Spire Oaktree Opportunities Fund XI (AUD)

Fact Sheet

Overview

Spire Capital Pty Ltd ("Spire") continues to have high conviction in select pockets of the global private markets (i.e. 'sweet spots'). For the last 18 months, Spire has been monitoring credit conditions in anticipation of stress given ballooning issuance of sub-investment grade debt, inflated leverage levels and associated vulnerability of corporate balance sheets. This included face-to-face due diligence meetings with a number of distressed debt investors in New York and ongoing dialogue with preferred manager Oaktree Capital Management, L.P. (including its affiliates, individually or collectively, as the context requires, "Oaktree"). After a prolonged period of benign market conditions for distressed debt investing, the cycle turned with the onset of the coronavirus. In mid-March 2020, Spire accelerated final stage due diligence on Oaktree's distressed debt capabilities and Opportunities XI program before resolving to create and capitalise Spire Oaktree Opportunities Fund XI (AUD) ("the Fund") with principal capital.

The Fund seeks to deliver steady returns and strong asset growth from global distressed debt. The Fund was established in August 2020 and serves as an AUD denominated Australian unlisted unit trust that feeds into the Oaktree Opportunities Fund XI Feeder (Luxembourg), SCSp ("the Underlying Fund"), a Luxembourg special limited partnership, which will invest substantially all of its assets in Oaktree Opportunities Fund XI (Parallel 2), SCSp in exchange for a limited partner interest therein. LFE European Asset Management S.a.r.l is the alternative investment fund manager ("AIFM") for the Underlying Fund and the AIFM will appoint Oaktree as portfolio manager.

Oaktree Capital Management

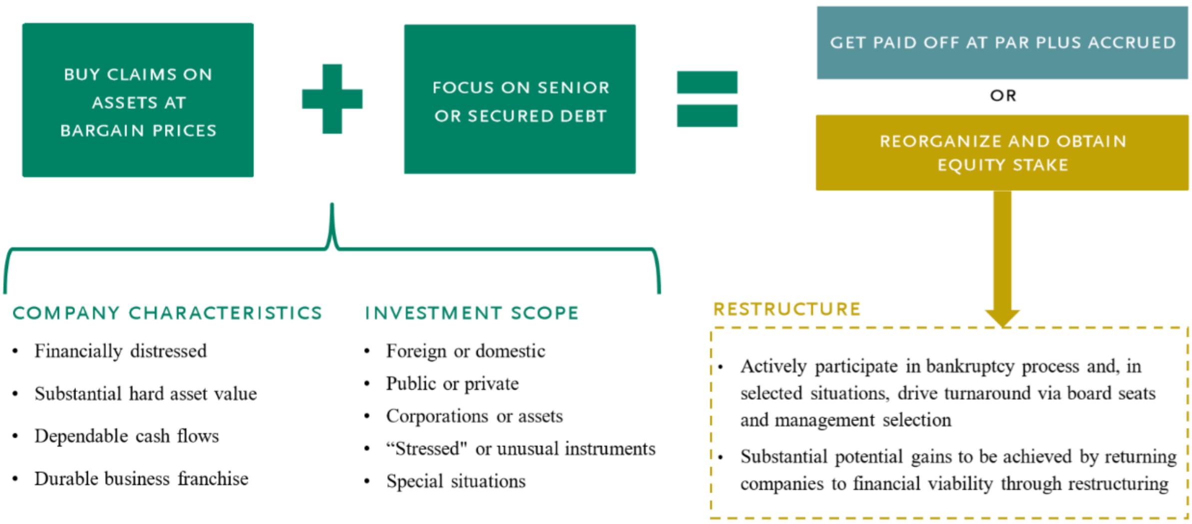
Oaktree was formed in April 1995 and is a leading global investment management firm headquartered in Los Angeles, California, with more than 1000 employees throughout offices in 19 cities worldwide. As of September 30, 2020, Oaktree had approximately US$140 billion in assets under management.[1] Oaktree's senior executives and investment professionals have focused on less efficient markets and alternative investments for over 34 years. Oaktree emphasizes an opportunistic, value-oriented approach to investments in distressed debt, corporate debt (including mezzanine finance, high yield debt and senior loans), control investing, convertible securities, real estate, listed equities and multi-strategy solutions.

