and new requirements on holding of customer collateral by OTC derivatives dealers. These requirements may increase the amount of collateral the Fund is required to provide and the costs associated with providing it. Although the Dodd-Frank Act includes limited exemptions from the clearing and margin requirements for certain “end-users,” the Fund does not expect to be able to rely on such exemptions. In addition, the OTC derivative dealers with which the Fund executes the majority of its OTC derivatives will be subject to clearing and margin requirements irrespective of whether the Fund is subject to such requirements. OTC derivative dealers also will be required to post margin to the clearinghouses through which they clear their customers’ trades instead of using such margin in their operations, as is currently permitted. This will increase the OTC derivative dealers’ costs, and these increased costs are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing, and the possible imposition of new or increased fees.

The SEC and CFTC may also require certain derivative transactions that are currently executed on a bilateral basis in the OTC markets to be executed through a regulated securities, futures, or swap exchange or execution facility. Such requirements may make it more difficult and costly for investment funds, including the Fund, to enter into tailored or customized transactions. They may also render certain strategies in which the Fund might otherwise engage impossible, or so costly that they will no longer be economical to implement.

OTC derivative dealers and major OTC derivatives market participants will be required to register with the SEC and/or CFTC. Although neither the Fund nor the Investment Manager is required to register as a dealer or major participant in the OTC derivatives markets, it is possible that going forward, the Fund and/or the Investment Manager may be required to be registered as a dealer or major participant. Registered OTC derivatives dealers and major participants are subject to a number of regulatory requirements, including minimum capital and margin requirements. These requirements may apply irrespective of whether the OTC derivatives in question are OTC derivatives, exchange-traded or cleared. OTC derivatives dealers will also be subject to new business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest and other regulatory burdens. These requirements may further increase the overall costs for OTC derivative dealers, which costs are also likely to be passed along to market participants. The overall impact of the Dodd-Frank Act on the Fund is highly uncertain and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime.

Although the Dodd-Frank Act will require many OTC derivative transactions previously entered into on a principal-to-principal basis to be submitted for clearing by a regulated clearinghouse, certain of the derivatives that may be traded by the Fund may remain OTC or principal-to-principal contracts entered into privately by the Fund and third parties. The risk of counterparty nonperformance can be significant in the case of these OTC instruments, and “bid-

ask” spreads may be unusually wide in these heretofore substantially unregulated markets. While the Dodd-Frank Act is intended in part to reduce these risks, its success in this respect may not be evident for some time after the Dodd-Frank Act is fully implemented, a process that may take several years or more.

Emerging, Developing and Under-Developed Markets. The Fund may invest any portion of its assets in Financial Instruments of issuers domiciled or operating in emerging, developing and under-developed markets. Investing in these markets may involve heightened risks (some of which could be significant) and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include, but are not limited to: (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity and smaller capitalization of securities markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (viii) increased likelihood of governmental involvement in and control over the economies; (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (xi) less extensive regulation of the securities markets; (xii) less established tax laws and procedures; (xiii) longer settlement periods for securities transactions and less reliable clearance and custody arrangements; (xiv) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (xv) certain considerations regarding the maintenance of Fund securities and cash with non-U.S. brokers and securities depositories.

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

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

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

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

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

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

Co-Investments with Third Parties. The Fund may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Fund or may be in a position to take (or block) action in a manner contrary to the Fund's investment objective. In those circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments and create potential conflicts of interest between such parties and the Fund. Based on the compensation structure or composition of investors participating in such co-investment opportunities, the Key Square Group may be biased when determining the capacity of the Fund with respect to certain investments.

C. Risks Associated with Particular Types of Investments.

Trading in Currencies. A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Fund are affected generally by relative interest rates, which in turn are influenced by a wide variety of

complex and difficult to predict factors, such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Fund may or may not seek to hedge its currency exposure.

Sovereign Debt. It is anticipated that the Fund may invest in Financial Instruments issued by a government, its agencies, its instrumentalities or its central bank (“Sovereign Debt”). Sovereign Debt may include Financial Instruments that the Investment Manager believes are likely to be included in restructurings of the external debt obligations of the issuer in question. The ability of an issuer to make payments on Sovereign Debt, the market value of such debt and the inclusion of Sovereign Debt in future restructurings may be affected by a number of other factors, including such issuer’s (i) balance of trade and access to international financing, (ii) cost of servicing such obligations, which may be affected by changes in international interest rates, and (iii) level of international currency reserves, which may affect the amount of foreign exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer’s ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt. While the General Partner carefully examines the regulatory risks associated with such investments, there can be no assurance that the implementation of existing legislative, judicial or regulatory action will not adversely affect the investments held by the Fund. For example, actions be taken in the future a government, its agencies, its instrumentalities or its central bank may have the effect of encouraging, or may require, that the terms of such Sovereign Debt be modified in order to reduce the applicable interest rate, reduce the outstanding principal amount, extend the term to maturity or otherwise benefit the borrower to the detriment of the bondholders. The trading market for such Sovereign Debt is volatile, and may be thinly-traded or quickly become illiquid.

