

During periods of volatility, regulators may impose certain restrictions or disclosure requirements on short sales. The levels of restriction and disclosure may vary across different jurisdictions. Such restrictions and disclosure requirements may make it difficult for the Investment Manager to express its negative views in relation to certain securities, companies or sectors, which may have an adverse effect on the Partnership's ability to implement its investment strategy.

There are other inherent difficulties and challenges in short selling. The general negative perceptions of short-sellers may limit the Investment Manager's access to management of various issuers and hamper its research efforts. Management and other stakeholders of issuers may take legal action against short-sellers to prevent or discourage even the legal short sales of the issuer's securities to avoid depressing the value of its securities. The Investment Manager and the Partnership could be subject to such private legal actions. The cost of and management time committed to defending any such action could be substantial.

### **General Risks of Leverage**

The Partnership expects to use leverage from time to time by borrowing on margin, investing in futures and options, entering into swaps and other derivative contracts and other leveraging strategies. Such leverage increases the risk of loss and volatility. In addition, using leverage requires the Partnership to pledge its assets as collateral. Margin calls or changes in margin requirements can require the Partnership to pledge additional collateral or liquidate its holdings, which could require the Partnership to sell portfolio Securities at substantial losses that it otherwise would not realize. In addition, the financing charges that the Partnership pays to employ leverage, which will fluctuate, will have a significant effect on the Partnership's profitability.

These risks are especially significant in unsettled credit environments, in which the Investment Manager may find it difficult or impossible to obtain leverage for the Partnership. Since leveraging its assets is an important part of the investment strategy of the Partnership, in such event the Partnership could find it difficult to fully implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the Investment Manager being forced to unwind positions quickly and at prices below what the Investment Manager deems to be fair value for the positions.

### **Options**

The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter ("OTC") options also involve counterparty solvency risk.

### **Currency Options**

The Partnership may at times use currency options to hedge against the decline in the value of a currency or to enhance returns. Currency options are similar to options on securities. For example, in consideration for an option premium the writer of a currency option is obligated to sell (in the case of a call option) or purchase (in the case of a put option) a specified amount of a specified currency on or before the expiration date for a specified amount of another currency. The Partnership may engage in transactions for currency options either on exchanges or OTC markets. Currency options involve substantial currency risk, and may also involve credit, leverage or liquidity risk, among others.