STATEMENT OF ADDITIONAL INFORMATION

A&Q MULTI-STRATEGY FUND

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August 1, 2023

This Statement of Additional Information ("SAI") is not a prospectus. This SAI relates to and should be read in conjunction with the Prospectus of A&Q Multi-Strategy Fund (the "Fund"), dated August 1, 2023. The Prospectus and this SAI, which is incorporated by reference into the Prospectus in its entirety, are published on the following website: https://www.ubs.com/us/en/asset-management/individual-investors-and-financial-advisors/products/hedge-funds.html. The SAI also may be obtained by contacting the Fund at the telephone numbers or address set forth above. Defined terms used herein, and not otherwise defined herein, have the same meanings as in the Prospectus.

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ADDITIONAL INVESTMENT POLICIES

The investment objective and principal investment strategies of A&Q Multi-Strategy Fund (the "Fund"), as well as the principal risks associated with the Fund's investment strategies, are set forth in the Prospectus. Capitalized terms used but not defined herein have the meanings assigned to them in the Fund's Prospectus. Certain additional investment information is set forth below.

Fundamental Policies

The Fund's stated fundamental policies, which may be changed only by the affirmative vote of a majority of the outstanding shares of beneficial interest of the Fund (the "Shares"), are listed below. For the purposes of this statement of additional information ("SAI"), "majority of the outstanding Shares" means the vote, at an annual or special meeting of shareholders duly called, (a) of 67% or more of the Shares present at such meeting, if the holders of more than 50% of the outstanding Shares are present or represented by proxy; or (b) of more than 50% of the outstanding Shares, whichever is less. The Fund may not:

- Borrow money, except to the extent permitted by the Investment Company Act (which currently limits borrowing to no more than 33-1/3% of the value of the Fund's total assets).

- Issue senior securities, except to the extent permitted under the Investment Company Act (which currently limits the issuance of a class of senior securities that is indebtedness to no more than 33-1/3% of the value of the Fund's total assets or, if the class of senior security is stock, to no more than 50% of the value of the Fund's total assets).

- Underwrite securities of other issuers, except insofar as the Fund may be deemed an underwriter under the Securities Act of 1933, as amended, in connection with the disposition of its portfolio securities.

- Make loans, except through purchasing fixed-income securities, lending portfolio securities or entering into repurchase agreements in a manner consistent with the Fund's investment policies or as otherwise permitted under the Investment Company Act.

- Purchase, hold or deal in real estate, except that the Fund may invest in securities that are secured by real estate, or securities issued by companies that invest or deal in real estate or real estate investment trusts.

- Invest in physical commodities or commodity contracts, except that the Fund may purchase and sell commodity index-linked derivative instruments, such as commodity swap agreements, commodity options, futures and options on futures and structured notes, that provide exposure to the investment returns of the commodities markets, including foreign currency markets.

- Invest more than 25% of the value of its total assets in the securities of issuers in any single industry, except that U.S. Government securities may be purchased without limitation. For purposes of this investment restriction, the Investment Funds are not considered part of an industry. The Fund may invest in Investment Funds that may concentrate their assets in one or more industries. The Fund will consider the concentration of the Investment Funds in determining compliance with this policy.

- Invest in securities of other investment companies, except to the extent permitted by the Investment Company Act.

If a percentage restriction is adhered to at the time of an investment or transaction, a later change in percentage resulting from a change in the values of investments or the value of the Fund's total assets, unless otherwise stated, will not constitute a violation of such restriction or policy.

The types of securities or investment techniques that may be employed by the Fund in accordance with the Investment Company Act, which may give rise to senior securities within the meaning of the Investment Company Act include: short sales, forward contracts, reverse repurchase agreements and when-issued or delayed delivery securities. The Adviser, however, as discussed below under the captions "—Foreign Securities" and "—Special Investment Techniques," believes that it only will utilize forward currency exchange contracts, and perhaps put options and futures contracts, to attempt to hedge against foreign currency risks. Additionally, as disclosed in the Fund's Prospectus, the Fund may sell securities short in pursuit of its investment objective, although it presently does not intend to do so.

The Fund's investment objective is fundamental and may not be changed without the vote of a majority of the Fund's outstanding voting securities.

Certain Portfolio Securities and Other Operating Policies

Debt Securities

Some Investment Managers may invest in debt securities. The Investment Managers typically will invest in these securities when their yield and potential for capital appreciation are considered sufficiently attractive or in connection with convertible arbitrage strategies, and also may invest in these securities for defensive purposes and to maintain liquidity. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to the risk of price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness or financial condition of the issuer and general market liquidity (*i.e.*, market risk).

The market value of a debt security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. Debt securities markets can be susceptible to increases in volatility and decreases in liquidity. Liquidity can decline unpredictably in response to overall economic conditions or credit tightening. Increases in volatility and decreases in liquidity may be caused by a rise in interest rates (or the expectation of a rise in interest rates), which are at or near historic lows in the United States and in other countries. During periods of reduced market liquidity, an Investment Fund may not be able to readily sell debt securities at prices at or near their perceived value. If an Investment Fund needed to sell large blocks of debt securities to meet shareholder redemption requests or to raise cash, those sales could further reduce the prices of such securities. An unexpected increase in Investment Fund redemption requests, including requests from shareholders who may own a significant percentage of the Investment Fund's shares, which may be triggered by market turmoil or an increase in interest rates, could cause the Investment Fund to sell its holdings at a loss or at undesirable prices and adversely affect the Investment Fund's share price and increase the Investment Fund's liquidity risk, expenses and/or taxable distributions. Economic and other market developments can adversely affect debt securities markets. Regulations and business practices, for example, have led some financial intermediaries to curtail their capacity to engage in trading (*i.e.*, "market making") activities for certain debt securities, which could have the potential to decrease liquidity and increase volatility in the debt securities markets. Policy and legislative changes worldwide are affecting many aspects of financial regulation. The impact of these changes on the markets, and the practical implications for market participants, may not be fully known for some time.

The Investment Funds 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 Investment Managers may invest in both investment grade and non-investment grade debt securities. Investment grade debt securities are securities that have received a rating from at least one nationally recognized statistical rating organization ("NRSRO") in one of the four highest rating categories or, if not rated by any NRSRO, have been determined by the Investment Manager to be of comparable quality. Non-investment grade debt securities are considered by the NRSRO to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Non-investment grade debt securities in the lowest rating categories may involve a substantial risk of default or may be in default. Adverse changes in economic conditions or developments regarding the individual issuer are more likely to cause price volatility and weaken the capacity of the issuers of non-investment grade debt securities to make principal and interest payments than is the case for higher grade debt securities. In addition, the market for lower grade debt securities may be thinner and less liquid than for higher grade debt securities.

Some Investment Managers may invest in mortgage-backed securities. The investment characteristics of mortgage-backed securities differ from traditional debt securities. Among the major differences are that interest and principal payments on mortgage-backed securities are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time. The adverse effects of prepayments may affect the Fund indirectly in two ways. First, particular investments may experience outright losses, as in the case of an interest-only security in an environment of faster than expected actual or anticipated prepayments. Second, particular investments may underperform relative to hedges that the Investment Funds may have entered into for these investments, resulting in a loss to the Investment Fund. In particular, prepayments (at par) may limit the potential upside of many mortgage-backed securities to their principal or par amounts, whereas their corresponding hedges often have the potential for large losses.

Some Investment Managers may invest in securities that represent an interest in a pool of mortgages ("MBS") and credit card receivables or other types of loans ("ABS"). The collateralized mortgage obligation ("CMO") and stripped MBS markets were developed specifically to reallocate the various risks inherent in MBS across various bond classes ("tranches"). Interest only pass-through securities experience greater yield variability relative to changes in prepayments. "Inverse floaters" experience greater variability of returns relative to changes in interest rates. To the extent that an Investment Fund concentrates its investments in these or other "derivative" securities, the prepayment risks, interest rate risks and hedging risks associated with such securities will be severely magnified. In addition, investments in subordinated MBS and ABS also involve greater credit risk of default than the senior classes of the issue or series. Default risks may be further pronounced in the case of MBS secured by, or evidencing an interest in, a relatively small or less diverse pool of underlying mortgage loans. Certain subordinated securities absorb all losses from default before any other class of securities is at risk, particularly if such securities have been issued with little or no credit enhancement or equity. Such securities, therefore, possess some of the attributes typically associated with equity investments.

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

The frequency with which prepayments (including voluntary prepayments by obligors, and liquidations due to default and foreclosures) occur on loans underlying MBS and ABS will be affected by a variety of factors including the prevailing level of interest rates, as well as economic, demographic, tax, social, legal and other factors. Generally, mortgage obligors tend to prepay their mortgages when prevailing mortgage rates fall below the interest rates on their mortgage loans. Although ABS generally are less likely to experience substantial prepayments than are MBS, certain of the factors that affect the rate of prepayments on MBS also affect the rate of prepayments on ABS. However, during any particular period, the predominant factors affecting prepayment rates on MBS and ABS may be different. 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 many MBS will be discount securities when interest rates are high, and will be premium securities when interest rates are low, these MBS may be adversely affected by changes in prepayments in any interest rate environment.

Some Investment Managers may invest in asset-backed securities, which use securitization techniques similar to mortgage-backed securities. These securities include debt securities and securities with debt-like characteristics. The collateral for these securities has included home equity loans, automobile and credit card receivables, boat loans, computer leases, airplane leases, mobile home loans, recreational vehicle loans and hospital account receivables. Risks associated with asset-backed securities are largely similar to those of mortgage-backed securities; however, these securities may provide an Investment Fund (and, thus, the Fund) with a less effective security interest in the related collateral than do mortgage-backed securities. Therefore, there is the possibility that recoveries on the underlying collateral may not, in some cases, be available to support payments on such asset-backed securities.

The issuers of debt instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.

Equity Securities

An Investment Fund's portfolio may include long and short positions in common stocks, preferred stocks and convertible securities. Investment Managers may focus on investments within specific sectors, countries and/or regions. Investment Managers also may invest in depositary receipts relating to foreign securities. See "—Foreign Securities" below. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete and general market and economic conditions.

The Investment Managers generally may invest in equity securities without restriction as to market capitalization, such as those issued by smaller capitalization companies, including micro-cap companies. The prices of the securities of some of these smaller companies may be subject to more abrupt or erratic market movements than larger, more established companies, because they typically are traded in lower volume and the issuers typically are more subject to changes in earnings and prospects.

The Investment Managers may purchase securities in all available securities trading markets, including initial public offerings and the aftermarket.

The Investment Managers' investments in equity securities may include securities that are listed on securities exchanges, as well as unlisted securities that are traded over-the-counter ("OTC"). Equity securities of companies traded OTC may not be traded in the volumes typically found on a national securities exchange. Consequently, an Investment Manager may be required to dispose of such securities over a longer (and potentially less favorable) period of time than is required to dispose of the securities of listed companies.

Foreign Securities

Some Investment Managers will invest in securities of foreign issuers and in depositary receipts, such as American Depositary Receipts and American Depositary Shares (collectively, "ADRs"), Global Depositary Receipts and Global Depositary Shares ("GDRs") and other forms of depositary receipts. ADRs are receipts typically issued by a United States bank or trust company that evidence ownership of underlying securities issued by a foreign corporation. GDRs are receipts issued outside the United States typically by non-United States banks and trust companies that evidence ownership of either foreign or domestic securities. Generally, ADRs in registered form are designed for use in the United States securities markets and GDRs in bearer form are designed for use outside the United States. Foreign securities markets generally are not as developed or efficient as those in the United States and generally are subject to less government supervision and regulation. In addition, less information may be available regarding foreign securities and foreign issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. issuers.

These securities may be purchased through "sponsored" or "unsponsored" facilities. A sponsored facility is established jointly by the issuer of the underlying security and a depositary. A depositary may establish an unsponsored facility without participation by the issuer of the deposited security. Holders of unsponsored depositary receipts generally bear all the costs of such facilities, and the depositary of an unsponsored facility frequently is under no obligation to distribute shareholder communications received from the issuer of the deposited security or to pass through voting rights to the holders of such receipts in respect of the deposited securities.

Securities of some foreign issuers are less liquid and more volatile than securities of comparable U.S. issuers. Similarly, volume and liquidity in most foreign securities markets are less than in the United States and, at times, volatility of price can be greater than in the United States. Transaction costs of investing in foreign securities markets generally are higher than in the United States.

Investment Funds and the Fund are subject to additional risks, including possible adverse political and economic developments, seizure or nationalization of foreign deposits or adoption of governmental restrictions which might adversely affect or restrict the payment of principal and interest on the foreign securities to investors located outside the country of the issuer, whether from currency blockage or otherwise. Also, since foreign securities often are purchased with and payable in currencies of foreign countries, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations.

Foreign securities in which the Investment Managers may invest may be listed on foreign securities exchanges or traded in foreign OTC markets or may be purchased in private placements and not be publicly traded. Investments in foreign securities are affected by risk factors generally not thought to be present in the United States. Some of these factors are listed in the Prospectus under "Risk Factors—The Investment Funds' Foreign Investments Involve Risk of Loss."

Some Investment Managers, and UBS Hedge Fund Solutions LLC (the "Adviser" or "UBS HFS"), may hedge against foreign currency risks, including the risk of changing currency exchange rates, which could reduce the value of certain foreign currency denominated portfolio securities irrespective of the underlying investment. An Investment Fund may enter into forward currency exchange contracts ("forward contracts") for hedging purposes and non-hedging purposes to pursue its investment objective, and the Fund will utilize principally forward currency exchange contracts, although it also may utilize put options and futures contracts, to hedge against foreign currency risks. Forward contracts are transactions involving an obligation to purchase or sell a specific currency at a future date at a specified price. Forward contracts may be used by the Investment Managers and the Adviser for hedging purposes to protect against uncertainty in the level of future foreign currency exchange rates. This technique would allow an Investment Manager or the Adviser to "lock in" the U.S. dollar price of the security. Forward contracts also may be used to attempt to protect the value of existing holdings of foreign securities. There may be, however, imperfect correlation between the foreign securities holdings and the forward contracts entered into with respect to such holdings. There can be no assurance that such hedging transactions, even if undertaken, will be effective. The risks and techniques used to hedge against those risks are substantially the same as those described in respect of "—Foreign Securities" and "—Foreign Currency Transactions."

Forward contracts also may be used for non-hedging purposes by the Investment Funds, such as when an Investment Manager anticipates that particular foreign currencies will appreciate or depreciate in value, even though securities denominated in such currencies are not then held in the Investment Fund's portfolio. See "—Special Investment Techniques."

Foreign Currency Transactions

Investment Funds may invest in instruments denominated in currencies other than the U.S. dollar; accordingly, the value of such an investment as measured in U.S. dollars is affected by changes in currency exchange rates. Currency exchange rates generally are determined by the forces of supply and demand in the currency markets and the relative merits of investments in different countries, actual or anticipated changes in interest rates, and other complex factors. Currency exchange rates also can be affected unpredictably by intervention or failure to intervene by U.S. or foreign governments or central banks, or by currency controls or political developments in the U.S. or abroad.