Interest Rate Risk. Changes in interest rates can affect the value of the Fund’s investments in fixed-income instruments. Increases in interest rates may cause the value of the Fund’s investments to decline. The Fund may experience increased interest rate risk to the extent it invests, if at all, in lower rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

Credit Derivatives. The Fund may purchase and sell credit derivatives. Credit derivatives trading is subject not only to the credit risk of the issuer and of the underlying obligations to which such derivatives are referenced, but also, for those bilateral contracts which are not centrally cleared, to the credit risk of the counterparty to the credit derivative transaction. A default by a credit derivative counterparty could result in a substantial loss to the Fund. For centrally cleared derivatives, the Fund is also exposed to the risk of failure of the central clearinghouse and the Fund’s brokers. In certain cases, the credit derivatives market is significantly less liquid than the market in the underlying debt obligations, due to the generally customized and individually negotiated terms of such derivatives, and provisions restricting the assignment or transfer of such credit derivatives.

Equity Securities. The Fund may invest in equities and equity derivatives. The value of these Financial Instruments generally will vary with the performance of the issuer and movements in the equity markets, and may also be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk.

The Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Investment Manager's expectations or if general market conditions not specifically related to any particular equity investment of the Fund move in a single direction and the Fund has not hedged against such a general move. Market prices may decline as a result of, among other things, real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally.

Further, equity investments may be even more susceptible to such events given their subordinate position in the issuer's capital structure. As such, equity investments generally have greater price volatility than fixed income and other investments with a scheduled stream of payments, and the market price of equity investments is more susceptible to moving up or down in a rapid or unpredictable manner.

The Fund also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible Financial Instruments or private placements, delivering marketable common stock upon conversions of convertible Financial Instruments and registering restricted Financial Instruments for public resale.

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

The Fund may invest in zero coupon bonds and deferred interest bonds, which are debt obligations issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

The Fund may purchase low-rated or unrated debt instruments. These instruments may offer higher yields than do higher rated instruments, but generally involve greater price volatility. These instruments carry a higher risk that the issuer will be unable to pay principal and interest when due. The market for these instruments may also be limited and some issuers may limit the intervals for redemptions.

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

Derivative Financial Instruments and Instruments Generally. The Fund may utilize both exchange-traded and OTC derivative securities and instruments in order to gain exposure to the value of Financial Instruments. Derivative securities and instruments, or “derivatives”, include securities, instruments and contracts that are derived from and are valued in relation to one or more underlying securities, financial benchmarks or indices. Derivatives typically allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark or index at a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative depends largely upon price movements in the “referenced” (or “underlying”) asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain derivatives are subject to clearance on a U.S. registered clearinghouse or exchange and to regulatory oversight, while other derivatives are subject to risks of trading in OTC markets, via “pink sheets” or on non-U.S. clearinghouses or exchanges. The Fund’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. Derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. 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 or other referenced assets underlying them. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in OTC contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual

asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value of the Fund, incorrect collateral calls or delays in collateral recovery. The Fund may also sell covered and uncovered options on securities. To the extent that such options are uncovered, the Fund could incur an unlimited loss. Additional risks associated with derivatives trading include:

- Tracking. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivatives and the underlying investment sought to be hedged may prevent the Fund from achieving the intended hedging effect or expose the Fund to risk of loss. If the Fund invests in derivatives at inopportune times or incorrectly judges market conditions, the investments may lower the return of the Fund or result in a loss. The Fund also could experience losses if derivatives are poorly correlated with its other investments.
- Liquidity. Derivatives, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Fund may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which the Fund may conduct its transactions in derivatives may prevent profitable liquidation of positions, subjecting the Fund to the potential of greater losses. The market for many derivatives is, or suddenly can become, illiquid, which may result in significant, rapid and unpredictable changes in the prices for derivatives.
- Leverage. Trading in derivatives may involve significant leverage. Thus, the leverage offered by trading in derivatives will magnify the gains and losses experienced by the Fund and could cause the Fund's net asset value to be subject to wider fluctuations than would be the case if the Fund did not use the leverage feature of derivatives.

OTC and Derivatives Trading. Derivatives that may be purchased or sold by the Fund may include securities and instruments not traded on an exchange or cleared by a central clearinghouse. The risk of nonperformance by the obligor on such security or instrument may be greater than, and the ease with which the Fund can dispose of or enter into closing transactions with respect to such security or instrument may be less than, the risk associated with an exchange traded or centrally cleared security and instrument. In addition, significant disparities may exist between "bid" and "asked" prices for derivatives that are not traded on an exchange. Derivatives not traded on exchanges or cleared by registered clearinghouses also are not subject to the same type of government regulation as exchange traded or centrally cleared securities and instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. For example, there is no limitation on daily price movements on these instruments. The principals dealing in these markets are also not required to continue to make markets, 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 contracts or have quoted prices with unusually wide spreads between the prices at which they were prepared to buy and those at which they were prepared to sell. Market illiquidity or disruption could result in significant losses to the Fund.