As of September 30, 2020, unless otherwise noted. (1) Includes Oaktree's proportionate amount of DoubleLine Capital AUM resulting from its 20% minority interest therein. See the Legal Information section of the Appendix in the Oaktree Opportunities XI, L.P. Brochure, September 2020, for important information regarding Oaktree's calculation methodology for assets under management.

Investment Philosophy & Business Principles

All of Oaktree's strategies operate pursuant to an investment philosophy that has remained unchanged since Oaktree's founding in 1995.

- **Primacy of Risk Control**
  "Avoid the losers and the winners will take care of themselves"
- **Emphasis of Consistency**
  A superior record is best built on a high batting average rather than the hope that great years will outweigh dismal ones
- **Importance of Market Inefficiency**
  It is only in less-efficient markets that hard work and skill are likely to produce superior returns
- **Benefits of Specialization**
  Oaktree's team members' long-term experience gives us a substantial advantage
- **Macro-forecasting not critical to investing**
  A bottom-up value approach to investing is most productive
- **Disavowal of market timing**
  Bargains are purchased without reliance on guesses about the market's future direction



Source: "Overview of Investment Approach", Oaktree Opportunities XI, L.P. Brochure, September 2020

Why now? The Investment Opportunity

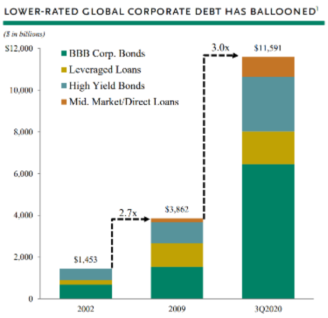
Howard Marks (Co-Founder and Co-Chairman of Oaktree) is widely regarded as the preeminent thought leader on distressed debt investing. His series of investment "Memos" have a broad following across some of the world's most discerning investors. With respect to the investment opportunity pertaining to the Underlying Fund, Mr. Marks believes:

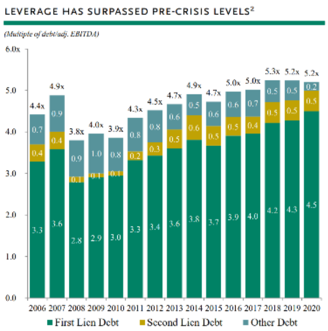
- *"…the coronavirus has demonstrated how rapidly and unexpectedly a catalyst can materialize, and it is already giving rise to an extraordinary increase in the supply of distressed debt. Today we're able to buy the senior debt of quality companies at prices that imply they're worth a small fraction of their market value just a couple of months ago. We've invested almost a billion dollars in the last five weeks without forcing the issue, and we expect to be able to invest at a similar clip in the future."*
- *"In tough times in the past, investing in our distressed debt funds has been a good way to benefit from excessively negative sentiment associated with cyclical downturns, and with issuers that are either bankrupt or considered likely to become so."*
- *"Debt crises are characterized by substantial concerns over illiquidity, high default rates on below-investment grade debt, and hesitance on the part of most people to invest. The low debt prices which result have historically given us opportunities for both high returns and a good degree of protection against losses."*
- *"We believe (a) the world is in for a significant global recession, (b) a great deal of debt will become distressed in the coming year or more, (c) negativity will reach at least the levels achieved in the Global Financial Crisis, and (d) the Oaktree team that invested successfully in that episode is well positioned to do so again in Opps XI."*

Source: Howard Marks Oaktree Opportunities Fund XI Launch Client Memo, 31 March 2020, which is provided as an attachment to this Fact Sheet.

More broadly, Oaktree believe the relationship between supply and demand dictates the amount of profitable investment opportunities at any given point in time for distressed debt investing.

Supply

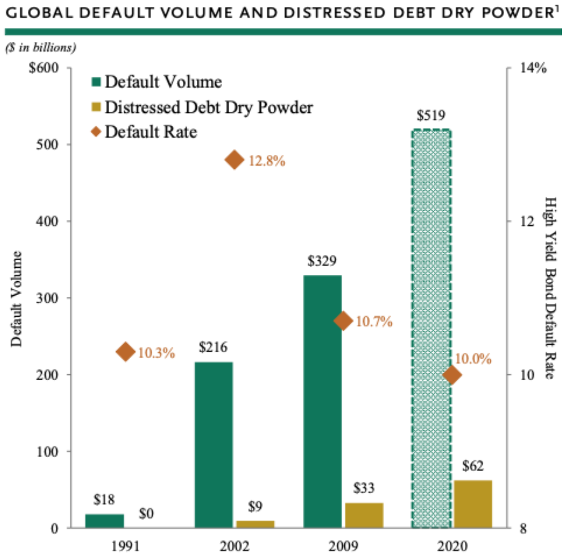




As of September 30, 2019. Source: Bloomberg Barclays, Credit Suisse, ICE BofAML, Preqin, Cliffwater, Refinitiv LPC.
(2) As of September 30, 2020. Source: S&P LCD. Reflects leverage for new U.S. leveraged loan transactions.