Investment Funds and the Fund may employ certain investment practices to hedge currency exposures; however, such instruments may not be available, may not be economically priced (in the judgment of an Investment Manager or the Adviser), nor provide a perfect hedge. Unless an Investment Fund or the Fund hedges itself against fluctuations in exchange rates between the U.S. dollar and the foreign currencies in which foreign investments are denominated, any profits the Investment Fund or the Fund may realize could be eliminated as a result of adverse changes in exchange rates. An Investment Manager also may engage in foreign currency transactions for speculative purposes or to fix in U.S. dollars, between trade and settlement date, the value of a security the Investment Manager has agreed to buy or sell, or to hedge the U.S. dollar value of securities the Investment Manager already owns, particularly if it expects a decrease in the value of the currency in which the foreign security is denominated.

Foreign currency transactions may involve, for example, the Investment Manager's or the Adviser's purchase of foreign currencies for U.S. dollars or the maintenance of short positions in foreign currencies, which would involve the Investment Fund or the Fund agreeing to exchange an amount of a currency it did not currently own for another currency at a future date in anticipation of a decline in the value of the currency sold relative to the currency the Investment Manager or the Adviser contracted to receive in the exchange. The Investment Manager's and the Adviser's success in these transactions will depend principally on its ability to predict accurately the future exchange rates between foreign currencies and the U.S. dollar.

Convertible Securities

Convertible securities are bonds, debentures, notes, preferred stock or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that generally is paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics, in that they generally (a) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (b) are less subject to fluctuation in value than the underlying common stock due to their debt characteristics and (c) provide the potential for capital appreciation if the market price of the underlying common stock increases.

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

Distressed Securities

Some Investment Managers may invest in the securities of financially distressed companies ("distressed securities"). Investments in distressed securities involve substantial risks. Any one or all of the companies in which an Investment Manager may invest may be unsuccessful or not show any return for a considerable period of time. In any reorganization or liquidation proceeding relating to the portfolio company, the Investment Fund may lose its entire investment or may be required to accept cash or securities with a value less than the original investment. Where Investment Managers take control positions, serve on creditors' committees or otherwise take an active role in seeking to influence the management of the issuers of distressed securities, their Investment Funds may be subject to increased litigation risk resulting from their actions and they may obtain inside information that may restrict their ability to dispose of the distressed securities.

Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuer. There is no minimum credit standard that is a prerequisite to an Investment Fund's investment in any instrument and a significant portion of the obligations and preferred stock in which an Investment Fund may invest may be less than investment grade. In addition, judgments about the credit quality of the issuer and the relative value of its securities used to establish arbitrage positions may prove to be wrong. Such investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy courts' power to disallow, reduce, subordinate or disenfranchise particular claims. The market prices of such securities also are subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value and the Investment Managers' estimates of intrinsic value may be based on their views of market conditions, including interest rates, that may prove to be incorrect.

In addition, a liquidation or bankruptcy proceeding either may be unsuccessful (for example, because of the failure to obtain requisite approvals), may be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or may result in a distribution of cash or a new security the value of which will be less than the purchase price to the Investment Fund of the security in respect of which such distribution was made.

Further, an Investment Manager's investments in junk bonds are considered to be predominantly speculative with respect to the company's capacity to pay interest and repay principal. These securities may involve a substantial risk of default or may be in default. Adverse changes in economic conditions or developments regarding the individual company are more likely to cause price volatility and weaken the capacity of issuers of junk bonds to make principal and interest payments than is the case for higher grade securities. In addition, the market for these securities may be thinner and less liquid than for higher grade securities.

An Investment Fund also may be subject to additional risks associated with private equity investments, including very limited liquidity because of legal or contractual limitations on resale, lack of public market, dependence on an exit strategy, such as an initial public offering or sale of business, which may not occur, and dependence on managerial assistance provided by other investors and their willingness to provide additional financial support.

An Investment Fund may acquire direct interests or participations in privately held loans from banks, insurance companies, financial institutions, or other lenders, as well as claims held by trade or other creditors, and may originate these types of loans. These investments are subject to both interest rate risk and credit risk. These investments also are subject to the risk of non-payment of scheduled interest or principal. Non-payment would result in a reduction of income to an Investment Fund and a reduction in the value of the investments experiencing non-payment. There can be no assurance that the liquidation of any collateral securing a loan would satisfy a borrower's obligation in the event of non-payment of scheduled interest or principal payments, or that such collateral could be readily liquidated. To the extent that a loan is collateralized by stock in the borrower or its subsidiaries, such stock may lose all or substantially all of its value in the event of bankruptcy of a borrower. Additional bankruptcy risks include delays or limitations on realizing the benefits of the collateral or subordination or invalidation of the loans. In addition, because these investments are not registered and no public market for them exists, they typically are less liquid than publicly traded securities.

Investments in securities or claims related to commercial or residential real estate may involve risk relating to the credit of the underlying obligor, uncertainties related to cash flows derived from the underlying properties, and susceptibility to economic conditions generally and those related to specific locations.

Funding a plan of reorganization involves additional risks, including risks associated with equity ownership in the reorganized entity. The equity securities of distressed companies may be highly illiquid and hard to value. Equity securities hold the most junior position in a distressed company's capital structure and are not secured by any specific collateral.

Some of these investments may be difficult for an Investment Manager to value because market quotations are not available. In these circumstances, investments may be valued by an Investment Manager based on procedures designed to ascertain their fair value; however, these determinations may not reflect the actual value of the investments.

Commodity-Related Securities

Commodities are assets that have tangible properties, such as oil, metals and agricultural products. Historically, commodity investments have had a high correlation with changes in inflation and a low correlation to stock and bond returns. Commodity-related securities provide exposure to the investment returns of the commodities markets, without investing directly in physical commodities. Investment Funds may invest in commodity-related securities, such as swap agreements, commodity options, futures and options on futures, and structured notes, that derive value from the price movement of commodities, or some other readily measurable economic variable dependent upon changes in the value of commodities or the commodities markets.

The production and marketing of commodities may be affected by actions and changes in governments. In addition, commodity-related securities may be cyclical in nature. During periods of economic or financial instability, commodity-related securities may be subject to broad price fluctuations, reflecting volatility of energy and basic material prices and possible instability of supply of various commodities. Commodity-related securities also may experience greater price fluctuations than the relevant commodity. In periods of rising commodity prices, such securities may rise at a faster rate; and conversely, in times of falling commodity prices, such securities may suffer a greater price decline.

Natural Resource Investments. Natural resources historically have been subject to substantial price fluctuations over short periods of time. Their prices are affected by various factors, including economic conditions, political events, natural disasters, exploration and development success or failure, and technological changes. In addition, certain natural resources are geographically concentrated, and events in those parts of the world in which such concentration exists may affect their values.

Precious Metals. Investment Funds may invest in securities related to precious metal bullion (including silver, platinum and palladium) that has no numismatic value, or related to coins derived from bullion that have no numismatic value. The value of coins moves correspondingly with the price of bullion in that the value of coins is based primarily on their precious metal content. Since such metals do not generate any investment income, the sole source of return from such underlying investments would be from gains realized on sales of the coins or bullion, and a negative return would be realized to the extent such coins or bullion are sold at a loss. Precious metals incur storage costs that are higher than the custody fees paid on financial assets.

Precious metals trading is a speculative activity. Prices of precious metals are affected by factors such as cyclical economic conditions, political events and monetary policies of various governments and countries. Gold and other precious metals also are subject to governmental action for political reasons. Markets, therefore, are volatile at times, and there may be sharp fluctuations in prices even during periods of rising prices.

Other Commodity Investments. Investments in chemicals, agricultural products, food and other commodities are speculative and involve risks similar to those described above for natural resource investments and precious metals.

Exchange-Traded Funds

Shares of exchange-traded funds ("ETFs") and other similar instruments may be purchased or sold short by an Investment Fund. In general, an ETF is an investment company that is registered under the Investment Company Act that holds a portfolio of common stocks or debt securities designed to track the performance of a particular index. Certain ETFs, however, may not track a particular index but instead provide daily transparency to the composition of their portfolios. ETFs sell and redeem their shares at net asset value in large blocks (typically 50,000 of its shares) called "creation units." Shares representing fractional interests in these creation units are listed for trading on national securities exchanges and can be purchased and sold in the secondary market in lots of any size at any time during the trading day.

Instruments an Investment Fund may purchase that are similar to ETFs represent beneficial ownership interests in specific "baskets" of stocks of companies within a particular industry sector or group. These securities also may be listed on national securities exchanges and purchased and sold in the secondary market, but unlike ETFs are not registered as investment companies under the Investment Company Act.

Investments in ETFs and other instruments involve certain inherent risks generally associated with investments in a broadly-based portfolio of stocks including risks that the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF or other instrument. In addition, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or number of stocks held.

Because ETFs and pools that issue similar instruments bear various fees and expenses, the Investment Fund's investment in these instruments will involve certain indirect costs, as well as transaction costs, such as brokerage commissions. Investment Managers may consider the expenses associated with an investment in determining whether to invest in an ETF or other instrument.

Money Market Instruments

An Investment Manager may invest, for defensive purposes or otherwise, some or all of its assets in high quality fixed-income securities, money market instruments, and money market mutual funds, or hold cash or cash equivalents in such amounts as the Investment Manager deems appropriate under the circumstances. Pending allocation of the offering proceeds and thereafter, from time to time, the Fund also may invest in these instruments. Money market instruments are high quality, short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. Government securities, commercial paper, certificates of deposit and bankers' acceptances issued by domestic branches of U.S. banks that are members of the Federal Deposit Insurance Corporation, and repurchase agreements.

Reverse Repurchase Agreements

Reverse repurchase agreements involve a sale of a security to a bank or securities dealer and the Investment Manager's simultaneous agreement to repurchase the security for a fixed price, reflecting a market rate of interest, on a specific date. These transactions involve a risk that the other party to a reverse repurchase agreement will be unable or unwilling to complete the transaction as scheduled, which may result in losses to an Investment Fund. Reverse repurchase agreements are a form of leverage that also may increase the volatility of an Investment Fund's portfolio.

Special Investment Techniques

Investment Managers may use a variety of special investment techniques, in addition to short selling, including purchasing or entering into options, swaps, swaptions, futures and forward agreements on various financial instruments and currency, to attempt to hedge the Investment Funds' portfolios against various risks or other factors that generally affect the values of securities and for non-hedging purposes. Additionally, the Adviser may hedge against foreign currency risks through the use of derivatives, and believes that it will utilize principally forward currency exchange contracts, although it may also utilize put options and futures contracts. These techniques may involve the use of derivatives and may change over time as new instruments and techniques are introduced or as a result of regulatory developments. Certain of the special investment techniques that the Investment Managers and the Adviser may use are speculative and involve a high degree of risk, particularly when used by the Investment Managers for non-hedging purposes. There can be no assurance that these techniques will be successful.

Derivatives. Derivatives are financial instruments that derive their value, at least in part, from the performance of an underlying asset, currency, index or interest rate. Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative and the portfolio as a whole. Derivatives permit an investor to increase or decrease the level of risk, or change the character of the risk, to which its investment portfolio is exposed.

Derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on the Fund's performance.

If an Investment Manager (or, with respect to currency hedges, the Adviser) invests in derivatives at inopportune times or judges market conditions or market values incorrectly, such investments may lower the Investment Fund's (or the Fund's) return or result in a loss. The Fund also could experience losses if the Investment Manager's (or, with respect to currency hedges, the Adviser's) derivatives were poorly correlated with its other investments, or if the Investment Manager (or the Adviser) were unable to liquidate its position because of an illiquid secondary market. All derivatives involve risks different from but also same as, and potentially greater than, the risks associated with investing directly in securities and other more traditional assets, including:

Management Risk. Derivatives are specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument, but also of the derivative itself. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative adds to the Investment Fund.

Counterparty Credit Risk. This is the risk that a loss may be sustained by an Investment Fund as a result of the failure of the other party to a derivative (usually referred to as a "counterparty") to comply with the terms of the derivative. The credit risk arising from futures and cleared derivatives generally is different from the credit risk arising from OTC derivatives, because a party to a futures contract or a cleared derivatives transaction is subject to the credit risk of the clearing house and the futures commission merchant or clearing member through which it holds its cleared position, rather than the credit risk of a market "counterparty." An Investment Fund may post or receive collateral related to changes in the market value of a derivative. An Investment Fund also may invest in derivatives that (i) do not require the counterparty to post collateral, (ii) require collateral but do not provide for the Investment Fund's security interest in it to be perfected, (iii) require significant upfront deposits unrelated to the derivatives' intrinsic value, or (iv) do not require that collateral be regularly marked-to-market. When a counterparty's obligations are not fully secured by collateral, an Investment Fund runs the risk of having limited recourse if the counterparty defaults. Even when obligations are required by contract to be collateralized, an Investment Fund may not receive the collateral the day the collateral is called, leaving the Investment Fund subject to counterparty risk until it receives the collateral.

Documentation Risk. Many derivatives also have documentation risk. Because the contract for each OTC derivative transaction is individually negotiated with a specific counterparty, there exists the risk that the parties may interpret contractual terms (*e.g.*, the definition of default) differently than an Investment Fund. If that occurs, the cost and unpredictability of the legal proceedings required for the Investment Fund to enforce its contractual rights may lead the Investment Fund to decide not to pursue its claims against the counterparty. An Investment Fund, therefore, assumes the risk that it may be unable to obtain payments the Investment Manager believes are owed to it under derivatives or those payments may be delayed or made only after the Investment Fund has incurred the costs of litigation. Also, payment amounts calculated in connection with standard industry conventions for resolving contractual issues (*e.g.*, International Swaps and Derivatives Association, Inc. (ISDA) Protocols and auction processes) may be different than would be realized if a counterparty were required to comply with the literal terms of the derivative (*e.g.*, physical delivery). There is little case law interpreting the terms of most derivatives or characterizing their tax treatment. In addition, the literal terms of an OTC contract may be applied in ways that are at odds with the investment thesis behind the decision to enter into the contract.

Liquidity Risk. Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many OTC derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price. Less liquid derivatives may also fall more in price than other securities during market falls. During periods of market disruption, an Investment Fund may have a greater need for cash to provide collateral for large swings in the mark-to-market obligations arising under the derivatives used by the Investment Fund or to provide additional initial margin if required by a clearing house or clearing member.

Leverage Risk. Since many derivatives have a leverage component (*i.e.*, a notional value in excess of the assets needed to establish and/or maintain the derivative position), adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential to expose an Investment Fund to unlimited loss, regardless of the size of the initial investment in the derivative.

OTC Derivative Instrument Transaction. Investment Funds may invest in derivatives that are not traded on organized exchanges and as such are not standardized. Such transactions are known as OTC transactions. While some OTC markets are often highly liquid, transactions in OTC derivatives may involve greater risk than investing in exchange traded instruments because 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 the position arising from an off-exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price. In respect of such trading, an Investment Fund is subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in major losses to the Investment Fund.