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

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

Repurchase and Reverse Repurchase Agreements. In a reverse repurchase transaction, the Fund “buys” Financial Instruments issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such Financial Instruments at the price paid by the Fund, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the Fund involves a variety of risks relating to the default of the seller under such agreements. For example, if the seller of Financial Instruments to the Fund under a reverse repurchase agreement defaults on its obligation to repurchase the underlying Financial Instruments, as a result of its bankruptcy or otherwise, the Fund will seek to dispose of such Financial Instruments, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Fund’s ability to dispose of the underlying Financial Instruments may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Fund may not be able to substantiate its interest in the underlying Financial Instruments. Finally, if a seller defaults on its obligation to repurchase Financial Instruments under a reverse repurchase agreement, the Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying Financial Instruments are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

Convertible Securities. Convertible securities are stocks or other Financial Instruments that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase, and increasing as interest rates decline. The credit standing of the issuer

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

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Fund is called for redemption, the Fund 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 Fund's ability to achieve its investment objective.

Non-U.S. Investments. The Fund is expected invest a portion of its capital outside the United States in non-dollar denominated securities and instruments, including in securities and instruments issued by non-U.S. companies and the governments of non-U.S. countries and in non-U.S. currency. These investments involve special risks not usually associated with investing in securities of U.S. companies or the U.S. federal, state or local government. Because investments in Financial Instruments issued by non-U.S. issuers may involve non-U.S. dollar currencies, and because the Fund may temporarily hold funds in bank deposits in such currencies during the completion of its investment program, the Fund may be affected favorably or unfavorably by changes in currency rates (including as a result of the devaluation of a non-U.S. currency) and in exchange control regulations and may incur transaction costs in connection with conversions between various currencies. In addition, because non-U.S. entities are not subject to uniform accounting, auditing, and financial reporting standards, practices and requirements comparable with those applicable to U.S. entities, there may be different types of, and lower quality, information available about the issuer of any Financial Instruments than a U.S. company or government issuer. There is also less regulation, generally, of the securities markets in non-U.S. countries than there is in the United States. Some non-U.S. securities markets have a higher potential for price volatility and relative illiquidity compared to the U.S. securities and capital markets. With respect to certain countries, especially in the context of Sovereign Debt, there may be the possibility of expropriation or confiscatory taxation, political, economic or social instability, limitation on the removal of funds or other assets or the repatriation of profits, restrictions on investment opportunities, the imposition of trading controls, withholding or other taxes on interest, dividends, capital gain, other income or gross sales proceeds, import duties or other protectionist measures, various laws enacted for the protection of creditors, greater risks of nationalization or diplomatic developments which could adversely affect the Fund's investments in those countries. Greater tax risks and complexities also may be associated with these investments. In some instances, national governments may also issue a new currency to replace an existing currency or alter the exchange rate by devaluation or revaluation of a currency. All of these types of governmental actions could affect the yield of any credit instruments denominated in a currency other than the U.S. dollar.

Investments in Initial Public Offerings. Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such Financial Instruments.

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

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

- *Volatility.* Futures prices are highly volatile. The average initial margin deposit on the Fund's futures trades will generally be less than 10% of the value of the contract. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the Fund. Like other leveraged investments, any purchase or sale of a futures contract may result in losses that exceed the amount invested. Relatively small futures positions have the potential to significantly erode or erase the Fund's gains in other investments.
- *Margin Requirements.* Margin requirements for commodities trading may vary significantly and are likely to impact the Fund's volatility and performance.
- *Daily Price Fluctuation Limits.* Commodity exchanges and trading facilities limit fluctuations in certain commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity cannot be taken or liquidated unless traders are willing to effect trades at or within the limit. Commodity futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading.

This could prevent the prompt liquidation of unfavorable positions and subject the Fund to substantial losses.

- *Possible Effects of Speculative Position Limits.* The CFTC is proposing to establish, and certain exchanges and trading facilities have established, “speculative position limits” on the maximum net long or net short positions that any person may hold or control in particular commodities. All futures positions held by all accounts owned or controlled by the Investment Manager and its principals will be aggregated with the Fund’s positions for purposes of determining compliance with these limits. Trading instructions may have to be modified and the Fund’s positions may need to be liquidated to avoid exceeding these limits. These actions could adversely affect the Fund’s operations and profitability. As noted above, certain proposed legislation could limit the trading of speculators (such as the Fund) in the futures markets.
- *Risk Disclosure.* Commodity futures trading is highly speculative. Price movements of commodity futures contracts are influenced by, among other things, changing supply and demand relationships, governmental agricultural and trade programs and policies, and national and international political and economic events.