There are two key factors that support the outlook for a significant supply of distressed debt. The first is the explosion in lower-rated debt globally. The amount of debt outstanding across high yield bonds and leveraged loans has increased from US$2.3 trillion in 2009 to US$4.6 trillion currently, a 2x increase. Further, the growth of BBB-rated corporate debt has been even more extreme, growing from US$1.5 trillion to US$5.5 trillion over the same period. There has also been significant growth in other credit asset classes, including structured credit (e.g., CLOs) and private credit (e.g., direct loans), as well within Asia (e.g., China and India).

Focusing in on high yield bonds, in each of the past three crises (1989-92, 2000-02 and 2008-09), they saw peak default rates of at least 10% for one (or even two) years. Applying a 10% default rate to the current amount of below-investment grade debt outstanding may lead to an unprecedented amount of defaulted high yield bonds and loans. By applying a 1% default rate to the current amount of global BBB debt outstanding would increase the total to approximately US$520 billion.



(1) Source: NYU Salomon Center, Moody's, Preqin. Shaded column for the 2020 period denotes modeled default volume, which has been calculated by adding the 2019 global non-investment grade and assessed middle market / direct lending outstanding times a simulated stressed default rate of 10% and adding the 2019 global BBB debt outstanding times a simulated stressed default rate of 1%.

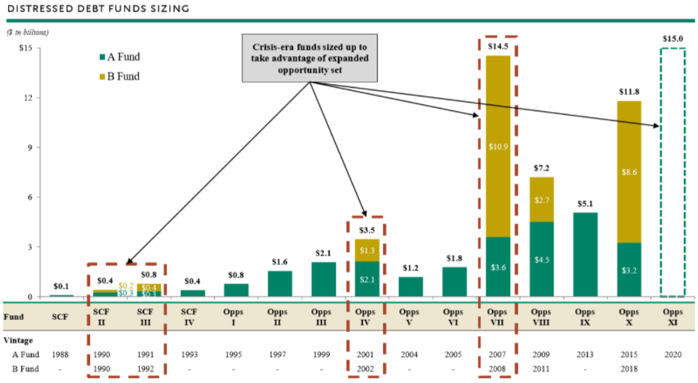
Loosening lending standards is the second trend that could contribute to an outsized distressed opportunity. In recent years, leverage levels have risen to post-crisis highs, aggressive adjustments to issuers' EBITDA have become increasingly more frequent and larger in magnitude, and the elimination of certain investor protections (such as financial covenants) has become commonplace.

When coupled with an economic slowdown, one of these factors in isolation has the potential to cause some level of distress. While the effects of the COVID-19 pandemic are still being assessed, the dramatic impact that it has already had on the consumer, countless industries and global supply chains means it is difficult to imagine a path that doesn't result in a global recession (if not a depression). Oaktree have long pointed to concerns around the growing inventory of low-quality debt and the deterioration in credit quality in recent years. The combination of these trends with a catalyst of this magnitude may potentially lead to a distressed opportunity that well exceeds the opportunity set of the Global Financial Crisis ("GFC"). Demand Following the GFC, there has generally been a lack of significant distressed opportunities outside of a few select sectors (i.e., energy and retail).

Despite this dearth of supply, numerous investors made their way into the market and raised distressed-focused or private credit funds in anticipation of the next distressed cycle. The new entrants' arrival materially increased the pool of dry powder and the degree of demand for distressed assets, particularly in the second half of the 2010s. As a result, when idiosyncratic opportunities did emerge, there were often too many dollars bidding for too few opportunities, ultimately leading to returns being competed away. In an attempt to distinguish themselves in what was a low-return environment for distressed debt, many managers imprudently increased risk, and ultimately saw their returns suffer. This combination of limited deal flow, significant competition and imprudent risk-taking led to an exodus by both established and new market participants.