Regulatory Risk. The derivatives market is subject to various risks related to existing, as well as new and evolving, regulation both within and outside the United States. Additional regulation of the derivatives markets may make derivatives more costly, may limit the availability of derivatives, or may otherwise adversely affect the value or performance of derivatives. Any such adverse future developments could impair the effectiveness of an Investment Fund's derivative transactions and cause the Fund to lose value. They may also render certain strategies in which the Investment Fund might otherwise engage impossible or so costly that they will no longer be economical to implement.

Other Risks. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives. Many derivatives, in particular OTC derivatives, are complex and their valuation often requires modeling and judgment, which increases the risk of mispricing or improper valuation, and there can be no assurance that the pricing models employed by an Investment Manager will produce valuations that are consistent with the values realized when OTC derivatives are actually closed out or sold. This valuation risk is more pronounced when an Investment Fund enters into OTC derivatives with specialized terms because the value of those derivatives in some cases is determined in part by reference to similar derivatives with more standardized terms. Improper valuations may result in increased cash payment requirements to counterparties, under collateralization and/or errors in calculation of the Investment Fund's net asset value. Furthermore, derivatives also involve the risk that changes in their value may not correlate perfectly with the assets, rates or indices they are designed to track. The risk may be more pronounced when outstanding notional amounts in the market exceed the amounts of the referenced assets. Derivatives are also subject to currency and other risks. Suitable derivatives are not available in all circumstances. For example, the economic costs of taking some derivatives positions may be prohibitive. Under the terms of certain contracts governing derivative transactions, the occurrence of certain events with respect to an Investment Fund (such as a decline in the Investment Fund's net asset value) may cause the Investment Fund's derivative transactions to be terminated early, including at an inopportune time or at an unfavorable price.

Options and Futures. Investment Managers (and, with respect to currency hedges, the Adviser) may invest in options and futures contracts. Investment Managers also may invest in so-called "synthetic" options (which generally are privately negotiated options that are exclusively cash-settled) or other derivatives written by broker-dealers or other permissible financial intermediaries. Options transactions may be effected on securities exchanges or in the OTC market. Since participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets, the Investment Fund bears the risk that the counterparty that wrote the option will be unable or unwilling to perform its obligations under the option contract. Such options also may be illiquid and, in such cases, it may be difficult to close out a position. OTC options also may include options on baskets of specific securities.

Call and put options also may be purchased and sold in respect of specific securities, and may include covered or uncovered call and put options. A covered call option, which is a call option with respect to which an investor owns the underlying security, that is sold exposes the investor during the term of the option to possible loss of opportunity to realize appreciation in the market price of the underlying security or to possible continued holding of a security that might otherwise have been sold to protect against depreciation in the market price of the security. A covered put option, which is a put option with respect to which an investor has segregated cash or liquid securities to fulfill the obligation undertaken, that is sold exposes the investor during the term of the option to a decline in price of the underlying security while depriving it of the opportunity to invest the segregated assets.

An Investment Manager may close out a position when writing options by purchasing an option on the same security with the same exercise price and expiration date as the option that it has previously written on such security. A profit or loss will be realized if the amount paid to purchase an option is less or more, as the case may be, than the amount received from the sale thereof. To close out a position as a purchaser of an option, the Investment Manager would ordinarily make a similar "closing sale transaction," which involves liquidating its position by selling the option previously purchased, although it would be entitled to exercise the option should it deem it advantageous to do so.

Investment Managers (and, when hedging foreign currency exposure, the Adviser) may enter into futures contracts in U.S. domestic markets or on exchanges located outside the United States. Foreign markets may offer advantages such as trading opportunities or arbitrage possibilities not available in the United States. Foreign markets, however, may have greater risk potential than domestic markets. For example, some foreign exchanges are principal markets so that no common clearing facility exists and an investor may look only to the broker for performance of the contract. In addition, any profits a person might realize in trading could be eliminated by adverse changes in the exchange rate, or the Investment Funds and the Fund could incur losses as a result of those changes. Transactions on foreign exchanges may include both commodities that are traded on domestic exchanges and those that are not. Unlike trading on domestic commodity exchanges, trading on foreign commodity exchanges is not regulated by the U.S. Commodity Futures Trading Commission.

Engaging in these transactions involves risk of loss to the Investment Funds and the Fund which could adversely affect the value of the Fund's net assets. No assurance can be given that a liquid market will exist for any particular futures contract at any particular time. Many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit or trading may be suspended for specified periods during the trading day. Futures contract prices could move to the limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and potentially subjecting the Investment Funds and the Fund to substantial losses.

Successful use of futures also is subject to the ability to predict correctly movements in the direction of the relevant market, and, to the extent the transaction is entered into for hedging purposes, to ascertain the appropriate correlation between the transaction being hedged and the price movements of the futures contract.

Investment Managers may purchase and sell stock index futures contracts. A stock index future obligates a person to pay or receive an amount of cash equal to a fixed dollar amount specified in the futures contract multiplied by the difference between the settlement price of the contract on the contract's last trading day and the value of the index based on the stock prices of the securities that comprise it at the opening of trading in such securities on the next business day.

Investment Managers may purchase and sell interest rate futures contracts. An interest rate future obligates a person to purchase or sell an amount of a specific debt security at a future date at a specific price.

Investment Managers and the Fund may purchase and sell currency futures. A currency future obligates a person to purchase or sell an amount of a specific currency at a future date at a specific price.

Call and Put Options on Securities Indexes. Investment Managers may purchase and sell call and put options on stock indexes, such as the Standard & Poor's 500 Composite Stock Price Index and Standard & Poor's 100 Index, listed on national securities exchanges or traded in the OTC market for hedging purposes and to pursue their investment objectives. A stock index fluctuates with changes in the market values of the stocks that comprise the index. Accordingly, successful use of options on stock indexes will be subject to the ability to predict correctly movements in the direction of the stock market generally or segments thereof. This requires different skills and techniques than forecasting changes in the price of individual stocks.

Warrants. Warrants are derivatives that permit, but do not obligate, the holder to subscribe for other securities. Warrants do not carry with them the right to dividends or voting rights with respect to the securities that they entitle the holder to purchase, and they do not represent any rights in the assets of the issuer. As a result, warrants may be considered more speculative than certain other types of investments. In addition, the value of a warrant does not necessarily change with the value of the underlying securities or commodities, and a warrant ceases to have value if it is not exercised prior to its expiration date.

Swap Agreements. Investment Managers may enter into equity, equity index, interest rate, credit, total return, currency and cross currency rate and contract for difference swap agreements on behalf of the Investment Funds. These transactions are entered into in an attempt to obtain a particular return when it is considered desirable to do so. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard swap transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. The gross returns to be exchanged or "swapped" between the parties generally are calculated with respect to a "notional amount," *i.e.*, the return on or increase in value of a particular dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. Equity index swaps involve the exchange by an Investment Fund with another party of cash flows based upon the performance of an index or a portion of an index of securities that usually includes dividends.

Swaps are either subject to a bilateral agreement with a counterparty or are cleared through a central clearing organization. To the extent an Investment Fund invests in swaps, forwards, options and other "synthetic" or derivative instruments that are not cleared by a clearing house, counterparty exposures can develop and the Investment Fund takes the risk of nonperformance by the other party on the contract. Swaps, forwards, futures, options and other "synthetic" or derivative instruments that are cleared by a central clearing organization, which generally are supported by guarantees of the clearing organization's members, daily marking-to-market and settlement and segregation and minimum capital requirements applicable to intermediaries, are subject to different risks, including the creditworthiness of the central clearing organization and its members.

Some swaps are required to be executed on an exchange or on a swap execution facility. A swap execution facility is a trading platform where multiple market participants can execute derivatives by accepting bids and offers made by multiple other participants in the platform. While this execution requirement is designed to increase transparency and liquidity in the cleared derivatives market, trading on a swap execution facility can create additional costs and risks for the Investment Funds. For example, swap execution facilities typically charge fees, and if an Investment Fund executes swaps on a swap execution facility through a broker intermediary, the intermediary may impose fees as well. In addition, the Investment Fund may be required to indemnify a swap execution facility, or a broker intermediary who executes cleared derivatives on a swap execution facility on the Investment Fund's behalf, against any losses or costs that may be incurred as a result of the Investment Fund's transactions on the swap execution facility.

Equity Swaps. An equity swap is a transaction in which one party pays periodic amounts of a given currency based on a fixed price or fixed rate and the other party pays periodic amounts of the same currency or a different currency based on the performance of a share of an issuer, a basket of shares of several issuers or an equity index.

Equity Index Swaps. Equity index swaps involve the exchange between parties of cash flows based upon the performance of an index or a portion of an index of securities that usually includes dividends. Investment Managers may purchase cash-settled options on equity index swaps. A cash-settled option on a swap gives the purchaser the right, but not the obligation, in return for the premium paid, to receive an amount of cash equal to the value of the underlying swap as of the exercise date. These options typically are purchased in privately negotiated transactions from financial institutions, including securities brokerage firms.

Interest Rate Swaps. Forms of interest rate swap agreements include: interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent interest rates exceed a specified rate or "cap"; interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent interest rates fall below a specified level or "floor"; and interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels.

Credit Swaps. In a credit swap (also sometimes referred to as "credit default swap" or "credit default put"), one party makes an upfront payment or a series of periodic payments and, upon the occurrence of a specified credit event with respect to a designated third party, the other party makes a payment based on a notional amount or the face value of a specified instrument, which in some (but not all) cases will only be made against delivery of such specified instrument.

Total Return Swaps. In a total return swap, one party pays a rate of interest in exchange for the total rate of return on another investment. For example, if an Investment Fund wished to invest in a senior loan, it could instead enter into a total return swap and receive the total return of the senior loan, less the "funding cost," which would be a floating interest rate payment to the counterparty.

Currency Swaps. Currency swaps involve the exchange of rights to make or receive payments in specified foreign currencies. Since currency swaps are individually negotiated, an Investment Fund expects to achieve an acceptable degree of correlation between its portfolio investments and its currency swap positions. Currency swaps usually involve the delivery of the entire principal value of one designated currency in exchange for another designated currency.

Cross Currency Rate Swaps. A cross currency rate swap is a transaction in which one party pays periodic amounts in one currency based on a specified fixed rate (or a floating rate that is reset periodically) and the other party pays periodic amounts in another currency based on a floating rate that is reset periodically. All calculations are determined on predetermined notional amounts of the two currencies. Often such swaps will involve initial or final exchanges of amounts corresponding to the notional amounts.

Contract for Difference Swaps. In a contract for difference swap, the seller agrees to pay or to receive from the buyer the difference between the nominal value of an underlying instrument at the opening of the contract and the value of the instrument at the expiration of the contract, and the buyer pays periodic amounts on the notional amount of the capital employed by the seller, less the margin posted. Contract for difference swaps permit investors to take long or short positions in an underlying instrument, which may be a single security, stock basket or index.

Most swap agreements would calculate the obligations of the parties to the agreement on a "net basis." Consequently, the Investment Fund's current obligations (or rights) under a swap agreement generally will be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the "net amount"). The risk of loss with respect to swaps is limited to the net amount of payments that a party is contractually obligated to make. If the other party to a swap defaults, a party's risk of loss consists of the net amount of payments that the party contractually is entitled to receive.

The use of swaps is a highly specialized activity that involves special investment techniques and risks, including increased volatility and the credit risk associated with the counterparty to the derivative. These investments generally will be subject to transaction costs and other fees, which will reduce the value of an Investment Fund's investment. In addition, if an Investment Manager is incorrect in its forecasts of market values, interest rates or exchange rates, the performance of the Investment Fund may be adversely affected.

Lending Portfolio Securities

Investment Managers may lend securities from their Investment Funds to brokers, dealers and other financial institutions needing to borrow securities to complete certain transactions. The Investment Fund continues to be entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities that affords the Investment Fund an opportunity to earn interest on the amount of the loan and on the loaned securities' collateral. The Fund might experience risk of loss if the institution with which the Investment Manager has engaged in a portfolio loan transaction breaches its agreement with the Investment Fund.

When-Issued, Delayed Delivery and Forward Commitment Securities

To reduce the risk of changes in interest rates and securities prices, Investment Funds may purchase securities on a forward commitment or when-issued or delayed delivery basis, which means delivery and payment take place a number of days after the date of the commitment to purchase. The payment obligation and the interest rate receivable with respect to such purchases are fixed when an Investment Fund enters into the commitment, but the Investment Fund does not make payment until it receives delivery from the counterparty. The Investment Fund will commit to purchase such securities only with the intention of actually acquiring the securities, but the Investment Fund may sell these securities before the settlement date if it is deemed advisable.

Securities purchased on a forward commitment or when-issued or delayed delivery basis are subject to changes in value, generally changing in the same way, *i.e.*, appreciating when interest rates decline and depreciating when interest rates rise, based upon the public's perception of the creditworthiness of the issuer and changes, real or anticipated, in the level of interest rates. Securities so purchased may expose the Fund to risks because they may experience such fluctuations prior to their actual delivery. Purchasing securities on a when-issued or delayed delivery basis can involve the additional risk that the yield available in the market when the delivery takes place actually may be higher than that obtained in the transaction itself. Purchasing securities on a forward commitment or when-issued or delayed delivery basis when an Investment Fund is fully or almost fully invested may result in greater potential fluctuation in the value of the net assets of the Investment Fund.

Additional Risk

Sector Risk

Some Investment Funds may invest a substantial portion of their assets in securities of companies in particular sectors including financial services, technology, or health sciences-related companies, which presents certain risks that may not exist to the same degree as in other types of investments. Securities of companies in these sectors, in general, tend to be highly volatile as compared to other types of investments. Investment Managers who focus on investing in these sectors subject their Investment Funds to investment risk that is greater than if the Investment Funds were invested in a more diversified manner among various sectors.

Financial services companies are subject to extensive government regulation. This regulation may limit both the amount and types of loans and other financial commitments a financial services company can make, and the interest rates and fees it can charge. These limitations may have a significant impact on the profitability of a financial services company since profitability is attributable, at least in part, to the company's ability to make financial commitments such as loans. Profitability of a financial services company is largely dependent upon the availability and cost of the company's funds, and can fluctuate significantly when interest rates change. The financial difficulties of borrowers can negatively impact the industry to the extent that borrowers may not be able to repay loans made by financial service companies.

Industries throughout the science and technology fields include many smaller and less seasoned companies. These types of companies may present greater opportunities for capital appreciation, but also may involve greater risks. Such companies may have limited product lines, markets or financial resources, or may depend on a limited management group. These companies also are strongly affected by worldwide scientific or technological developments, and their products and services may not be economically successful or may quickly become outdated. Certain of these companies also offer products or services that are subject to governmental regulation and, therefore, may be affected adversely by governmental policies.

Many health sciences and biotechnology companies are subject to substantial governmental regulations that can affect their prospects. Changes in governmental policies may have a material effect on the demand for particular products and services. Regulatory approvals (often entailing lengthy application and testing procedures) also may be required before new drugs and certain medical devices and procedures can be introduced. Many of these companies have products and services that are subject to the risks of rapid obsolescence caused by progressive scientific and technological advances. The enforcement of patent, trademark and other intellectual property laws will affect the value of many of these companies. While they generally will make these investments based on a belief that actual or anticipated products or services will produce future earnings, if an anticipated event is delayed or does not occur, or if investor perceptions about a company change, the company's stock price may decline sharply and its securities may become less liquid.