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

Synthetic Assets; Credit Default Swaps. The Fund may enter into credit default swaps or acquire credit-linked notes secured by credit default swaps for, among other reasons, the purpose of implementing the Investment Manager’s view that a particular credit, or group of credits, will experience credit improvement or credit deterioration, or to pursue other investment strategies. In the case of expected credit improvement, the Fund may “write” or “sell” credit default protection in exchange for a fixed premium or spread income. The Fund may also “purchase” credit default protection even in the case in which it does not own the referenced obligation if, in the judgment of the Investment Manager, there is a high likelihood of credit deterioration. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the underlying Reference Obligation (as defined below), and potential loss upon default, among other factors. As such, there are many factors upon which market participants may have divergent views.

Specifically, the Fund may acquire exposure to the risk of certain Financial Instruments synthetically through products such as credit default swaps, total return swaps, credit linked notes, structured notes, trust certificates and other derivative instruments (each, a

“Synthetic Asset”). A Synthetic Asset could take many forms, including a credit derivative transaction that references a specific Financial Instrument, or a credit derivative transaction that references a portfolio or index of reference obligations consisting of multiple Financial Instruments (each, a “Reference Obligation”).

Selling credit default protection creates a synthetic “long” position which may replicate credit exposure to the Reference Obligation. However, there can be no assurance that the price relationship between the Reference Obligation and the Synthetic Asset will remain constant (as, among other reasons, the pricing of each may be based upon different factors), and events unrelated to the Reference Obligation (such as those affecting availability of borrowed money and liquidity) can cause the price relationship to change. This risk is often referred to as “basis risk”, and it may cause the Fund to realize a greater loss on a Synthetic Asset than might otherwise be the case with a direct investment in a Reference Obligation.

As a “seller” of credit default protection, the Fund will generally receive a fixed rate of income throughout the term of the contract, which generally is between six months and ten years (depending on the maturity of the underlying Reference Obligation), provided that there is no credit event. If a credit event occurs, the Fund (as the seller of protection) will be required to pay the notional value of the Reference Obligation and, depending on the terms of the contract, either may receive in return a security representing the Reference Obligation, which will have a heavily discounted value or perhaps little or even no value, or may receive nothing in return other than the right to receive reimbursements of recoveries from the counterparty to the extent that the Reference Obligation subsequently performs.

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

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

In the event of the bankruptcy or insolvency of the Synthetic Asset counterparty, the Fund will be treated as a general unsecured creditor of such counterparty, and will not have any claim of title with respect to the Reference Obligation. Consequently, the Fund will be subject

to the credit risk of the Synthetic Asset counterparty, as well as that of the Reference Entity. As a result, concentrations of Synthetic Assets entered into with any one Synthetic Asset counterparty will subject the Fund to an additional degree of risk with respect to defaults by such Synthetic Asset counterparty as well as by the respective Reference Entities. Where the Fund is the purchaser of credit default protection, the Fund is exposed to the risk that the Synthetic Asset counterparty may fail to satisfy its payment obligation to the Fund following a credit event. The failure of a Synthetic Asset counterparty to perform may cause the Fund's hedging strategies, to the extent that they involve the purchase of credit default protection, to be less effective or ineffective

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

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

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

The Fund may invest in debt, including, without limitation, “higher yielding” (and therefore higher risk) debt Financial Instruments, when the Investment Manager believes that debt instruments offer opportunities for capital appreciation. In most cases, such debt will be rated below “investment grade” or will be unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer’s failure to make timely interest and principal payments. The market values of certain of these debt instruments may reflect individual issuer developments. It is likely that a major economic recession could have a materially adverse impact on the value of such instruments. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these debt instruments.

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

Small- and Mid-Cap Companies. The Fund may invest a portion of its assets in securities of small- and mid-cap companies. While the Investment Manager believes they provide significant potential for appreciation, such securities are perceived to involve higher risks in some respects than do investments in the securities of larger companies. For example, small- and mid-cap companies may have more limited product lines, markets and financial and other resources, and they may depend upon a limited or less experienced management group. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology.

In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies (among other reasons, due to only limited coverage by securities analysts). The Fund may reach a relatively significant level of ownership in its portfolio companies, including its small- or mid-cap portfolio companies. As such, when making large sales, the Fund may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities. The Fund may also be required to deal with only a few market makers when purchasing and selling these securities. In addition, these securities may be traded only on the OTC markets or on a regional securities exchange and may not be traded daily or in the volume typical of trading on a national securities exchange. This somewhat greater

illiquidity of investments in small and mid-cap companies could make it difficult for the Fund to react quickly to negative economic or political developments. Transaction costs in small- and mid-cap company stocks may be higher than those for larger-capitalized companies.