Oaktree's Track Record

Oaktree was not formed with the goal of achieving certain levels of assets under management, revenue or profits; the firm's only objective was (and remains) to strive for superior risk-adjusted investment performance for Oaktree clients. Oaktree's Global Distressed Debt Team led by Bruce Karsh (Chief Investment Officer), Robert O'Leary (Global Co-Portfolio Manager and Head of North America) and Pedro Urquidi (Global Co-Portfolio Manager and Head of Global ex-North America) has a successful track record of over US$58 billion invested since 2008, and has navigated Oaktree through multiple global financial crises.



Source: Oaktree Opportunities XI, L.P. Brochure, September, 2020. Note: Funds included herein raised before 1995 were managed by Oaktree Principals while at Trust Company of the West ("TCW").

Discipline around 'right-sizing' Funds commensurate with the opportunity set has enabled Oaktree to consistently deliver attractive returns. Since 1988, Oaktree has delivered investors:

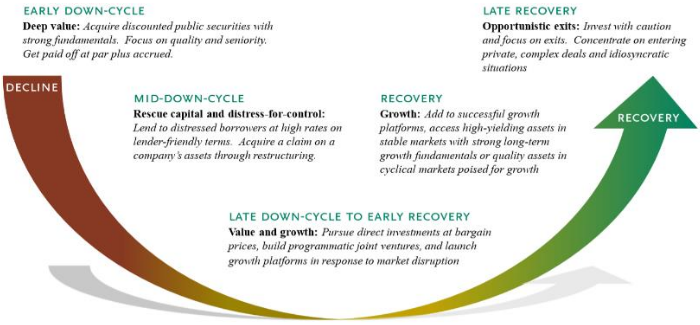
- 22% gross, 16% net IRR across 23 distressed debt funds since 1988 (generally higher in times of crisis)[1]
- 88% batting average[2] with US$33.4 billion of aggregate profits

As of March 31, 2020 (1) Oaktree makes no representation, and it should not be assumed, that past investment performance is an indication of future results. Moreover, wherever there is the potential for profit, there is also the possibility of loss. See "Performance Disclosures" section of the Appendix in the Oaktree Opportunities XI, L.P. Brochure, March 2020, for additional performance related information and disclosures. See Appendix I in the Oaktree Opportunities XI, L.P. Brochure, March 2020, for the full performance track record. Performance before April 1995 reflects track record of Oaktree Principals while at Trust Company of the West ("TCW"). (2) Batting Average represents the dollar amount of realized and unrealized gross investment profits, divided by total profits plus the absolute dollar amount of total losses.

Underlying Investment Approach

Consistent across all of Oaktree's areas of specialization, the philosophy and approach to investing places first priority on avoiding losses. Thus, as applied to distressed opportunities, Oaktree strongly emphasize senior and secured debt, protection from underlying asset values and reasonable diversification of positions.

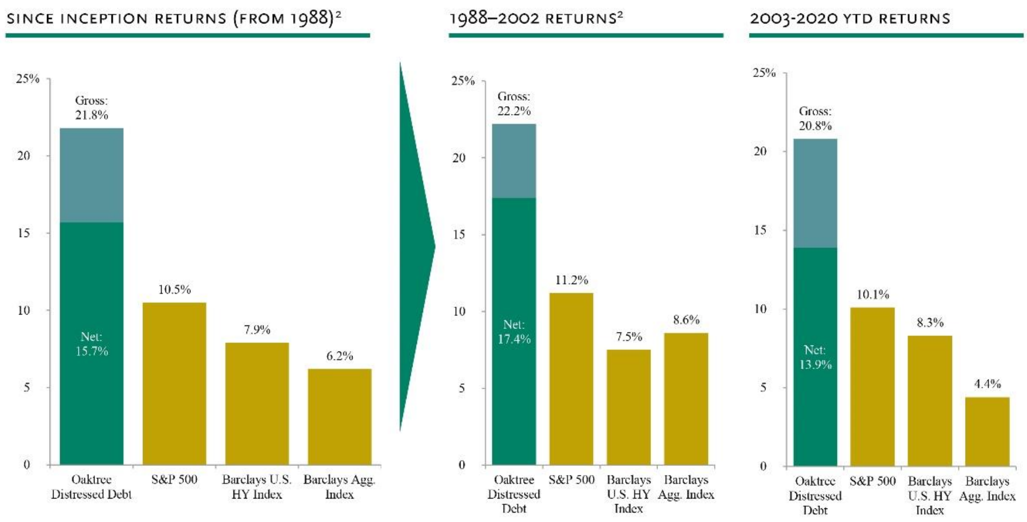
This approach is highly quantitative, although informed by experience and judgment. To determine the value of the underlying company, Oaktree assess the business and competitive position, strength of management, industry fundamentals and other relevant factors. The strategy has the flexibility to capitalize on changing market conditions in order to identify the best opportunities on a global basis at any one point in time.