Purchasing Initial Public Offerings

Investment Managers may purchase securities of companies in initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies and, thus, for the Fund's Shares. The limited number of shares available for trading in some initial public offerings may make it more difficult for an Investment Fund to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. 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.

REPURCHASES AND TRANSFERS OF SHARES

Involuntary Repurchases

The Fund may, at any time, repurchase involuntarily at net asset value an investor's Shares in accordance with the Trust Agreement and Section 23 of the Investment Company Act, and any applicable rules thereunder. The repurchase price payable in respect of Shares repurchased involuntarily will be equal to the net asset value of the shareholder's Shares as of the effective date of the applicable repurchase.

Tenders by the Adviser

The Adviser may tender for repurchase in connection with any repurchase offer made by the Fund any Share that it holds in its capacity as a shareholder.

Transfers of Shares

No person may become a substituted shareholder without the written consent of the Board, which consent may be withheld for any reason in the Board's sole and absolute discretion. Shares may be transferred only (i) by operation of law pursuant to the death, bankruptcy, insolvency or dissolution of a shareholder or (ii) with the written consent of the Board, which may be withheld in its sole and absolute discretion. The Board may, in its discretion, delegate to the Adviser its authority to consent to transfers of Shares. Notice to the Fund of any proposed transfer must include evidence satisfactory to the Fund that the proposed transferee meets any requirements imposed by the Fund with respect to shareholder eligibility and suitability, including the requirement that any shareholder, or the shareholder's equity owners in certain circumstances, (i) meets the standard for a Qualified Investor or (ii) at the time of purchase, meets the standard for a "qualified purchaser" or "knowledgeable employee" in the Investment Company Act and the rules thereunder, and must be accompanied by a properly completed shareholder certification.

Each shareholder and transferee is required to pay all expenses, including attorneys' and accountants' fees, incurred by the Fund in connection with such transfer.

TRUSTEES AND OFFICERS

Subject to the provisions of the Trust Agreement and the requirements of the Investment Company Act, the business and affairs of the Fund shall be managed under the direction of the Board. The Trustees shall have the right, power and authority, on behalf of the Fund and in its name, to do all things necessary and proper to carry out their duties under the Trust Agreement. Each Trustee shall be vested with the same powers, authority and responsibilities on behalf of the Fund as are customarily vested in each director of a Delaware corporation, and each Trustee who is not an "interested person" (as defined in the Investment Company Act) of the Fund and not affiliated with the Adviser (the "Independent Trustees") shall be vested with the same powers, authority and responsibilities on behalf of the Fund as are customarily vested in each director of a closed-end management investment company registered under the Investment Company Act and organized as a Delaware corporation who is not an "interested person" of such company. The Trustees may perform such acts as they, in their sole discretion, determine to be proper for conducting the business of the Fund. No Trustee shall have the authority individually to act on behalf of or to bind the Fund except within the scope of such Trustee's authority as delegated by the Board. The Board may delegate (as may be permitted by the Trust Agreement, the Fund's By-Laws and the Delaware Statutory Trust Act) the management of the Fund's day-to-day operations to one or more officers of the Fund or other persons (including, without limitation, the Adviser), subject to the investment objective and policies of the Fund and to the oversight of the Board.

Board's Oversight Role in Management

The Board's role in management of the Fund is oversight. As is the case with virtually all investment companies (as distinguished from operating companies), service providers to the Fund, primarily the Adviser, have responsibility for the day-to-day management of the Fund, which includes responsibility for risk management (including management of investment performance and investment risk, valuation risk, issuer and counterparty credit risk, compliance risk and operational risk). As part of its oversight, the Board, acting at its scheduled meetings, or the Chair, acting between Board meetings, regularly interacts with and receives reports from senior personnel of service providers, including senior managerial and financial officers of the Adviser, the Fund's and the Adviser's Chief Compliance Officer and portfolio management personnel. The Board's Audit Committee (which consists of all of the Independent Trustees) holds regularly scheduled meetings and, as appropriate, the chair of the Audit Committee maintains contact with the Fund's independent registered public accounting firm and the Adviser's senior personnel. The Board also receives periodic presentations from senior personnel of the Adviser regarding risk management generally, as well as presentations regarding operational, compliance or investment risk areas such as business continuity, anti-money laundering, personal trading, valuation and investment research. The Board also receives reports from counsel to the Fund or counsel to the Adviser and the Board's own independent legal counsel regarding regulatory compliance and governance matters.

The Board's oversight role does not make the Board a guarantor of the Fund's investments or activities.

Board Composition and Leadership Structure

The Investment Company Act requires that at least 40% of the Fund's Trustees be Independent Trustees. To rely on certain exemptive rules under the Investment Company Act, a majority of the Fund's Trustees must be Independent Trustees, and for certain important matters, such as the approval of investment advisory agreements or transactions with affiliates, the Investment Company Act or the rules thereunder require the approval of a majority of the Independent Trustees.

All of the Fund's Trustees are Independent Trustees. Virginia G. Breen serves as Chair of the Board and the Nominating Committee, and Stephen H. Penman serves as Chair of the Audit Committee. The Fund's Trustees interact directly with senior management of the Adviser at scheduled meetings and between meetings as appropriate, and address with management and their independent legal counsel any matters of importance or concern to the Board. In light of the foregoing, the Board has determined that its leadership structure, in which the Chair of the Board is not affiliated with the Adviser, is appropriate in light of the specific characteristics and circumstances of the Fund, including, but not limited to: (i) the services that the Adviser and its affiliates provide to the Fund and potential conflicts of interest that could arise from these relationships; (ii) the extent to which the day-to-day operations of the Fund are conducted by Fund officers and employees of the Adviser; (iii) the Board's oversight role in management of the Fund; and (iv) the Board's size and the cooperative working relationship among the Trustees.

The Trustees serve on the Board for terms of indefinite duration. A Trustee's position in that capacity will terminate if such Trustee is removed, resigns or is subject to various disabling events such as death or incapacity. A Trustee may resign upon 90 days' prior written notice to the other Trustees, subject to waiver of notice, and may be removed either by vote of two-thirds of the Trustees not subject to the removal vote or vote of the shareholders holding not less than two-thirds of the total number of votes eligible to be cast by all shareholders. In the event of any vacancy in the position of a Trustee, until such vacancy is filled, the remaining Trustees, regardless of their number, shall have all the powers granted to the Trustees and shall discharge all the duties imposed upon the Trustees by the Trust Agreement. The remaining Trustees may appoint an individual to serve as a Trustee, so long as immediately after such appointment at least two-thirds of the Trustees then serving would have been elected by the shareholders. The Trustees may call a meeting of shareholders to fill any vacancy in the position of a Trustee, and must do so within 60 days after any date on which Trustees who were elected by the shareholders cease to constitute a majority of the Trustees then serving.

Information About the Trustees and Officers

Information regarding the Trustees and officers of the Fund is set forth below. Each Trustee's term of office is indefinite, subject to the terms of the Trust Agreement. Each officer serves an indefinite term at the pleasure of the Board.

Name, Age, Address and Position(s) with Fund	Length of Time Served[1]	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee[2]	Other Trusteeships/ Directorships Held by Trustee Outside Fund Complex During Past 5 Years
INDEPENDENT TRUSTEES				
Virginia G. Breen (58) c/o UBS HFS 600 Washington Boulevard Stamford, Connecticut 06901 Chair and Trustee	Since Commencement of Operations (Chair since Jan. 1, 2022)	Private investor and board member of certain entities (as listed herein).	41	Director of: Paylocity Holding Corp.; the Neuberger Berman Private Equity Registered Funds (21 funds); certain funds in the Calamos Fund Complex (28 portfolios). Former Director of JLL Income Property Trust, Inc. (from December 2004 to June 2023) and Tech and Energy Transition Corporation (March 2021 to March 2023).
Heather R. Higgins (63) c/o UBS HFS 600 Washington Boulevard Stamford, Connecticut 06901 Trustee	Since Jan. 1, 2022	President and Director of The Randolph Foundation (charitable foundation) (since 1991); member of the Board of Overseers of the Hoover Institution (from 2001 to 2007 and since 2009); and board member of several non-profit organizations.	41	None
Stephen H. Penman (76) c/o UBS HFS 600 Washington Boulevard Stamford, Connecticut 06901 Trustee	Since Commencement of Operations	Professor of Financial Accounting of the Graduate School of Business, Columbia University.	3	Member, Board of Advisors, Boston Harbor Investment Management, LLC.

Name, Age, Address and Position(s) with Fund	Length of Time Served[1]	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee[2]	Other Trusteeships/ Directorships Held by Trustee Outside Fund Complex During Past 5 Years
OFFICER(S) WHO ARE NOT TRUSTEES				
Nicole Tortarolo (44) UBS HFS 787 Seventh Avenue New York, NY 10019 Principal Executive Officer	Since Mar. 1, 2023	Deputy Head of UBS HFS since March 2023. Previously, Chief Business Officer (June 2021 to March 2023) and Head of Investment Structuring (March 2011 to June 2021) of UBS HFS.	N/A	N/A
Matthew Richards (38) UBS HFS 600 Washington Boulevard Stamford, Connecticut 06901 Principal Accounting Officer	Since Jan. 1, 2022	Head of Financial Reporting & Structuring (since November 2020), prior to which he was a Financial and Regulatory Reporting Specialist (2015-2020).	N/A	N/A
Aily S. Andrews (35) UBS HFS 787 Seventh Avenue New York, NY 10019 Chief Compliance Officer	Since May 31, 2022	Director and Chief Compliance Officer of UBS HFS since May 31, 2022, prior to which she was Deputy Chief Compliance Officer (since May 2020). Ms. Andrews was a Director and Business Risk Officer of UBS's Evidence Lab Innovations from April 2019 to May 2020 (including Head Business Risk Officer from February to May 2020), and was a Vice President and Business Risk Officer of Capital One's Client Solutions business from October 2017 to March 2019 (including Head Business Risk Officer from July 2018 to March 2019).	N/A	N/A
Keith A. Weller (61) UBS Asset Management (Americas) Inc. ("UBS AM") One North Wacker Drive Chicago, IL 60606 Chief Legal Officer	Since Jul. 25, 2019	Executive Director and Deputy General Counsel (since February 2019, prior to which he was Senior Associate General Counsel) of UBS Business Solutions US LLC (since January 2017) and UBS AM (since 2005). Mr. Weller also serves as a Vice President and Secretary of the registered investment funds advised by UBS AM.	N/A	N/A

1 The Fund commenced operations March 29, 2011.

2 As of March 31, 2023, of the 41 funds/portfolios in the complex, 38 were advised by an affiliate of UBS HFS and three comprised the registered alternative investment funds advised by UBS HFS.

Additional information about each Trustee follows (supplementing the information provided in the table above) that describes some of the specific experiences, qualifications, attributes and skills that each Trustee possesses. The Board believes that the significance of each Trustee's experience, qualifications, attributes or skills is an individual matter (meaning that experience that is important for one Trustee may not have the same value for another) and that these factors are best evaluated at the board level, with no single Trustee, or particular factor, being indicative of board effectiveness. However, the Board believes that Trustees need to have the ability to critically review, evaluate, question and discuss information provided to them, and to interact effectively with Fund management, service providers and counsel, in order to exercise effective business judgment in the performance of their duties; the Board believes that its members satisfy this standard. Experience relevant to having this ability may be achieved through a Trustee's educational background; business, professional training or practice (*e.g.*, accounting or law), public service or academic positions; experience from service as a board member (including the Board of the Fund) or as an executive of investment funds, public companies or significant private or not-for-profit entities or other organizations; and/or other life experiences. The charter for the Board's Nominating Committee contains other factors considered by the Committee in identifying and evaluating potential Board member nominees. To assist them in evaluating matters under federal and state law, the Trustees are counseled by their own independent legal counsel, who participates in Board meetings and interacts with the Adviser, and also may benefit from information provided by the Fund's or the Adviser's counsel; both Board and Fund counsel have significant experience advising funds and fund board members. The Board and its committees have the ability to engage other experts as appropriate. The Board evaluates its performance on an annual basis.

- Virginia G. Breen – Ms. Breen was a private institutional investor for more than 25 years and currently sits on the boards of: Paylocity Holdings (NASDAQ: PCTY), a human capital management software-as-a-service company; certain funds in the Calamos Fund Complex, a mutual fund complex; and the Neuberger Berman Private Equity Registered Funds, a registered global private market fund-of-funds complex. Ms. Breen was a General Partner of venture capital firms Blue Rock Capital and Sienna Ventures, and a Vice President of the Sprout Group, the venture capital affiliate of Donaldson, Lufkin & Jenrette (now Credit Suisse First Boston). Ms. Breen started her career as an Investment Analyst with DLJ's Investment Banking Group. Ms. Breen received her M.B.A. with Highest Honors from Columbia University and her undergraduate degree in Computer Science with Electrical Engineering from Harvard College.

- Heather R. Higgins – Ms. Higgins serves as the President and Director of The Randolph Foundation, a charitable foundation. In addition, she is a member of the Board of Overseers of the Hoover Institution and holds (or has held) senior executive positions and/or directorships at several major non-profit organizations, including the Independent Women's Forum (Chair) and the Philanthropy Roundtable (Vice Chair). Previously, Ms. Higgins was a portfolio manager and Vice President at U.S. Trust. Prior to working in finance, she was an editorial writer for the Wall Street Journal and assistant editor at the Public Interest. Ms. Higgins received her B.A. from Wellesley College and her M.B.A. from New York University's Graduate School of Business.

- Stephen H. Penman – Mr. Penman is the George O. May Professor in the Graduate School of Business, Columbia University. He also serves as Co-Director of the Center for Excellence in Accounting and Security Analysis at Columbia University. Mr. Penman serves on the Board of Advisors of Boston Harbor Investment Management, LLC, a registered investment adviser founded in November 2012. Prior to his appointment at Columbia in 1999, he was the L.H. Penney Professor in the Walter A. Haas School of Business at the University of California at Berkeley. From 1990 to 1995, Mr. Penman served as Chairman of the Professional Accounting Program and Chairman of the Accounting Faculty at Berkeley where he initiated and chaired the Haas School's

Annual Conference on Financial Reporting. He has served as a Visiting Professor at Columbia University and the London Business School, and as the Jan Wallander Visiting Professor at the Stockholm School of Economics. Mr. Penman's research is concerned with the valuation of equity and the role of accounting information in security analysis. He has published widely in finance and accounting journals and has conducted seminars on fundamental analysis and equity evaluation for academic and professional audiences. In 1991, he was awarded the notable Contribution to Accounting Literature Award by the American Accounting Association and the American Institute of Certified Public Accountants, and in 2002 was awarded the American Accounting Association and Deloitte & Touche Wildman Medal for his book, *Financial Statement Analysis and Security Valuation*. He is editor of the Review of Accounting Studies and is on the editorial board of the Schmalenbach Business Review. Mr. Penman received a first-class honors degree in Commerce from the University of Queensland, Australia, and M.B.A. and Ph.D. degrees from the University of Chicago. In 2009, he was awarded an Honorary Doctorate by the Stockholm School of Economics.