Preferred Stock. Preferred stock generally has a preference as to dividends and upon the event of liquidation over an issuer's common stock, but it ranks junior to debt securities in an issuer's capital structure. Preferred stock generally pays dividends in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

Trading Cash Commodities. The Fund may from time to time trade physical or cash commodities for immediate or deferred delivery. Cash transactions relate to the purchase and sale of specific physical commodities and such contracts may differ from each other with respect to terms such as quantity, grade, mode of shipment, terms of payment, penalties and risk of loss. There is no limit on daily price movements of cash commodities and banks, brokerage firms, and dealers in cash commodities are not required to continue to make markets in any commodity. Importantly, the CFTC does not comprehensively regulate cash transactions, which are subject to the risk of the foregoing entities' failure, inability or refusal to perform with respect to such contract. Furthermore, at times, certain market makers have refused to quote prices for cash commodities or forward contracts, or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and sell. If this occurs, the Investment Manager may be unable to effectively use its cash and forward trading programs and the Fund could experience significant losses.

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

Senior Loans. The Fund may invest in senior secured loans, which are generally rated below investment grade or may also be unrated. As a result, the risks associated with senior secured loans are similar to the risks of below investment grade fixed-income instruments, although senior secured loans are senior and secured in contrast to other below investment grade fixed-income instruments, which are often subordinated or unsecured. Investment in senior

secured loans rated below investment grade is considered speculative because of the credit risk of their issuers. Such companies are more likely than investment grade issuers to default on their payments of interest and principal owed to the Fund, and such defaults could have a materially adverse effect on the Fund's performance. An economic downturn would generally lead to a higher non-payment rate, and a senior secured loan may lose significant market value before a default occurs. Moreover, there is a risk that the collateral securing such loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital, and, in some circumstances, the Fund's liens could be subordinated to claims of other creditors. Consequently, the fact that a loan is secured does not guarantee that the Fund will receive principal and interest payments according to the loan's terms, or at all, or that the Fund will be able to collect on the loan should it be forced to enforce its remedies.

There may be less readily available and reliable information about most senior secured loans than is the case for many other types of securities, including securities issued in transactions registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or registered under the Exchange Act. As a result, the Investment Manager may have to rely primarily on its own evaluation of a borrower's credit quality rather than on any available independent sources. Therefore, the Fund will be particularly dependent on the analytical abilities of the Investment Manager.

Consumer Loans/Specialty Finance. The investment portfolio of the Fund may include consumer loans and other specialty finance assets, including credit cards, auto loans, small business loans, and investments in companies that originate and service specialty finance assets. Pricing and optimizing the value of smaller balance credits requires strong analytics and extensive infrastructure. The form of investment may vary and may require reliance on networks of asset managers to provide the resources necessary to originate new receivables, manage portfolios of performing receivables, and work-out portfolios of stressed or non-performing receivables. These loans may not be secured and may be subject to increasing regulation. In addition, these loans may be at the time of their acquisition, or may become after acquisition, non-performing for a wide variety of reasons. Such non-performing loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial writedown of the principal of such loans.

Illiquid Investments. The Fund may invest in illiquid or less liquid instruments, which include Restricted Financial Instruments (as defined below). Investments in illiquid and less liquid instruments are not expected to comprise a significant portion of the Fund's investments.

Restricted Financial Instruments. The Investment Manager may purchase Financial Instruments in connection with privately negotiated transactions (e.g. under Rule 144A promulgated under the Securities Act) that are not registered under relevant securities laws ("Restricted Financial Instruments"). Restricted Financial Instruments cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted Financial Instruments can be sold only in privately negotiated transactions or pursuant to an exemption from

registration. Corporate debt securities, mortgage-backed securities, bank loans, mezzanine investments and certain other investments that may be purchased and sold are traded in private, unregistered transactions and subject to restrictions on resale. Although these Financial Instruments may be resold in privately negotiated transactions, because there is less liquidity for these Financial Instruments, the market prices for these Financial Instruments may be volatile, and prices realized from these sales could be less than those originally paid by the Fund. If the Fund is required to liquidate all or any portion of its portfolio quickly, the Fund may realize significantly less than the value at which it previously recorded those investments. Even those Restricted Financial Instruments with respect to which the Investment Manager expects relatively high liquidity can experience periods, possibly extended periods, of illiquidity. Companies whose Financial Instruments are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded Financial Instruments. Restricted Financial Instruments may involve a high degree of business and financial risk which may result in substantial losses.

The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund or the Accounts.

Item 9: Disciplinary Information

Neither Key Square nor its employees have been involved in any legal or disciplinary events in the past 10 years that would be material to a Client's, prospective Client's, investor's or prospective investor's evaluation of Key Square's business or its personnel.

Item 10: Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration Status.

Neither Key Square nor any of its management persons are registered, or have an application pending to register, as a broker/dealer or a registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading.

Key Square will register with the CFTC as a commodity pool operator ("CPO") and will become a Member of the National Futures Association ("NFA"). In connection with the CFTC registration and NFA membership, certain employees of Key Square or its affiliates are listed and/or registered, as appropriate, with the NFA as Principals and/or Associated Persons of Key Square or its affiliates.