Ultimately, the key objectives are to:

- Invest opportunistically in debt of financially distressed companies, focusing on those with:
    - Hard asset values
    - Dependable cash flows
    - Durable business franchises
- Get paid off at par plus accrued, or obtain ownership or significant influence of companies or assets after restructuring
- Seek to avoid losses by emphasizing:
    - Senior or secured debt
    - A mix of public and private debt
    - Tangible underlying value of assets or franchise Limited concentrations of positions
- Employ a flexible investment approach across asset classes and geographies to capitalize on evolving opportunities

A historical analysis of Oaktree's returns is shown through the following graphs:



Source: Barclays Capital, Bloomberg

[1] Oaktree makes no representation, and it should not be assumed, that past investment performance is an indication of future results. Moreover, wherever there is the potential for profit, there is also the possibility of loss. See "Performance Disclosures" section of the Appendix for additional performance related information and disclosures. See Appendix I for the full performance track record. Performance before April 1995 reflects track record of Oaktree Principals while at Trust Company of the West ("TCW"). For the periods presented, the aggregate returns of the Opportunities Funds represent dollar-weighted IRRs versus annualized time-weighted returns for the market indices. As such, the returns of the market indices cannot be used as a direct comparison for the returns of the Opportunities Funds given the differing calculation methodologies employed. Additionally, the market indices are being provided for informational purposes only as a representation of the performance of certain market asset classes during the relevant time periods and not as a direct comparison to the performance of the Opportunities Funds. The period beginning in 2003 was selected on the basis that it marked the start of a new economic cycle after the high default rates associated with the dot-com bubble settled down.

[2] Oaktree performance from October 15, 1988 through September 30, 2020. Index performance from October 1, 1988 through September 30, 2020.

Key Terms

Registered Fund Name & APIR Code	Spire Oaktree Opportunities Fund XI (AUD) - Ordinary Units: APIR SPI4006AU
Fund Type	Wholesale Closed-Ended Fund
Term Sheet	Available here
Commencement	27th August 2020
Trustee and Fund Manager	Spire Capital Pty Limited
Alternative Investment Fund Manager	LFE European Asset Management S.a.r.I. is the alternative investment fund manager (AIFM) for the Underlying Fund; the AIFM will appoint Oaktree Capital Management, L.P. as portfolio manager.
Applications	Daily during the Offer Period, which is anticipated to run until 31st December 2020
Minimum Investment	AU$100,000
NAV Unit Pricing	Net Asset Value (NAV) unit pricing will commence on a monthly basis following the capital raising period.
Distribution Frequency	Any distributable income, gains or returns of capital will be distributed annually as at 30 June commencing 30 June 2021, subject to the terms of the Underlying Fund.
Liquidity	Nil - Closed-ended fund
Tax considerations	Unitholders are not required to file US tax returns. The Fund will invest into the assets of the underlying funds via a leveraged blocker subsidiary, which will elect to be taxed as a corporate for US tax purposes on its taxable income. Depreciation and other allowances, such as interest expenses, may be used to reduce US taxable income. US corporate tax paid by or withheld from this subsidiary paid by the Underlying Fund's blocker is expected to generate a proportionate Foreign Income Tax Offsets (FITOs), which may be used by unitholders to offset Australian income tax liabilities on foreign sourced income or gains, including but not limited to returns from the Fund.
Management Fees	**Fund** - 0.35% p.a. x NAV of the Series (paid monthly) plus GST, payable to Spire Capital Pty Ltd at the Master Fund level **Underlying Fund** – Quarterly payments (payable in advance) of a management fee equal to 1.60% of the Fund's pro rata portion of the cost basis of the investments held by the Underlying Fund as of the close of the last business day of the immediately preceding calendar quarter (including the Fund's pro rata portion of the cost basis of investments acquired with indebtedness incurred by the Underlying Fund in lieu of a drawdown). Please refer to the Underlying Fund's PPM for additional information regarding the calculation of the management fee.
Performance Fee	**Fund** - Nil **Underlying Fund** level, the special limited partner will receive 20% of profits, subject to Limited Partners receiving an 8% annual return, compounded annually, on aggregate capital contributions. Please refer to the Underlying Fund's PPM for additional information regarding carried interest and the calculation thereof.
Sourcing & Structuring Fee	The Trustee is entitled to a Sourcing and Structuring Fee of 0.50% plus GST of the total capital commitments made by the Series Sub-Trust into the Underlying Fund. This fee is a one-off fee and becomes payable when the capital commitment is made to the Underlying Fund. The Sourcing and Structuring Fee is payable out of the assets of the Master Fund and is payable to the Trustee.
Other Operating Expenses	The Trustee estimates direct operating costs and expenses to be 0.11% per annum plus GST based on the NAV of the Master Fund. These costs and expenses are payable from the Fund's assets to the relevant person when incurred or, where initially paid by the Trustee, will be reimbursed to the Trustee at the end of each month. In addition, the Fund will bear expenses (including, but not limited to, organizational expenses and operating expenses) associated with its investment in the Underlying Fund – please refer to the Underlying Fund's PPM for additional information. These expenses will indirectly be born by the investors in the Fund as a result of their investment in the Fund.