The Board believes that the foregoing specific experiences, qualifications, attributes and skills of each Trustee have prepared them to be effective Trustees. The Board also believes that such qualities demonstrate that its members have the ability to exercise effective business judgment in the performance of their duties.

Committees of the Board

The only standing committees of the Board are the Audit Committee and the Nominating Committee, each of which is comprised of all three Trustees. The function of the Audit Committee is to (i) oversee the Fund's accounting and financial reporting processes, the audits of the Fund's financial statements and the Fund's internal controls over, among other things, financial reporting and disclosure controls and procedures, (ii) oversee or assist in Board oversight of the integrity of the Fund's financial statements and the Fund's compliance with legal and regulatory requirements, and (iii) approve prior to appointment the engagement of the Fund's independent registered public accounting firm and review the independent registered public accounting firm's qualifications and independence and the performance of the independent registered public accounting firm. The Audit Committee met three times during the fiscal year ended March 31, 2023.

The function of the Nominating Committee, pursuant to its adopted written charter, is to select and nominate persons for election as Trustees of the Fund. The Nominating Committee reviews and considers, as the Nominating Committee deems appropriate after taking into account, among other things, the factors listed in the charter, nominations of potential Trustees made by Fund management and by Fund shareholders who have sent to Gregory S. Rowland, Esq., legal counsel for the Independent Trustees, at c/o Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, such nominations which include all information relating to the recommended nominee that is required to be disclosed in solicitations or proxy statements for the election of Trustees, including without limitation the biographical information and the qualifications of the proposed nominees. Nomination submissions must be accompanied by a written consent of the individual to stand for election if nominated by the Board and to serve if elected by shareholders, and such additional information must be provided regarding the recommended nominee as reasonably requested by the Nominating Committee. The Nominating Committee meets as is necessary or appropriate. The Nominating Committee did not meet during the fiscal year ended March 31, 2023.

Beneficial Ownership of Equity Securities in the Fund

The following table sets forth the dollar range of ownership of equity securities of the Fund and other registered investment companies overseen by each Trustee within the Fund Complex, in each case as of December 31, 2022. The Trustees are not required to contribute to the capital of the Fund or hold Shares in the Fund.

Name of Trustee	Dollar Range of Equity Securities of the Fund	Aggregate Dollar Range of Equity Securities of All Registered Investment Companies Overseen by the Trustee in Fund Complex
Virginia G. Breen	None	None
Heather R. Higgins	None	None
Stephen H. Penman	None	None

As of December 31, 2022, none of the Trustees or their immediate family members owned beneficially or of record securities of the Adviser or other entity (other than a registered investment company), directly or indirectly controlling, controlled by, or under common control with the Adviser.

Compensation

Name and Position with Fund	Aggregate Compensation from the Fund For the Fiscal Year Ended March 31, 2023	Total Compensation from Fund and Fund Complex Paid to Trustees For the Fiscal Year Ended March 31, 2023*
Virginia G. Breen Chair and Trustee	$ 29,667	$ 89,000
Heather R. Higgins Trustee	$ 23,000	$ 349,000**
Stephen H. Penman Trustee	$ 29,667	$ 89,000

* Represents total compensation paid during the fiscal year ended March 31, 2023 to each Trustee by: (i) the three registered alternative investment funds advised by UBS HFS during the fiscal year, including the Fund; and (ii) additionally, in the case of Ms. Higgins, 38 funds/portfolios advised by UBS AM, an indirect affiliate of the Adviser, during the fiscal year. Ms. Breen was appointed as a member of the boards of the funds/portfolios advised by UBS AM effective July 19, 2023. Ms. Breen, therefore, did not receive any compensation paid by such funds/portfolios during the fiscal year ended March 31, 2023.

** For the fiscal year ended March 31, 2023, Ms. Higgins received total compensation of $69,000 and $280,000 from the funds/portfolios advised by UBS HFS and UBS AM, respectively.

Each Trustee is paid by the Fund an annual retainer of $12,500 and per meeting fees of $2,100 (or $1,100 in the case of telephonic meetings). In addition, the Chair of the Board and the Chair of the Audit

Committee each receives an additional annual fee of $20,000, split equally among the registered alternative investment funds advised by UBS HFS, including the Fund. All Trustees are reimbursed by the Fund for their reasonable out-of-pocket expenses. The Trustees do not receive any pension or retirement benefits from the Fund.

CODE OF ETHICS

The Fund and the Adviser each has adopted a code of ethics pursuant to Rule 17j-1 under the Investment Company Act that permits its personnel, subject to the codes, to invest in securities, including securities that may be purchased or held by the Fund. The Distributor (as defined below) has not adopted such a code of ethics, as it does not have any employees who could be deemed to be "access persons," as such term is defined in the Investment Company Act. The Fund's and the Adviser's codes of ethics can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the SEC at (202) 551-5850. These codes are available on the EDGAR database on the SEC's website at http://www.sec.gov, and also may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Branch, 100 F Street, NE, Washington, D.C. 20549-0102.

PROXY VOTING POLICIES AND PROCEDURES

The Fund is a fund of funds that invests primarily in Investment Funds that have investors other than the Fund. The Fund may invest substantially all of its assets in non-voting securities of Investment Funds.

The Fund has delegated voting of proxies in respect of portfolio holdings to the Adviser, to vote the Fund's proxies in accordance with the Adviser's proxy voting guidelines and procedures. However, Investment Funds typically do not submit matters to investors for vote. If an Investment Fund submits a matter to the Fund for vote (and if the Fund holds voting interests in the Investment Fund, which it does not intend to do), the Adviser will vote on the matter in a way that it believes is in the best interest of the Fund and in accordance with the following proxy voting guidelines (the "Voting Guidelines"):

- In voting proxies, the Adviser is guided by general fiduciary principles. The Adviser's goal is to act prudently, solely in the best interest of the Fund.

- The Adviser attempts to consider all factors of its vote that could affect the value of the investment and will vote proxies in the manner that it believes will be consistent with efforts to maximize shareholder values.

- The Adviser, absent a particular reason to the contrary, generally will vote with management's recommendations on routine matters. Other matters will be voted on a case-by-case basis.

The Adviser applies its Voting Guidelines in a manner designed to identify and address material conflicts that may arise between the Adviser's interests and those of its clients before voting proxies on behalf of such clients. The Adviser relies on the following to seek to identify conflicts of interest with respect to proxy voting and assess their materiality:

- The Adviser's employees are under an obligation (i) to be aware of the potential for conflicts of interest on the part of the Adviser with respect to voting proxies on behalf of client accounts both as a result of an employee's personal relationships and due to special circumstances that may arise during the conduct of the Adviser's business, and (ii) to bring conflicts of interest of which they become aware to the attention of certain designated persons.

- Such designated persons work with appropriate personnel of the Adviser to determine whether an identified conflict of interest is material. A conflict of interest will be considered material to the extent that it is determined that such conflict has the potential to influence the Adviser's decision-making in voting the proxy. All materiality determinations will be based on an assessment of the particular facts and circumstances. The Adviser shall maintain a written record of all materiality determinations.

- If it is determined that a conflict of interest is not material, the Adviser may vote proxies notwithstanding the existence of the conflict.

- If it is determined that a conflict of interest is material, the Adviser's legal department works with appropriate personnel of the Adviser to agree upon a method to resolve such conflict of interest before voting proxies affected by the conflict of interest. Such methods may include:

  - disclosing the conflict to the Fund's Board of Trustees and obtaining the consent from Fund's Board of Trustees before voting;

  - engaging another party on behalf of the Adviser's client to vote the proxy on its behalf;

  - engaging a third party to recommend a vote with respect to the proxy based on application of the policies set forth herein; or

  - such other method as is deemed appropriate under the circumstances given the nature of the conflict.

- The Adviser shall maintain a written record of the method used to resolve a material conflict of interest.

Information regarding how the Adviser voted the Fund's proxies related to the Fund's portfolio holdings during the most recent 12-month period ended June 30th is available without charge, upon request, by calling (203) 719-1428 or toll-free at (888) 793-8637, and is available on the SEC's website at http://www.sec.gov.

INVESTMENT ADVISORY SERVICES; RELATED ADMINISTRATION SERVICES

The Adviser

The Trustees have engaged the Adviser to provide investment advice to, and manage the day-to-day business and affairs of, the Fund, in each case under the ultimate supervision of and subject to any policies established by the Board, pursuant to an investment advisory agreement entered into between the Fund and the Adviser, dated as of February 24, 2011, as revised as of July 1, 2015 (the "Investment Advisory Agreement"). The Adviser allocates the Fund's assets and, thereafter, evaluates regularly each Investment Fund and its Investment Manager to determine whether its investment program is consistent with the Fund's investment objective and whether its investment performance is satisfactory. The Adviser may reallocate the Fund's assets among the Investment Funds, redeem its investment in Investment Funds and select additional Investment Funds. The Adviser also provides certain administrative services to the Fund, including, among other things, providing office space, handling of shareholder inquiries regarding the Fund, providing shareholders with information concerning their investment in the Fund, coordinating and organizing meetings of the Fund's Board and providing other support services. The Adviser will perform its duties subject to any policies established by the Trustees.

The Adviser was formed as a Delaware limited liability company on March 16, 2004 and is an indirect, wholly-owned subsidiary of UBS Group AG ("UBS"). The Adviser is registered as an investment adviser under the Advisers Act. The Adviser's offices are located at 600 Washington Boulevard, Stamford, Connecticut 06901, and the Adviser's telephone number is (888) 793-8637.

The Investment Advisory Agreement initially was approved by the Board, including each Independent Trustee, on February 24, 2011, and also was approved on such date by the then sole shareholder of the Fund. The Investment Advisory Agreement will continue in effect from year to year if its continuance is approved annually by either the Fund's Board or the vote of a majority of the outstanding voting securities of the Fund, provided that, in either event, the continuance also is approved by a majority of the Independent Trustees by vote cast in person at a meeting called for the purpose of voting on such approval (or at a meeting held pursuant to exemptive relief from the in-person meeting requirement under Section 15(c) of the Investment Company Act). The Investment Advisory Agreement may be terminated at any time by vote of the Board or by a vote of a majority of the Fund's outstanding voting securities on 60 days' written notice to the Adviser or by the Adviser on 60 days' written notice to the Fund. The Investment Advisory Agreement also provides that it will terminate automatically in the event of its "assignment," as such term is defined in the Investment Company Act.

The Investment Advisory Agreement provides that, in the absence of willful misfeasance, bad faith or gross negligence by the Adviser of its obligations to the Fund, or reckless disregard of its obligations under the Investment Advisory Agreement, the Adviser and any member, director, officer or employee of the Adviser, or any of their affiliates, will not be liable to the Fund for any error of judgment, mistake of law or any act or omission by such person in connection with the performance of services to the Fund. The Investment Advisory Agreement also provides for indemnification, to the fullest extent permitted by law, by the Fund of the Adviser, and any member, director, officer or employee of the Adviser, and any of their affiliates, against any liability or expense to which such person may be liable that arises in connection with the performance of services to the Fund, provided that the liability or expense is not incurred by reason of the person's willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations to the Fund.

During the fiscal years ended March 31, 2023, March 31, 2022 and March 31, 2021, the Fund paid aggregate fees to the Adviser of $6,651,638, $7,529,304 and $10,248,370, respectively, pursuant to the Investment Advisory Agreement.

Portfolio Management

The Fund's portfolio manager (the "Portfolio Manager") manages multiple accounts for the Adviser, including registered closed-end management investment companies and private domestic and offshore pooled investment vehicles.

Potential conflicts of interest may arise because of the Portfolio Manager's management of the Fund and other accounts. For example, conflicts of interest may arise with the allocation of investment transactions and allocation of limited investment opportunities. Allocations of investment opportunities generally could raise a potential conflict of interest to the extent that the Portfolio Manager may have an incentive to allocate investments that are expected to increase in value to preferred accounts. Conversely, the Portfolio Manager could favor one account over another in the amount or the sequence in which orders to redeem investments are placed. The Portfolio Manager may be perceived to have a conflict of interest if there are a large number of other accounts, in addition to the Fund, that he is managing on behalf of the Adviser. In addition, the Portfolio Manager could be viewed as having a conflict of interest to the extent that he has an investment in accounts other than the Fund. A potential conflict of interest may be perceived if the Adviser receives a performance-based advisory fee from one account but not another, because the Portfolio Manager may favor the account subject to the performance fee, whether or not the performance of that account directly determines the Portfolio Manager's compensation. The Adviser periodically reviews the Portfolio Manager's overall responsibilities to ensure that he is able to allocate the necessary time and resources to effectively manage the Fund.

Other accounts may have investment objectives, strategies and risks that differ from those of the Fund. For these or other reasons, the Portfolio Manager may purchase different investments for the Fund and the other accounts, and the performance of investments purchased for the Fund may vary from the performance of the investments purchased for other accounts. The Portfolio Manager may place transactions on behalf of other accounts that are directly or indirectly contrary to investment decisions made for the Fund, which could have the potential to adversely impact the Fund, depending on market conditions.

The Adviser's goal is to provide high quality investment services to all of its clients, while meeting its fiduciary obligation to treat all clients fairly. The Adviser has adopted and implemented policies and procedures, including brokerage and trade allocation policies and procedures, that it believes address the conflicts associated with managing multiple accounts for multiple clients. In addition, the Adviser monitors a variety of areas, including compliance with Fund guidelines. Furthermore, senior investment and business personnel at the Adviser periodically review the performance of the Portfolio Manager.

The Portfolio Manager's compensation is comprised primarily of a fixed salary and a discretionary bonus paid by the Adviser or its affiliates and not by the Fund. A portion of the discretionary bonus may be paid in shares of funds managed by the Adviser or in shares of stock or stock options of UBS, the parent company of the Adviser, subject to certain vesting periods. The amount of the Portfolio Manager's discretionary bonus, and the portion to be paid in shares of funds managed by the Adviser or in shares of stock or stock options of UBS, is determined by senior officers of the Adviser. In general, the amount of the bonus will be based on a combination of factors, none of which is necessarily weighted more than any other factor. These factors may include: the overall performance of the Adviser; the overall performance of UBS; the profitability to the Adviser derived from the management of the Fund and the other accounts managed by the Adviser; the absolute performance of the Fund and such other accounts for the preceding year; contributions by the Portfolio Manager to assisting in managing the Adviser; participation by the Portfolio Manager in training of personnel; and support by the Portfolio Manager generally to colleagues. The bonus is not based on a precise formula, benchmark or other metric.

The following table lists the number and types of other accounts advised by the Fund's Portfolio Manager and approximate assets under management in those accounts as of March 31, 2023.