C. Material Relationships or Arrangements with Other Industry Participants.

Key Square Capital Management LLC, which is a relying adviser of Key Square, serves as the Investment Manager to Key Square Master Fund LP and Key Square Fund General Partner LP serves as the General Partner of Key Square Partners LP and Key Square Master Fund LP. Key Square has a London-based affiliate (the "Sub-Advisor") which provides research and non-binding recommendations to Key Square with respect to securities.

Key Square's affiliates, principals and employees may from time to time purchase interests in the Fund, and investments by such parties generally are not subject to the management fees or performance-based allocation or fees described in Item 5 above. Key Square believes that its relationships or arrangements with the Investment Manager, the Sub-Advisor and the General Partner do not create a material conflict of interest for Key Square with its clients and/or investors. In addition, Key Square has entered into investment management agreements with the Fund and the Account referenced in item 4. The material terms of the investment management agreements are fully disclosed to all investors in the Funds and Accounts prior to their investment.

D. Material Conflicts of Interest.

Key Square does not recommend or select other investment advisers for its Clients or investors in the Fund. Key Square regularly reviews any relationships in which Key Square's principals, partners and employees have with investors in, and service providers to, the Fund and the Account to identify and address any potential conflicts of interests.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Key Square holds itself and its employees to the highest level of integrity and ethical standards. Key Square and its employees will always place the interests of its Clients ahead of its own.

A. Code of Ethics.

Key Square's Code of Ethics (the "Code") and related policies and procedures have been designed to meet and exceed the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the "Advisers Act") and is applicable to all of Key Square's employees. A copy of Key Square's Code is available upon request.

1. Policies on Insider Trading.

By reason of its various activities, Key Square may become privy to material non-public information and be restricted from effecting transactions in investments that might otherwise have been initiated. Key Square has designed and implemented policies in order to prevent the improper use of material non-public information (the "Insider Trading Policies").

Key Square's Insider Trading Policies prohibit Key Square and its personnel from (i) trading either personally or on behalf of the Fund or the Accounts, or recommending trading, in securities of a company while in possession of material non-public information in violation of the law and (ii) communicating material non-public information to others in violation of the law. Additionally, Key Square personnel are required to promptly inform the Chief Compliance Officer ("CCO") if they come into contact with material non-public information. The CCO will then take steps, as appropriate, to prevent dissemination of material non-public information and to restrict the trading in the security by Key Square and its personnel.

Each person covered by the Insider Trading Policies must acknowledge at the time of hire and on an annual basis thereafter that he or she understands and agrees to adhere to the Insider Trading Policies.

2. Personal Account Trading.

Subject to certain limited exceptions, and given the broad investment mandates of its Clients, Key Square generally does not allow its employees or their immediate family or household members to conduct personal securities transactions in an effort to avoid conflicts of interest resulting from personal trading activities.

The limited exceptions to Key Square's trading restrictions fall into two categories. The first exception is for certain instruments, the purchase or sale of which is permitted without pre-approval; these instruments are: open-end mutual funds, money market instruments, obligations issued or guaranteed by the U.S. government, investment grade municipal bonds, senior unsecured agency instruments from Fannie Mae and/or Freddie Mac, and certain pre-approved ETFs. The second exception is for certain types of transactions that may be permitted, but only after pre-approval from the CCO. These transactions are: the purchase of interests in private investment partnerships; purchase of equity securities in private companies (*i.e.*, entities whose securities are not publicly-traded); and sales of securities held by an employee at the time he or she began employment at Key Square. Upon approval from the CCO, Key Square employees will have one day to complete their approved transaction or must re-submit their pre-approval request. For any transaction approved by the CCO, employees are bound by a holding period for certain types of securities. Specifically, all purchases in ETFs must be held for a minimum of 30 days. All other purchases and/or acquisitions must be held for no less than 60 days.

The CCO will analyze the request for approval to determine whether the investment is appropriate in light of Key Square's fiduciary duty to the Fund and the Accounts.

To supervise compliance with the Code, Key Square requires all employees to report their personal securities holdings and transaction activities to the CCO. Employees must submit these quarterly, and must sign a representation that the submitted statements represent all relevant external accounts and that all trading activity is in compliance with Key Square's policies. The CCO monitors and reviews all employee personal securities transactions to detect potential abuses and to ensure compliance with Key Square's personal securities transactions policies and procedures

3. Political Contributions.

Key Square maintains policies and procedures to govern, monitor and place limitations on the political contributions made by its employees and affiliates in order to comply with the Advisers Act and local laws and regulations.

4. Gifts and Entertainment.

Key Square maintains policies and procedures intended to prevent employees from being unduly influenced in their decisions by the receipt of gifts or other inducements from third parties, such as trading counterparties, vendors and investors. To do so, Key Square's Code requires the preclearance of gifts and entertainment above certain values.

5. Outside Business Activities.

Any outside business activity of an employee is subject to approval by Key Square. For example, an employee may not serve as an officer or director of a public or private company without obtaining the requisite approval. In granting approval, Key Square will consider whether any outside business activity conflicts or may conflict with the business of Key Square; the Fund or the Accounts.