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Memo to: Oaktree Clients

Re: Oaktree Opportunities Fund XI

Just two months ago, we had:

- an investment environment in which no one could imagine a catalyst for a downturn;
- an $8.8 billion distressed debt fund that we had patiently gotten to half invested; and
- no reason to believe the supply of distressed debt would be sufficient to get it fully invested anytime soon, or thus that it was time to form a follow-on fund.

Now the coronavirus has demonstrated how rapidly and unexpectedly a catalyst can materialize, and it is already giving rise to an extraordinary increase in the supply of distressed debt. **Today we're able to buy the senior debt of quality companies at prices that imply they're worth a small fraction of their market value just a couple of months ago. We've invested almost a billion dollars in the last five weeks without forcing the issue, and we expect to be able to invest at a similar clip in the future.**

Thus it's time to form Opportunities Fund XI. The case for investing in it is simple:

- In tough times in the past, investing in our distressed debt funds has been a good way to benefit from excessively negative sentiment associated with cyclical downturns, and with issuers that are either bankrupt or considered likely to become so.
- Debt crises are characterized by substantial concerns over illiquidity, high default rates on below-investment grade debt, and hesitance on the part of most people to invest. The low debt prices which result have historically given us opportunities for both high returns and a good degree of protection against losses.
- Bruce has managed our distressed debt funds since their inception in October 1988. Those 31-plus-years have included three crises for below-investment grade debt: 1990-91, 2001-02, and 2008. All three of those periods witnessed significant doses of chaos and the buying opportunities that result. For that reason our funds formed in those years delivered net IRRs ranging from 17% to 47% without the use of leverage.
- Bruce's co-portfolio managers – Bob O'Leary for the U.S. and Pedro Urquidi for the rest of the world – have been with him for 18 and 15 years, respectively, and together, have a combined 45 years of industry experience. They and their teams performed very well during the Global Financial Crisis and since.
- In each of the three crises mentioned above, there was a year or two in which the high yield bond universe experienced default rates around 10%. The universe of below-investment grade credit is currently estimated at roughly $4.5 trillion, 2.0 times what it was in 2009. Thus, a year in which 10% of it defaulted would imply the creation of roughly $450 billion of distressed debt (and two years would imply $900 billion). Downgrades from the swollen BBB debt universe (now $5 trillion, up from $1.5 trillion in 2009) could add substantially to these numbers. We believe supply like this would swamp the "dry powder" currently dedicated to distressed debt investing.

- Since so little debt became distressed in the U.S. in the last five or so years, several of our competitors have left the business because of their poor performance for LPs or poor economics for themselves. The number of distressed debt buyers has also contracted thanks to the Volcker Rule, which limits what banks can buy for their own accounts. And with the assets in our Opportunities Funds wound down from roughly $25 billion in 2010 to $11.5 billion today, we feel we've cleared the decks to permit us to take full advantage of the current opportunity.
- We've built a truly global distressed debt team with over two dozen investment professionals based in Europe and Asia. We believe this will allow us to profit from the significantly increased opportunities in China, India and Developed Asia, in addition to those in the United States and Europe.