Portfolio Manager	Registered Investment Companies		Pooled Investment Vehicles		Other Accounts	
	Number of Accounts	Assets Managed	Number of Accounts	Assets Managed	Number of Accounts	Assets Managed
Edoardo Rulli	2[(1)]	$226,855,800	90[(2)]	$26,588,132,399	21[(3)]	$22,053,768,106

(1) Of these accounts, one account with total assets of approximately $124,036,800 charges a performance-based advisory fee.

(2) Of these accounts, 47 accounts with total assets of approximately $10,519,765,581 charge performance-based advisory fees.

(3) Of these accounts, three accounts with total assets of approximately $6,400,288,600 charge performance-based advisory fees.

Mr. Rulli does not beneficially own any Shares of the Fund.

CONFLICTS OF INTEREST

The activities of UBS, the Adviser and its affiliates, and Investment Managers may give rise to conflicts of interest that could disadvantage the Fund. This section discusses these and other potential conflicts of interest of which Fund shareholders should be aware.

Adviser Clients

The Adviser's affiliates are major participants in the equity, fixed-income, global currency, commodity, derivative and other markets. As such, the Adviser's affiliates may be actively engaged in transactions with and in providing services to Investment Funds in which the Fund is or will be invested, or funds or accounts with the same Investment Manager as the Investment Funds. A dispute between the Adviser's affiliate and any such Investment Manager or Investment Fund may have an adverse impact on the Fund as an investor in such Investment Fund. Such Investment Fund may sustain losses as a result of the dispute (thus reducing the value of the Fund's investment), or be subject to litigation (potentially impairing the Fund's ability to redeem its investment and requiring the Investment Fund to incur litigation-related expenses). The Adviser's affiliates are not obligated to forgo any claims or waive any rights against an Investment Fund because the Adviser directs or advises its clients, including the Fund, to invest in such Investment Fund.

The Adviser and its affiliates may provide investment management services, discretionary or non-discretionary, to other registered investment companies, private investment funds and accounts that have investment objectives similar or dissimilar to those of the Fund, and that may or may not follow investment programs similar to the Fund, and in which the Fund will have no interest (collectively, "Adviser Clients"). The portfolio strategies of, and the transactions engaged in by, the Adviser and its affiliates used for Adviser Clients may conflict with the investment strategies employed, and transactions engaged in, by the Adviser in managing the Fund, and may adversely affect access to Investment Managers and the availability of Investment Funds in which the Fund may seek to invest. In addition, the Adviser is not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even if such activities may be in competition with the Fund and/or may involve substantial time and resources of the Adviser and its personnel.

Certain conflicts of interest may also arise from the fact that regulation (*e.g.*, under the Bank Holding Company Act of 1956 or the Investment Company Act) or internal UBS policy may restrict the ability of the Adviser on behalf of the Fund to purchase, sell or be deemed to own or control certain securities. The Adviser and its affiliates may be obligated to divest their proprietary or Adviser Clients' positions, or refrain from engaging in any transactions, in order for the Fund to make such an investment.

Investment Decisions

The Adviser and its affiliates may give advice or take action with respect to Adviser Clients that may differ from the advice given or the timing or nature of any action taken with respect to the Fund. The factors that the Adviser may consider in allocating investments among the Fund and the Adviser Clients include, without limitation: the Fund's or the Adviser Clients' investment strategies; concentrations and diversification within the Fund's and the Adviser Clients' portfolios; tax and regulatory issues; the nature and size of existing portfolio holdings and cash positions; risk/return objectives; and anticipated redemptions (by Adviser Clients other than the Fund) and subscriptions. In certain circumstances, the Adviser may give additional consideration with respect to an allocation if the Fund or an Adviser Client has a substantial amount of available cash.

It is the policy of the Adviser to allocate, to the extent possible, suitable investment opportunities to the Fund and Adviser Clients on a fair and equitable basis over time. However, allocation of investment opportunities may not be made on a pro rata basis among the Fund and Adviser Clients, even where the Fund and such Adviser Clients have substantially similar, or identical, investment objectives. For example, in cases where an investment opportunity may be limited, priority may be given to the Fund or Adviser Clients where the amount involved is below the Adviser's minimum recommended investment allocation for the Fund or Adviser Clients. Allocations of Investment Funds with limited capacity are subject to approval by the Adviser's Chief Compliance Officer.

Generally, investment decisions made on behalf of the Fund are made independently of any investment decisions made on behalf of Adviser Clients. The Adviser or its affiliates may determine that an investment opportunity in a particular investment vehicle is appropriate for a particular Adviser Client or for itself or its officers, directors, partners, members or employees, but not for the Fund. Situations also may arise in which the Adviser, its affiliates or Adviser Clients have made investments that would have been suitable for the Fund but, for various reasons, were not pursued by, or available to, the Fund. If the Fund desires to invest in the same Investment Fund as an Adviser Client, the available investment will be allocated fairly and equitably in accordance with the Adviser's allocation policies and procedures. Decisions in this regard are necessarily subjective and there is no requirement that the Fund participate, or participate to the same extent as the Adviser Clients, in all investments. At times, the Adviser may determine that Adviser Clients and the Fund should take differing positions with respect to a particular investment. In these cases, the Adviser may place separate transactions for one or more Adviser Clients that may affect the value of the investment vehicle, the execution of the transaction or the amount the Fund will be able to invest in the Investment Fund, to the detriment or benefit of one or more Adviser Clients. Placing transactions on behalf of Adviser Clients that are directly or indirectly contrary to investment decisions made for the Fund can have the potential to adversely impact the Fund, depending on market conditions. However, the Adviser will seek to resolve such conflicts in a fair and equitable manner and believes that such risks are mitigated by its allocation policies and procedures.

Certain provisions of the Investment Company Act or the rules and regulations of the SEC thereunder, or any other applicable laws, rules or regulations, may limit or prohibit the Fund from investing in an investment opportunity in which Adviser Clients or the Adviser or its affiliates or any of their respective officers, directors, partners, members or employees are also invested, and the Fund's investments in certain Investment Funds may be scaled back and/or redeemed due to such limits. For example, the Adviser monitors, and may adjust, ownership levels in Investment Funds to avoid potential affiliated transactions. The Adviser will have no obligation to invest in or withdraw from one of the Fund's Investment Funds, even though the Adviser invests in or withdraws from such Investment Fund on behalf of an Adviser Client.

While the Adviser will seek to ensure that neither the Fund nor any Adviser Client will be systematically disadvantaged by the aggregation, placement and allocation of orders and investments, situations may arise in which the investment activities of the Adviser, its affiliates and any of their respective officers, directors, partners, members or employees may disadvantage the Fund. Such situations may be based on, among other things: (i) legal restrictions regarding the combined size of positions that may be taken in an Investment Fund by the Fund and Adviser Clients, thereby limiting the size of the Fund's position, or even preventing the Fund from investing, in such Investment Fund; and (ii) the difficulty of withdrawing from an Investment Fund where the market cannot absorb the sale of the combined positions of the Fund and the Adviser Clients.

At times, an Investment Fund may agree to reduce the fees charged to Adviser Clients and/or the Fund based on the aggregate amount of their respective investment meeting a certain threshold, or based on the Investment Fund reaching a certain asset level. There may be an incentive, therefore, for Adviser Clients and/or the Fund to invest in such Investment Fund (or remain invested).

The Adviser may advise non-discretionary account clients to invest in the same Investment Funds in which the Fund invests. When seeking capacity in Investment Funds and making investment allocation decisions on behalf of its clients, the Adviser does not make distinctions based on whether a client account is discretionary or non-discretionary or on other non-investment related factors, such as level of fees paid. In the event the Adviser knows that an Investment Fund does not have enough capacity to accommodate the Adviser's recommended allocations in full, the Adviser will allocate such Investment Fund's limited capacity among its clients according to the Adviser's allocation policies and procedures, as described above.

The Adviser creates funds that invest in baskets of Investment Funds, each of which follows a specific strategy. These "basket" funds provide Adviser Clients with access to multiple Investment Managers implementing specific strategies, without having to invest separately in each Investment Fund in the basket. The Adviser occasionally also asks certain Investment Managers to create Investment Funds dedicated for investment by Adviser Clients, which often are available on beneficial terms generally not offered to other clients of such Investment Managers. Certain clients of the Adviser, such as the Fund, may not be able to invest in the "basket" funds or the dedicated Investment Funds due to, for example, certain regulatory constraints and/or matters of suitability.

Investment Managers and Investment Funds

On June 12, 2023, UBS completed its acquisition of Credit Suisse Group AG. The combined entity operates as a consolidated banking group, and the Adviser is now affiliated with CSG. CSG holds a passive, non-controlling, minority economic interest in a select few Investment Managers, certain of which the Adviser, prior to the Acquisition, determined to allocate Fund assets to. CSG generally also holds customary protective rights in connection with its economic interests. The Fund bears, in the ordinary course, the asset-based and incentive fees charged by, and its pro rata share of the expenses of, the Investment Funds advised or sponsored by these Investment Managers, and the revenues received by CSG from these Investment Managers on account of CSG's economic interests in the Investment Managers will not be reduced or waived on account of the Acquisition. The Adviser may, in its sole discretion, determine to allocate additional Fund assets to Investment Managers in which CSG holds such an interest. For regulatory reasons, the Adviser may not be able to allocate Fund assets to certain Investment Managers in which CSG holds an economic interest.

The Adviser and its affiliates, including the Distributor and CSG, may have other business relationships with Investment Managers or Investment Funds that relate to, among other things, placement agent services, financing, or other investment banking services, borrowing, lending or arranging credit, trade execution, clearance and settlement, data, operational and portfolio management support and certain functions associated with prime brokerage, which would entitle them to certain fees, commissions and/or revenues from the Investment Funds, Investment Managers and/or their affiliates. Investment Managers also may receive research products and services in connection with the brokerage services that the Adviser and its affiliates may provide from time to time to one or more accounts managed by the Investment Managers or their affiliates, or to the Fund. Unless otherwise required by law or regulation, the Adviser and its affiliates are not under any obligation to rebate or waive compensation received in connection with the foregoing agreements or arrangements. These relationships, however, could preclude the Fund from engaging in certain transactions and could constrain the Fund's investment flexibility.

The Adviser will face a potential conflict of interest in making allocation decisions regarding these Investments Managers as (i) CSG receives certain revenues on account of its economic interests in the Investment Managers and/or (ii) the Adviser and its affiliates may receive fees, commissions and/or revenues on account of certain services provided to certain Investment Funds. This potential conflict is heightened to the extent the fees and/or commissions for any such services are based on the assets of the Investment Funds. Further, the Fund's investment in Investment Funds advised or sponsored by these Investment Managers may cause the Investment Funds to appear more attractive to other investors, which could result in additional subscriptions and assets under management and, therefore, could increase the aforementioned compensation.

To the extent consistent with applicable law, affiliates of the Adviser may execute trades for Investment Funds on both a principal and agency basis. Accordingly, the Adviser will face a potential conflict in evaluating such portfolio managers. Moreover, as a result of certain relationships, UBS and its affiliates may take actions with respect to an Investment Fund, such as making a margin call, that adversely affect such Investment Fund and, therefore, the Fund. The Adviser does not require, or seek to exert any influence on, Investment Managers to utilize one of its affiliates as a service provider or counterparty.

Notwithstanding the foregoing potential conflicts of interest, the Adviser will continue to regard its fiduciary obligations to the Fund and its investors in connection with taking actions with respect to the relevant Investment Funds (*e.g.*, investment decisions, redemption decisions and fee and other business term negotiations), and will make such decisions independent of the aforementioned economic arrangements and business relationships.

Other conflicts of interest may arise from the fact that the Investment Managers and their affiliates generally will be carrying on substantial investment activities for other clients, including other investment funds, in which the Fund will have no interest. The Investment Managers may have financial incentives to favor certain of such accounts over the Investment Funds. Any of their proprietary accounts and other customer accounts may compete with the Fund for specific trades, or may hold positions opposite to positions maintained on behalf of the Fund. The Investment Managers may give advice and recommend securities to, or buy or sell securities for, an Investment Fund or managed account in which the Fund's assets are invested, which advice or securities may differ from advice given to, or securities recommended or bought or sold for, other accounts and customers even though their investment objectives may be the same as, or similar to, those of the Fund.

Trade Errors

The Adviser reviews all of its potential trade errors in accordance with its trade error policy, and seeks to minimize all trade errors by adopting measures to prevent and correct them. Generally, the Adviser's trade error policy is that it will not allocate any losses caused by the Adviser to the Fund. The Adviser will face a potential conflict of interest when determining whether a trade is considered an error that is reimbursable by the Adviser or as a trade that was not an error and created a loss, but which is not reimbursable by the Adviser. The Adviser's Chief Compliance Officer will determine whether any transaction is considered a trade error after assessing the facts and circumstances surrounding the transaction.

Transactions with and by UBS Affiliates

The proprietary activities or portfolio strategies of UBS and its affiliates (including the Adviser), and the activities or strategies used for accounts managed by UBS and its affiliates (including the Adviser) for themselves or other Adviser Clients, could conflict with the transactions and strategies employed by an Investment Manager and affect the prices and availability of the securities and instruments in which the Investment Manager invests. Issuers of securities held by the Fund, an Investment Manager and an Investment Fund may have publicly or privately traded securities in which UBS and its affiliates are investors or make a market. The trading activities of UBS and its affiliates generally are carried out without reference to positions held directly or indirectly by the Fund, the Investment Managers or the Investment Funds and may have an effect on the value of the positions so held, or may result in UBS and its affiliates having interests or positions adverse to that of the Fund or the Investment Funds.

Investment Managers may purchase investments that are issued, or are the subject of an underwriting or other distribution, by UBS and its affiliates. An Investment Manager may invest, directly or indirectly, in the securities of companies affiliated with UBS and its affiliates, or in which UBS and its affiliates have a business relationship or an equity or other participation interest. The purchase, holding and sale of such investments by an Investment Manager may enhance the profitability of UBS's or its affiliates' own investments in, or other relationships with, such companies. The Adviser may have a conflict of interest when deciding to invest Fund or Adviser Client assets with such Investment Managers where the Adviser is aware of, or becomes aware of, such holdings or relationship.

UBS or its affiliates may lend to issuers of securities that are owned by the Investment Funds, or to affiliates of those issuers, or may receive guarantees from the issuers of those securities. In making and administering such loans, UBS or its affiliates may take actions, including restructuring a loan, foreclosing on the loan, requiring additional collateral from an issuer, charging significant fees and interest to the issuer, placing the issuer in bankruptcy, or demanding payment on a loan guarantee, that may be contrary to the interests of the Fund. If that happens, the security issued by the borrower or the guarantor or the affiliate that is owned by the Fund or the Investment Funds may lose some or all of its value.

The Distributor

UBS Financial Services Inc. (together with any other broker or dealer appointed by the Fund to act as distributor of its Shares, the "Distributor") acts as the distributor of the Fund's Shares on a best efforts basis, subject to various conditions, without special compensation from the Fund.