6. Cross Trades and Principal Transactions.

Key Square may cause its Clients to enter into cross trades, whereby the buyer and the seller of a particular security are Clients managed by Key Square. Key Square utilizes cross trades to rebalance the Client portfolios so positions held in the same strategy are held in substantially similar proportions across the individual Clients that invest in such strategy. Rebalancing is typically done prior to the market open of the first business day of each month and primarily adjusts for capital movements in and out of each individual Client which may have caused position sizes across parallel Client (as a percentage of net asset value) to differ. Cross trades may also be effected when an independent portfolio management decision has been made to decrease one Fund's exposure to a certain security and increase another Client's exposure to the same security. Such decisions may be motivated by a number of reasons, including different projected return thresholds, different risk parameters, tax or liquidity reasons.

Cross trades for securities (other than options and futures) that are custodied at a prime broker are effected as journal transactions between Clients at the prior day's closing price and no commissions or fees are paid to any third party. Cross trades for positions held on swap or otherwise not custodied at a prime broker (e.g., bank debt) are done at the prior day's closing prices and are effected by the relevant counterparty. Cross trades for futures and options are executed in the market and are subject to market risk and standard brokerage and transaction costs. Cross trades are only executed for securities where independent quotes or valuations can be obtained. All cross trade transactions are approved by an independent accounting firm. To the extent that any such cross transaction may be viewed as a principal transaction due to the ownership interest in a Client by personnel or entities affiliated with Key Square, Key Square will comply with the requirements of Section 206(3) of the Advisers Act.

B. Securities in which Key Square has a Material Financial Interest.

Key Square's personal trading policy has been designed to reduce the potential for conflicts that may arise in connection with employee personal trading activities. With limited exceptions, employees are not allowed to trade. However, Key Square recognizes that certain situations may exist where employee legacy investment holdings, such as equity securities, may overlap with the securities that are recommended to Key Square's Clients. Since an employee is limited to only selling or reducing their legacy holdings, such personal transaction may differ from, or be contrary to the investment activities of Key Square Clients (e.g., an employee sells while a Key Square Client is building a position in the same security). Key Square seeks to mitigate this conflict by requiring all employees to receive written approval prior to engaging in such personal trading activities. The CCO or designee is responsible for approving all employee transaction requests and will compare such request against Client trading activities prior to granting approval. On an on-going basis, the CCO or designee will conduct periodic reviews of employee trading activities and provide compliance training to ensure that employees abide by Key Square's personal trading policy and do not engage in any conflicting or prohibited transactions.

C. Investing in Securities Recommended to Clients.

Given the restrictive nature of Key Square's personal trading policies, as described in detail in the preceding sections, Key Square believes that it has developed and implemented reasonably designed policies and procedures to avoid conflicts of interest and to ensure that Key Square and its employees act in a manner consistent with its fiduciary obligations.

D. Contemporaneous Trading.

Given the potential conflicts associated with employees trading contemporaneously with Key Square's Client trading activity, Key Square has implemented a pre-clearance process to ensure that the limited employee trading allowed by Key Square does not conflict with Client investment activities.

Item 12: Brokerage Practices

A. Selection of Broker-Dealers.

Key Square has discretionary authority to determine what securities are bought or sold, as well as, with respect to Key Square Funds other than the Accounts, the broker-dealer(s) that will effect those transactions.

Key Square has engaged certain financial institutions to serve as prime brokers (the "Prime Brokers") to the Fund. The Prime Brokers will serve certain administrative functions including the issuance of broker account statements and recordkeeping on all custody transactions.

1. Selection Criteria.

In addition to the Prime Brokers, Key Square is authorized to determine the broker or dealer to be used for each Client's securities transaction. Key Square places trades for execution with broker-

dealers on the basis of seeking best execution and in consideration of relevant factors, including, but not limited to, commission rates, reliability, financial responsibility, strength of the broker and the ability of the broker to execute transactions efficiently, the broker's facilities, and the broker's provision or payment of the costs of brokerage and research services that are of benefit to the Clients. Key Square need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread.

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

In addition, the Prime Brokers may provide other services that are beneficial to Key Square, but not necessarily beneficial to the Clients, including, without limitation, consulting with respect to technology, operations or equipment, capital introduction programs, and other services or items. Such services and items may influence Key Square's selection of Prime Brokers.

Key Square maintains policies and procedures to review the quality of executions, including periodic review by its investment professionals.

Key Square does not recommend, request or require that a Client direct Key Square to execute transactions through a specified broker-dealer.

2. Research and Other Soft Dollar Benefits.

The use of commissions or "soft dollars," if any, generated by any Client through to pay for brokerage-and research-related products or services, if any, will fall within the safe harbor created by Section 28(e) of the Exchange Act ("Section 28(e)"). "Soft dollar" research-related goods and services (collectively, "soft dollar items") used by the applicable Key Square in making investment decisions may include, but are not limited to, research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, certain research services, and other goods and services providing lawful and appropriate assistance to Key Square in the performance of its investment decision making responsibilities on behalf of Clients. In addition, such research services may include invitations to attend conferences or meetings with management teams, security analysts, industry consultants and economists.