We believe (a) the world is in for a significant global recession, (b) a great deal of debt will become distressed in the coming year or more, (c) negativity will reach at least the levels achieved in the Global Financial Crisis, and (d) the Oaktree team that invested successfully in that episode is well positioned to do so again in Opps XI.

A few words on structure and fees: In 2007-08, we raised the largest amount in history for distressed debt – a total of $14.5 billion for Opportunities Funds VII and VIIb. With the universe of below-investment grade debt having more than doubled since then and an unprecedented amount of distress expected, we're confident that we can put at least that much capital to good use in Opps XI.

- The target for LP capital in Opps XI is $15 billion.
- In addition, Brookfield and Oaktree and their affiliates will invest at least $1 billion in total.
- The fund's three-year investment period will start on the earlier of (a) the fund becoming 20% invested or (b) the first anniversary of its first investment.
- The management fee will be 1.6% on invested capital (as opposed to 1.6% on committed capital in our past funds).
- There will be fee discounts for capital commitments above $300 million.
- There will also be a fee discount for LPs who commit to the first close.

We fully understand the difficulty entailed in committing capital to a new fund given the chaos around us. Thus, in a recent memo, I cited the title a friend used for his newsletter: "When the time comes to invest, you won't want to." But, of course, we believe the best investments are made when others are afraid to invest or unable to do so. The people of Oaktree stand ready to supply all the information you need to reach a positive decision on Opps XI in these challenging times. We think it'll be very rewarding. In the meantime, we hope you'll stay safe and healthy.

March 31, 2020

IMPORTANT LEGAL INFORMATION AND DISCLOSURES

Oaktree Opportunities Fund XI, L.P. and its related feeder fund(s) and parallel fund(s), if any (individually or collectively, as the context requires, the "Fund") and Oaktree (as defined below) make no representation, and it should not be assumed, that past investment performance is an indication of future results. Moreover, wherever there is the potential for profit there is also the possibility of loss. Prospective investors should consider the following risk factors which are not meant to be an exhaustive list.

An investment in the Fund is speculative and involves a high degree of risk. There can be no assurance that investments targeted by the Fund will increase in value, that significant losses will not be incurred or that the Fund's objectives will be achieved. Many factors affect the demand and supply of securities and instruments targeted by the Fund and their valuation. Interest rates and general economic activity may affect the value and number of investments made by the Fund.

Fund Performance

Fund	Vintage Year[2]	Net Fund-Level IRR
Special Credits Fund	1988	24.7%
Special Credits Fund II/IIb	1990	36.5
Special Credits Fund III/IIIb	1991	19.8
Special Credits Fund IV	1993	17.3
OCM Opportunities Fund	1995	10.2
OCM Opportunities Fund II	1997	8.5
OCM Opportunities Fund III	1999	11.9
OCM Opportunities Fund IV	2001	28.1
OCM Opportunities Fund IVb	2002	47.3
OCM Opportunities Fund V	2004	14.1
OCM Opportunities Fund VI[1]	2005	8.8
OCM Opportunities Fund VII[1]	2007	7.3
OCM Opportunities Fund VIIb[1]	2008	16.5
Oaktree Opportunities Fund VIII	2009	9.0
Oaktree Huntington Investment Fund	2009	11.1
Oaktree Opportunities Fund VIIIb	2011	6.2
Oaktree Opportunities Fund IX[1]	2013	4.1
Oaktree Opportunities Fund X[1]	2015	10.9
Oaktree Huntington Investment Fund II, Class A[1]	2015	11.7
Oaktree Opportunities Fund Xb[1]	2018	(5.4)
Oaktree Huntington Investment Fund II, Class C[1]	2018	(0.7)

As of December 31, 2019

[1] *This fund employs subscription line financing to manage cash flows, including the drawdown of committed capital from limited partners. See the Subscription Line Financing disclosure in the Legal Information and Disclosures for more detailed information regarding the use and impact of such financing on the IRR of the fund.*

[2] *The record referenced prior to Oaktree's 1995 inception was previously managed at Trust Company of the West ("TCW").*

The fund-level internal rate of return ("IRR") is the annualized implied discount rate calculated from a series of investment cash flows, based upon the actual timing of cash contributions from and distributions to non-affiliated limited partners and the residual value of such partners' capital accounts, derived using the valuation methodology described in the Fund's confidential private placement memorandum and any related supplements thereto (the "PPM"), at the end of the applicable period being measured. Net IRRs represent returns to non-affiliated limited partners of the relevant funds after the allocation of management fees, fund expenses, and any incentive fee or carried interest paid, accrued, or allocated to the general partner or investment manager. The use of other calculation methodologies, including different assumptions or methods, may result in different, and possibly lower, IRRs. Prospective investors should note that the IRRs presented are based on and contain valuations of investments that have not been fully realized as of December 31, 2019. There can be no assurance that any of these valuations will be attained. No benchmarks are presented as Oaktree is not aware of any benchmarks that, in Oaktree's opinion, provide a basis for measuring the performance of its Distressed Opportunities funds particularly in light of Oaktree's investment philosophy, strategy and implementation.