The Adviser or the Distributor intends to compensate the Distributor's or its affiliates' financial advisors for their ongoing servicing of clients with whom they have placed Shares in the Fund, and such compensation is based upon a formula that takes into account the amount of client assets being serviced, as well as the investment results attributable to the clients' assets in the Fund. Additionally, these entities, at their discretion, may charge investors purchasing Shares in the Fund a sales load of up to 2% of the investor's capital contribution. See "Plan of Distribution" in the Fund's Prospectus.

Expenses

The Adviser may incur common costs and expenses for goods and services that may be utilized by the Fund and Adviser Clients (*e.g.*, legal research, service provider costs). While the Adviser will seek to allocate these costs and expenses fairly and equitably among the Fund and Adviser Clients, it is not always possible to allocate such costs on a pro rata basis among all clients benefiting from the product for which such costs and expenses were incurred. Generally, costs and expenses related to products utilized by the Fund and Adviser Clients will be allocated among such entities according to their respective assets under management at the time such costs are incurred, and, therefore, certain clients may benefit subsequently from products that were previously paid for by the Fund and Adviser Clients. The Adviser will not seek retroactively to reallocate costs away from its clients, including the Fund, which may have paid for a product that has been subsequently utilized by Adviser Clients.

Service Providers

The Adviser seeks to select Fund service providers based on objective factors. A conflict may arise, however, in instances where the Adviser considers selecting service providers with which an employee of the Adviser has an existing relationship (through family members or otherwise).

Employees of the Adviser

Employees of the Adviser will be engaged in substantial activities other than on behalf of the Fund, and may have conflicts of interest in allocating their time and activity between the Fund and Adviser Clients. The Adviser and its employees are not required to devote their full business time to the Fund, but will devote as much time to the activities of the Fund as the Adviser deems necessary and appropriate. Employees of the Adviser seeking a position, including as an officer or director/trustee, of an entity unaffiliated with the Adviser, must obtain approval from UBS before accepting such position. Generally, UBS will not approve such requests if the position requires time commitments that may affect the employee's ability to perform his or her duties or if the unaffiliated entity engages in commercial activities similar, or related, to those of the Adviser. If approved, any such activity could be viewed as creating a conflict of interest in that such personnel may not be able to devote the same time and effort to the Fund.

Employees of the Adviser may choose to personally invest, directly and indirectly, in certain, but not all, of the funds advised by the Adviser. It is expected that, if such investments are made, the size and nature of these investments will change over time. The employees are not required to keep any minimum investment in any of the funds managed by the Adviser.

Employees of the Adviser may have access to confidential information related to investments by the Fund or Adviser Clients in Investment Funds. Generally, it is the Adviser's policy that employees and their family members may not invest in Investment Funds in which the Fund or an Adviser Client is invested. Any exceptions to this policy must be approved by the Adviser's Chief Compliance Officer, who will seek to ensure compliance with applicable law and minimize any conflicts arising from such investment.

Gifts and Entertainment

The Adviser's employees may receive gifts and forms of entertainment from certain entities or persons doing business with the Fund, including, but not limited to, Investment Managers, the Fund administrator, the Custodian and the Fund's independent public accounting firm. To the extent that employees of the Adviser receive gifts and forms of entertainment, there may be an incentive for such employees to sustain or expand the relationship with the entity or persons providing the gifts and entertainment. The Adviser maintains policies and procedures in accordance with acceptable industry standards regarding the receipt of gifts and entertainment, as well as charitable contributions.

The Adviser, its affiliates and its employees may provide gifts and entertainment to entities such as pension consultants, trustees or fiduciaries, subject to UBS group policies. Additionally, the Adviser, its affiliates and its employees may make permitted political contributions to public officials or candidates who support policies, legislation, regulations or other matters that are favorable to or supported by the Adviser, including matters that may not necessarily be favorable to or supported by the Fund or shareholders. To the extent the Adviser provides any gifts/entertainment or makes political contributions it will need to ensure such items are not prohibited by applicable laws or regulations. The Adviser monitors the level of such gifts/entertainment and compiles periodic reports for supervisory persons of the Adviser to review.

Voting Interests in Investment Funds

To avoid becoming subject to certain Investment Company Act prohibitions with respect to affiliated transactions, the Fund may elect to own, together with certain Adviser Clients, less than 5% of the voting securities of each Investment Fund, although the aggregate economic investment in an Investment Fund may exceed 5%. This limitation on owning voting securities is intended to ensure that an Investment Fund is not deemed an "affiliated person" of the Fund for purposes of the Investment Company Act, which may, among other things, impose limits on transactions with the Investment Fund, both by the Fund and Adviser Clients. As disclosed under the caption "Risk Factors—Investments in Non-Voting Stock; Inability to Vote" in the Fund's Prospectus, the Fund may enter into contractual arrangements under which the Fund irrevocably waives its rights (if any) to vote its interests in an Investment Fund. Adviser Clients may also waive their voting rights in a particular Investment Fund. The Adviser will decide whether the Fund will waive such voting rights and, in making these decisions, will consider the size of the Fund's investment and that of the Adviser Clients in the particular Investment Funds. These voting waiver arrangements may increase the ability of the Fund and other clients of the Adviser to invest in certain Investment Funds. However, to the extent the Fund contractually forgoes the right to vote the securities of an Investment Fund, the Fund may not be able to vote on, or may have limited voting rights with respect to, matters that require the approval of the interest holders of the Investment Fund, including matters adverse to the Fund's interests.

The BHCA and regulations of the Federal Reserve may also restrict the Fund's activities if the Federal Reserve, at any time, determines that UBS "controls" the Fund for purposes of the BHCA. The Adviser is subject to the BHCA provisions for funds in which UBS and its affiliates control, directly or indirectly, above a certain percentage, in the aggregate, of (a) the outstanding units of any class of voting securities or (b) the total equity (including subordinated debt) of certain issuers, including the Fund. All investment funds managed by the Adviser which are also "controlled" by UBS will be aggregated together for purposes of determining the maximum limit of how much can be invested in an Investment Fund. Therefore, the Fund may be limited in the amount of an Investment Fund it may hold due to these regulations. Similarly, regulatory constraints imposed on Adviser Clients, including under the BHCA and Federal Reserve regulations, may lead the Adviser to limit, or reduce, Fund and/or Adviser Client positions in certain Investment Funds to accommodate such constrained Adviser Clients. See "BHCA Considerations."

Administrator

BNY Mellon Investment Servicing (US) Inc., as fund administrator (the "Fund Administrator"), generally is responsible for calculating the net asset value of the Fund, which determines the performance of the investors' investment in the Fund, as well as the amount of fees the Fund pays the Adviser.

In circumstances where an Investment Fund has suspended its net asset value or where the Fund Administrator otherwise determines the net asset value reported by an Investment Fund is unreliable, the Fund Administrator may seek the opinion of the Adviser as how to price such Investment Fund. To the extent the Adviser gives its opinion pursuant to its established written valuation policies and procedures, an incentive exists to obtain higher valuations for such Investment Funds since the compensation it receives from the Fund is based on such valuations.

Banking Regulation

Certain conflicts of interest may arise between the Adviser or its affiliates (including UBS), on the one hand, and the Fund, on the other hand, related to the application of certain banking laws. See "BHCA Considerations."

BHCA CONSIDERATIONS

The Adviser, UBS and their affiliates are subject to certain U.S. and non-U.S. banking laws, including the BHCA, and to regulation by the Federal Reserve. The BHCA applies to UBS, its subsidiaries and other companies it controls ("UBS and its Affiliates") for BHCA purposes. The BHCA and other applicable banking laws, rules, regulations, guidelines and the interpretations thereof by the staff of the regulatory agencies which administer them, may restrict the transactions and relationships between the Adviser and/or UBS and its Affiliates, on the one hand, and the Fund, on the other hand, and may restrict the investments, activities and/or transactions of the Fund.

The BHCA and the regulations of the Federal Reserve may also restrict the Fund's activities if the Federal Reserve, at any time, determines that UBS "controls" the Fund for purposes of the BHCA. In such a case, the Fund would, itself, be subject to the provisions of the BHCA. It is not expected that the BHCA, or other existing U.S. banking laws or regulations, would materially adversely affect the Fund. There can be no assurance, however, that any changes in U.S. bank regulatory requirements would not have a material adverse effect on the Fund's investment program or performance.

Under the BHCA provisions that are applicable to bank holding companies which are not also FHCs (as defined below), UBS and its Affiliates may be prohibited from owning or controlling, directly or indirectly, above a certain percentage, in the aggregate, of (a) the outstanding shares of any class of voting securities or (b) the total equity (including subordinated debt) of certain issuers (the "Equity Limit"). In many cases, the Equity Limit may be as low as five percent (5%) of any class of voting securities or twenty-five percent (25%) of total equity. UBS would also be prohibited from exercising a "controlling influence over the management or policies" of certain issuers. If UBS is deemed to control the Fund for BHCA purposes, the holdings of the Fund would be aggregated with those of UBS and its Affiliates for purposes of determining the Equity Limit with respect to any issuer, and any restrictions on holding securities of an issuer due to the Equity Limit or other requirements under the BHCA will apply to UBS, its affiliates and the Fund in the aggregate.

If UBS and its direct and indirect subsidiaries in the aggregate exceed the Equity Limit with respect to the Fund, under BHCA section 4(c), the activities of the Fund would need to comply with the nonbanking activities restrictions. In addition, if UBS and its direct and indirect subsidiaries in the aggregate control the Fund, the activities of the Fund would need to comply with the nonbanking activities restrictions and the Fund's investments would be aggregated with UBS's investments for the purposes of applying the Equity Limit to, and determining control of, companies in which the Fund invests.

The foregoing limits may have a material adverse effect on the activities and performance of the Fund in that they may restrict the activities, types of investments and size of investments by the Fund. UBS and its direct and indirect subsidiaries are not obligated to divest any investments or refrain from engaging in any transactions or activities in order to permit the Fund to own or retain any particular investment or engage in any particular activity, but the Fund may be required to divest particular investments to bring UBS into compliance with BHCA section 4(c).

The BHCA authorizes a bank holding company or non-U.S. bank, if it meets certain criteria, to elect to become a financial holding company ("FHC"). UBS elected to become an FHC in April 2000. An FHC may engage in and may acquire companies engaged in a wide range of activities that are "financial in nature" (or in some circumstances "incidental" or "complementary" to financial activities), including certain banking, securities, merchant banking and insurance activities. As an FHC, should UBS and its direct and indirect subsidiaries in the aggregate exceed the Equity Limit with respect to, or be deemed to control, the Fund, UBS may elect to treat its investment in the Fund as a merchant banking activity. Investments made by an FHC under the merchant banking authority are not subject to the Equity Limit, and companies controlled by an FHC under the merchant banking authority are not subject to the BHCA section 4(c) nonbanking activities restrictions. However, such investments are subject to the provisions of the BHCA and regulations of the Federal Reserve governing merchant banking activities by FHCs ("Merchant Banking Regulations"). To comply with the Merchant Banking Regulations, certain features of the Fund's structure might need to be modified and the organizational documents of the Fund may be amended, if necessary, to effect such changes. Under the Merchant Banking Regulations, among other things, an FHC may only hold an investment made in a particular "portfolio company" (as defined in the Merchant Banking Regulations) for a period of 10 years, or must obtain the approval of the Federal Reserve to hold the investment for a longer period.

Alternatively, UBS and its direct and indirect subsidiaries in the aggregate could structure any investment in the Fund to ensure that they do not exceed the Equity Limit with respect to, or are not deemed to control, the Fund. To accomplish this result, UBS could, for example, make a minimum investment in the Fund (which could be zero) and remove all indicia of control recognized by the BHCA and the Federal Reserve.

UBS is under no obligation to utilize its merchant banking authority in connection with the Fund's investments or activities. The ability of UBS to utilize its merchant banking authority is wholly dependent on UBS maintaining its FHC status. Nor are UBS or its subsidiaries, including the Adviser, under any obligation to take any steps that would prohibit the Fund from being deemed to be controlled by UBS or that would cause the Fund, if deemed to be controlled by UBS, to no longer be controlled by UBS. There can be no assurance that the Fund will ever cease to be subject to the BHCA or other banking laws. There can be no assurance that the bank regulatory requirements applicable to the Fund, or any change in such requirements, would not have a material adverse effect on the Fund's investment program or performance.

In addition, the Dodd-Frank Act amended the BHCA to include the Volcker Rule, which generally prohibits a banking entity, including UBS and its Affiliates, from acquiring or retaining any ownership interest in or sponsoring a hedge fund or a private equity fund, subject to certain narrow exceptions. At this time, the Volcker Rule is not expected to have a material adverse effect on the Fund. While UBS is expected to be an investor in the Fund, it is not expected that such holdings would be prohibited, since it is expected that UBS would be acting solely as agent or nominee with regard to any Shares held and would not be investing proprietary money beyond that permitted by an exception. (In contrast, employees of UBS and its Affiliates, including the Adviser, who are not directly engaged in providing services to the Fund will, most likely, be prohibited from investing in the Fund.)

The Adviser may in the future, in its sole discretion, and without notice to or consent of the investors, take such action as it determines is necessary or appropriate in order to comply with the BHCA, including the Volcker Rule, or regulations promulgated thereunder to reduce, eliminate or otherwise modify the impact or applicability of such law or regulation to the Adviser, its affiliates (including UBS) or the Fund. While the Adviser will have regard to its fiduciary obligations to the Fund and its investors in taking any such actions, the Fund and/or the investors may nevertheless be materially and adversely affected. In determining their responses to regulations, the Adviser and its affiliates, subject to its fiduciary obligations, will take account of their own business interests, which may conflict with the interests of investors.

TAX ASPECTS

The following discussion is a general summary of the material U.S. federal income tax considerations relevant to the Fund, the Fund's qualification and taxation as a RIC for U.S. federal income tax purposes under Subchapter M of the Code and the purchase, ownership and disposition of Shares.

This summary does not purport to be a complete description of all of the income tax considerations applicable to such purchase, ownership or disposition. For example, it does not describe all of the tax consequences that may be relevant to certain types of holders of Shares subject to special treatment under U.S. federal income tax laws, including tax-exempt organizations, partnerships or other pass-through entities (including S corporations) and their owners, insurance companies, dealers in securities, a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings, pension plans, banks, trusts and other financial institutions, real estate investment trusts ("REITs"), RICs, U.S. persons with a functional currency other than the U.S. dollar, non-U.S. shareholders (as defined below), persons who have ceased to be U.S. citizens or to be taxed as residents of the United States, "controlled foreign corporations," "passive foreign investment companies," and persons that will hold Shares as a position in a "straddle," "hedge," or as part of a "constructive sale" for U.S. federal income tax purposes. This summary assumes that shareholders hold Shares as capital assets (within the meaning of the Code). The discussion is based upon the Code, its legislative history, existing and proposed regulations, and published rulings and court decisions all as currently in effect, all of which are subject to change or differing interpretations, possibly retroactively, which could affect the continuing accuracy of this discussion. The Fund has not sought, and will not seek, any ruling from the Internal Revenue Service ("IRS") regarding any matter discussed herein, and this discussion is not binding on the IRS. Accordingly, there can be no assurance that the IRS will not assert, and a court will not sustain, a position contrary to any of the tax consequences discussed herein. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if the Fund were to invest in tax-exempt securities or certain other investment assets. For purposes of this discussion, a "U.S. shareholder" generally is a beneficial owner of Shares who is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;

- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof, including, for this purpose, the District of Columbia;

- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons (as defined in the Code) have the authority to control all of the substantial decisions of the trust, or (ii) the trust has in effect a valid election to be treated as a domestic trust for U.S. federal income tax purposes; or

- an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

For purposes of this discussion, a "non-U.S. shareholder" generally is a beneficial owner of Shares that is not a U.S. holder or a partnership (or an entity or arrangement treated as a partnership) for U.S. federal income tax purposes.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds the Fund's Shares, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Prospective beneficial owners of the Fund's Shares that are partnerships or partners in such partnerships are urged to consult their tax advisers with respect to the purchase, ownership and disposition of the Fund's Shares.