To the extent that Key Square does engage in such "soft dollar" arrangements, Clients may pay commissions to a broker in an amount greater than the amount another broker might charge. Soft dollar items may be provided directly by brokers and dealers, by third parties at the direction of brokers and dealers or purchased on behalf of the Key Square's Clients with credits or rebates provided by brokers and dealers. Where a product or service obtained with soft dollars provides both brokerage research and non-research assistance to Key Square (e.g., a "mixed use" item), Key Square will make a reasonable allocation of the cost that may be paid for with soft dollars. Brokers and dealers sometimes suggest a level of business they would like to receive in return for

the various services they provide. Actual business received by any broker or dealer may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total transaction volume is allocated on the basis of all considerations described above. A broker or dealer will not be excluded from executing transactions for the Clients because it has not been identified as providing soft dollar items.

Under Section 28(e), brokerage- and research-related products or services obtained with soft dollars generated by the Key Square's Clients may be used by Key Square to service accounts other than the Fund. Soft dollars generated in respect of futures, currency and derivatives transactions and principal transactions (that are not riskless principal transactions) do not generally fall within the safe harbor created by Section 28(e) and will be utilized only with respect to brokerage- and research-related products and services for the benefit of the account generating such soft dollars.

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

B. Order Aggregation.

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

Item 13: Review of Accounts

Key Square's investment professionals will continuously monitor and review positions held by Clients. Additionally, Client accounts will be reviewed in the context of their stated investment objectives. More frequent reviews may be triggered by material changes in variables such as the Clients' individual needs, or the market, political, or economic environment.

Key Square expects that the Accounts will be provided a monthly capital account statement. In addition, Key Square expects to provide Fund investors with unaudited statements setting forth the estimated capital account balance. On an annual basis, Fund investors will receive audited financial statements and other information necessary to enable each investor to prepare its income tax returns. Key Square may also prepare and deliver to investors additional information on a more frequent and detailed basis at Key Square's discretion.

Item 14: Client Referrals and Other Compensation

Key Square does not have any arrangements in place to compensate anyone or be compensated for the referral of investors.

With respect to the selection criteria for Prime Brokers identified above in Item 12, Key Square may have access to certain services that may influence Key Square's decision to engage certain of its Prime Brokers. Specifically, the Prime Brokers may provide Key Square with access to their respective capital introduction services. While this presents a conflict and may be considered indirect payment for referrals, Key Square's decision to engage its prime brokers, as noted above in Item 12, will be based on a wide range of selection criteria and not focus on access to capital introduction services.

Item 15: Custody

A. Custody of Fund Assets.

With respect to the Fund, Key Square and its affiliates are deemed to have custody of investors' funds and securities invested in the Fund because it or an affiliate has the authority to obtain investors' funds or securities, by, for example, deducting advisory fees from an investor's account or by virtue of their status as general partners and investment managers of the Fund. .

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

B. Custody of Account Assets.

Key Square does not have any custody over the assets of the initial Account held by the private fund described in Item 4 because all assets are held by a qualified custodian and no fees are deducted from that Account. All fees are invoiced to the Account holder.

Item 16: Investment Discretion

Key Square expects to have discretionary authority to determine which securities and the amounts of securities that are bought or sold, as well as the broker-dealer to be used and the commission rates to be paid with respect to its Client. The Fund investors generally will not have the ability to place any limits on the Key Square's authority beyond the limitations set forth in the applicable

Fund's offering and governing documents. The Fund will enter into an investment management agreement granting to the Investment Manager discretionary trading authority.

With respect to the Accounts, Key Square or its affiliates will abide by any limitations placed upon it by the relevant investment management agreement.

Item 17: Voting Client Securities

Key Square has been delegated the authority to vote Client securities on the behalf of the Fund and the Account. Key Square has adopted detailed policies and procedures to ensure that proxies will be voted with diligence, care, and loyalty, and in accordance with Rule 206(4)-6 under the Advisers Act and Key Square's fiduciary duty to its Clients.

Key Square does not anticipate material conflicts of interest to arise between Key Square and its Clients during the proxy voting process. However, recognizing that such risk may still exist, Key Square has adopted a process to ensure that actual or potential conflicts of interest related to Client securities voting are brought to the attention of the CCO. Key Square's CCO will conduct further research and endeavor to resolve the conflict in the Client's best interests.

Investors may obtain a copy of Key Square's proxy voting policies and procedures by submitting a request to the CCO. The results of any individual proxy vote may also be requested from the CCO.

Item 18: Financial Information

Key Square has never filed for bankruptcy nor is it aware of any financial condition that is expected to impair its ability to meet its contractual commitments to its Clients.