Subscription Line Financing

Calculations of net and gross IRRs in respect of investment and performance data included and/or referred to herein are based on the payment date of capital contributions received from limited partners, even in instances where a fund or account utilizes borrowings under a subscription-based credit facility. The use of a subscription-based credit facility (or other fund-level leverage) with respect to investments may result in a higher reported gross IRR and net IRR at the fund-level than if such subscription facility (or other fund-level leverage) had not been used and instead the investors' capital had been contributed at the inception of each such investment. This is due to the fact that calculations of gross IRR and net IRR are based on the relationship between investment gains and partners' capital employed. Therefore, if a subscription facility is used to fund an investment, capital may be called more slowly from the limited partners to repay such borrowings, which would shorten the time between such contribution and distribution and consequently increase gross IRR and net IRR. Please see "Capital Calls and Use of Subscription Lines and Asset-Backed Facilities" in the Fund's PPM for additional information.

The Fund will invest in securities and obligations that entail substantial risks, including bank loans and participations, high yield and preferred securities, options, derivative securities and short positions (which involves the risk of a theoretically unlimited loss from a theoretically unlimited increase in the market price of a security that could result in an inability to cover the short position). There can be no assurance that the securities and obligations purchased by the Fund will in fact increase in value, or that the Fund will not incur significant losses. The Fund will target investments in companies that may be in bankruptcy or that could require substantial workout negotiations or restructuring in the event of a default or bankruptcy, which could entail significant risks, time commitments and costs. In addition, the Fund's investments are expected to include companies whose capital structures may have significant leverage. Such investments are inherently more sensitive than others to declines in revenues and to increases in expenses and interest rates. Further, the Fund may engage in investment activities that involve the use of leverage, including total return swaps and credit default swaps. While leverage presents opportunities for increasing the Fund's total return, it may increase losses as well. Accordingly, any event that adversely affects the value of an investment by the Fund would be magnified to the extent leverage is used. The Fund may also make investments in securities of foreign companies which may involve certain special risks, including social, political or economic instability; the possibility of unfavorable foreign governmental actions; price fluctuations and market volatility; differences in auditing and financial reporting; adverse taxes; and different laws and customs. These factors may increase the likelihood of potential losses being incurred in connection with such investments. Further, because such investments in foreign companies are likely to be denominated in currencies other than U.S. dollars, the Fund will be subject to fluctuation in currency exchange rates and, if it decides to hedge or convert foreign currency, may incur costs in connection therewith.

Events in the sub-prime mortgage market and other areas of the credit markets have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets, as well as in the wider global financial markets. To the extent that issuers of the Fund's investments participate in such markets, the results of their operations may suffer, and if marketplace events continue (or even worsen), the financial resources available to issuers and their ability to make principal and interest payments on, or refinance, outstanding debt when due, could be materially affected. Moreover, in light of market turmoil and the overall weakening of the financial services industry, the Fund and the brokerage firms and banks with which it does business may be adversely affected, and they may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on their business and operations.

An investor in the Fund will be subject to the risks regarding the investments targeted by the Fund as well as the risks associated with an investment in the Fund. An investment in the Fund will generally be an illiquid investment, and withdrawals from, and transfers of, ownership will be subject to restrictions. The portfolio of the Fund may not be diversified among a wide range of issuers, industries, or countries, making the portfolio subject to more rapid changes in value than would be the case if the portfolio was more diversified. The Fund may invest in securities for which reliable market quotations are not available. The Fund's general partner has the right to value such securities in its discretion and will have a conflict of interest in valuing such securities, given the potential impact on the Fund's performance results. Investors will not have the opportunity to participate in the Fund's management. The Fund is not registered under the U.S. Investment Company Act of 1940, as amended, and therefore investors in the Fund will not be accorded the protections of that Act. A number of other risk considerations are discussed in the Fund's PPM.

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