Tax matters are very complicated and the tax consequences to a holder of Shares will depend on the facts of such shareholder's particular situation. Each shareholder is urged to consult such shareholder's tax advisors regarding the specific tax consequences of purchasing, owning and disposing of Shares.

Qualification as a Regulated Investment Company; Tax Treatment

The Fund has elected to be treated, and intends to comply annually with the requirements necessary to qualify, as a RIC under Subchapter M of the Code. If the Fund (i) qualifies as a RIC and (ii) satisfies certain annual distribution requirements, described below, then the Fund generally will not be subject to U.S. federal income tax on the portion of its investment company taxable income and net capital gain (generally, net long-term capital gain in excess of net short-term capital loss) that it timely distributes (or is deemed to distribute) to holders of Shares. The Fund will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gain not distributed (or deemed distributed) to holders of Shares.

To qualify as a RIC, the Fund must, among other things: (a) derive in each taxable year (the "90% gross income test") at least 90% of its gross income from dividends, interest, payments with respect to certain securities loans, and gains from the sale or other disposition of stocks, securities or foreign currencies, or other income (including, but not limited to, gains from options, futures or forward contracts, and gain from certain deemed inclusions) derived with respect to its business of investing in such stocks, securities or currencies, or net income from interests in "qualified publicly traded partnerships" (as defined in the Code) (all such income items, "qualifying income"); (b) timely distribute (or be deemed to timely distribute) to its shareholders on an annual basis at least 90% of its investment company taxable income for each taxable year (the "annual distribution requirement"); and (c) diversify its holdings (the "asset diversification test") so that, at the end of each quarter of the taxable year, (i) at least 50% of the value of the Fund's total assets is represented by cash, cash equivalents, U.S. government securities, securities of other RICs and other securities that, with respect to any one issuer, do not represent more than 5% of the value of the Fund's total assets or more than 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% (the "25% test") of the value of its total assets is invested in the securities (other than U.S. Government securities or the securities of other RICs) of a single issuer, two or more issuers that the Fund controls (within the meaning of the Code) and that are engaged in the same, similar or related trades or businesses, or one or more "qualified publicly traded partnerships" (as defined in the Code).

For the purpose of determining whether the Fund satisfies the 90% gross income test and the asset diversification test, the character of the Fund's distributive share of items of income, gain, losses, deductions and credits derived through any Investment Funds that are properly treated as partnerships, or are otherwise treated as disregarded from the Fund for U.S. federal income tax purposes (other than certain publicly traded partnerships) generally will be determined as if the Fund realized such tax items in the same manner as realized by those Investment Funds. Further, for purposes of applying the 25% test, the Fund generally will be required to take into account a proportion of the securities held by any Investment Fund or other entity, in each case, that is a member of the Fund's "controlled group" (within the meaning of the Code).

If the Fund fails the 90% gross income test for a taxable year it may be eligible for relief provisions under the Code if (i) the RIC satisfies certain procedural requirements, and (ii) the RIC's failure to satisfy the gross income test is due to reasonable cause and not due to willful neglect. However, in such case, a tax is imposed on the RIC for the taxable year in which, absent the application of the above cure provision, it would have failed the gross income test equal to the amount by which the RIC's non-qualifying gross income exceeds one-ninth of the RIC's qualifying gross income, each as determined for purposes of applying the gross income test for such year. A RIC that fails the asset diversification test as of the end of a quarter shall nevertheless be considered to have satisfied the test as of the end of such quarter in the circumstances described below.

If the RIC's failure to satisfy the asset diversification test at the end of the quarter is due to the ownership of assets, the total value of which does not exceed the lesser of (i) one percent of the total value of the RIC's assets at the end of such quarter and (ii) $10,000,000 (each, a "*de minimis* failure"), the RIC shall be considered to have satisfied the asset diversification test as of the end of such quarter if, within six months of the last day of the quarter in which the RIC identifies that it failed the asset diversification test (or such other prescribed time period), the RIC either disposes of assets in order to satisfy the asset diversification test, or otherwise satisfies the asset diversification test.

In the case of a failure to satisfy the asset diversification test at the end of a quarter under circumstances that do not constitute a *de minimis* failure, a RIC shall nevertheless be considered to have satisfied the asset diversification test as of the end of such quarter if: (i) the RIC satisfies certain procedural requirements; (ii) the RIC's failure to satisfy the asset diversification test is due to reasonable cause and not due to willful neglect; and (iii) within six months of the last day of the quarter in which the RIC identifies that it failed the asset diversification test (or such other prescribed time period), the RIC either disposes of the assets that caused the asset diversification failure in order to satisfy the asset diversification test, or otherwise satisfies the asset diversification test. However, in such case, a tax is imposed on the RIC, at the highest stated corporate income tax rate (currently 21%), on the net income generated by the assets that caused the RIC to fail the asset diversification test during the period for which the asset diversification test was not met. In all events, however, such tax will not be less than $50,000.

If, before the end of any quarter of its taxable year, the Fund believes that it may fail the asset diversification test, the Fund may seek to take certain actions to avert such a failure. However, the action frequently taken by RICs to avert such a failure, the disposition of non-diversified assets, may be difficult for the Fund to pursue because of the limited liquidity of the interests in the Investment Funds. While general cure provisions apart from those discussed above afford the Fund a 30-day period after the end of the relevant quarter in which to cure a diversification failure by disposing of non-diversified assets, the constraints on the Fund's ability to do so may limit utilization of this cure period and, possibly, the extended cure period discussed above.

As a RIC, the Fund generally will not be subject to corporate-level U.S. federal income tax on its investment company taxable income (which includes, among other items, dividends, interest and net short-term capital gains in excess of net long-term capital losses, but determined without regard to the deduction for dividends paid) and net capital gains (the excess of net long-term capital gains over net short-term capital losses), if any, that it distributes to shareholders, provided that it meets the annual distribution requirement. The Fund intends to distribute to its shareholders, at least annually, substantially all of its investment company taxable income, net tax-exempt income, and net capital gains. Amounts not distributed on a timely basis in accordance with a calendar year distribution requirement, described below, are subject to a nondeductible 4% excise tax. To prevent imposition of the excise tax, the Fund generally must distribute during each calendar year an amount at least equal to the sum of (i) 98% of its ordinary income (not taking into account any capital gains or losses), generally determined on a calendar year basis, (ii) 98.2% of its capital gain net income, determined under prescribed rules for this purpose (which generally is computed on the basis of the one-year period ending on October 31st of such year), and (iii) any ordinary income and capital gain net income from previous years that was not distributed during those years and on which the Fund paid no U.S. federal income tax. The Fund generally intends to make distributions sufficient to avoid imposition of this excise tax, although there can be no assurance that it will be able to do so (together, the "excise tax distribution requirement").

If the Fund does not qualify as a RIC or fails to satisfy the annual distribution requirement in any taxable year, and if the Fund is not eligible for relief under the savings provisions described above, all of its taxable income will be subject to corporate-level U.S. federal income tax at regular corporate rates without any deduction for distributions to shareholders. In addition, all distributions (including distributions of net capital gain) will be taxed to their recipients as dividend income to the extent of the Fund's current and accumulated earnings and profits.

The Fund's qualification and taxation as a RIC depends upon its ability to satisfy on a continuing basis, through actual, annual operating results, distribution, income and asset, and other requirements imposed under the Code. However, no assurance can be given that the Fund will be able to meet the complex and varied tests required to qualify as a RIC or to avoid corporate level tax. In addition, because the relevant laws may change, compliance with one or more of the RIC requirements may be impossible or impracticable.

Although the Adviser expects that the Fund will operate in a manner to qualify continuously as a RIC, the Fund may decide in the future to be taxed as a C corporation, even if the Fund would otherwise qualify as a RIC if the Fund determines that treatment as a C corporation for a particular year would be in the Fund's best interests. The remainder of this discussion assumes that the Fund will continuously qualify as a RIC for each taxable year.

Taxation of U.S. Shareholders

The following discussion applies only to U.S. shareholders. If you are not a U.S. shareholder this section does not apply to you.

Distributions. The Fund will ordinarily declare and pay dividends from its net investment income and distribute net realized capital gains, if any, once a year. The Fund, however, may make distributions on a more frequent basis to comply with the distribution requirements of the Code, in all events in a manner consistent with the provisions of the Investment Company Act.

Distributions by the Fund generally are taxable to holders of Shares as ordinary income or capital gain. Distributions of the Fund's investment company taxable income (which generally is the Fund's ordinary income plus realized net short-term capital gains in excess of realized net long-term capital losses) will be taxable as ordinary income to holders of Shares to the extent of the Fund's current and accumulated earnings and profits, whether paid in cash or reinvested in additional Shares of the Fund. To the extent the dividends are attributable to dividends from U.S. corporations and certain foreign corporations, such dividends that are paid to non-corporate shareholders may, in certain cases, be eligible for treatment as "qualified dividend income," which is subject to tax at rates equivalent to long-term capital gain tax rates. Distributions of the Fund's net capital gain (generally, the excess of the Fund's net long-term capital gain over its net short-term capital loss) properly reported by the Fund as "capital gain dividends" will be taxable to holders of Shares as long-term capital gains (which, under current law, are taxed at preferential rates in the case of individuals, trusts or estates) and will not be eligible for the dividends-received deduction or treatment as "qualified dividend income." This is true regardless of such holder's holding periods for the Shares and regardless of whether the dividend is paid in cash or reinvested in additional Shares. Distributions out of current or accumulated earnings and profits also generally will not be eligible for the 20% pass through deduction under Section 199A of the Code, although qualified REIT dividends earned by the Fund may qualify for the deduction under Section 199A of the Code. Ordinary income generally cannot be offset with capital losses from other sources. As discussed below under the caption "—Fund Investments—Investments in Passive Foreign Investment Companies," a substantial portion of the Fund's distributions to its shareholders may be taxable as ordinary income and may not be eligible for the dividends-received deduction or treatment as "qualified dividend income." The Fund will inform its shareholders of the amount and character of its distributions to shareholders.

Distributions by the Fund that are, or are considered to be, in excess of the Fund's current and accumulated earnings and profits for the taxable year in which the distribution is made will reduce the adjusted tax basis of a shareholder's Shares (but not below zero) and, to the extent in excess of a shareholder's tax basis, will be treated as capital gain. Any such distributions that reduce the adjusted tax basis of a shareholder's Shares (but not below zero) represent a return of capital and, as such, will not be subject to tax at the time of the distribution. Such distributions, because they reduce the adjusted tax basis of a shareholder's Shares, may result in an increase in the amount of income or gain (or decrease in the amount of loss) that a shareholder will recognize for U.S. federal income tax purposes upon the disposition of such shareholder's Shares or upon certain subsequent distributions in respect of such Shares. As a result, any such distributions may result in a shareholder paying higher taxes at a later date.

Similarly, as discussed below under the caption "Income from Repurchases and Transfers of Shares," if a repurchase of a shareholder's Shares by the Fund does not qualify for sale or exchange treatment, the shareholder may, in connection with such repurchase, be treated as having received, in whole or in part, a taxable dividend, a tax-free distribution or taxable capital gain, depending on (i) whether the Fund has sufficient earnings and profits to support a dividend and (ii) the shareholder's tax basis in the relevant Shares repurchased. The tax basis in the Shares repurchased by the Fund, to the extent remaining after any dividend and tax-free distributions with respect to those Shares, will be reallocated, pro rata, among the bases of the selling shareholder's remaining Shares.

Distributions paid by the Fund will be reinvested in additional Shares of the Fund unless a shareholder "opts out" (elects not to reinvest in Shares). The tax treatment of dividends and capital gain distributions will be the same whether the shareholder takes them in cash or reinvests them to purchase additional Shares.

In addition to the Fund's dividend reinvestment plan, the Fund may choose to pay a majority of a required dividend in Shares rather than cash. In order for the distribution to qualify for the annual distribution requirement, the dividend must be payable at the election of each shareholder in cash or Shares (or a combination of the two), but may have a "cash cap" that limits the total amount of cash paid to not less than 20% of the entire distribution. If shareholders in the aggregate elect to receive an amount of cash greater than the Fund's cash cap, then each shareholder that elected to receive cash will receive a pro rata share of the cash and the rest of their distribution in Shares. The value of the portion of the distribution made in Shares will be equal to the amount of cash for which the Shares are substituted, and the Fund's U.S. stockholders will be subject to tax on such amount as though they had received cash.

The Fund may elect to retain its net capital gain or a portion thereof for investment and be taxed at corporate rates on the amount retained. In such case, it may report the retained amount as undistributed capital gains to its shareholders, who will be treated as if each shareholder received a distribution of his or her pro rata share of such gain, with the result that each shareholder will (i) be required to report his or her pro rata share of such gain on his or her tax return as long-term capital gain, (ii) receive a refundable tax credit for his or her pro rata share of tax paid by the Fund on the gain, and (iii) increase the tax basis for his or her Shares by an amount equal to the deemed distribution less the tax credit.

A U.S. stockholder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will generally be subject to a 3.8% tax on the lesser of (i) the U.S. stockholder's "net investment income" for a taxable year and (ii) the excess of the U.S. holder's modified adjusted gross income for such taxable year over $200,000 ($250,000 in the case of joint filers). For these purposes, "net investment income" will generally include interest and taxable distributions and deemed distributions and net gain attributable to the disposition of Shares but will be reduced by any deductions properly allocable to such distributions or net gain.

As a result of the Fund's status as a RIC under Subchapter M of the Code, the character (*i.e.*, ordinary or capital) and timing (*i.e.*, short-term gain or long-term gain) of income earned by the Fund generally will pass through to holders of Shares. As a result, the types of investments that the Fund makes may affect the amount and character of dividends or other distributions that a holder of Shares receives from the Fund.

The Fund may include in its taxable income certain amounts that it has not yet received in cash. For example, if an Investment Fund holds corporate stock with respect to which Section 305 of the Code requires inclusion in income of amounts of deemed dividends even if no cash distribution is made, the Fund must include in its taxable income in each year the full amount of its applicable share of the Fund's allocable share of these deemed dividends. The Fund also may have to include in its taxable income other amounts that it has not yet received in cash, such as accruals on a debt instrument issued with original issue discount or "payment-in-kind" interest held by an Investment Fund. As a result, the Fund may be required to make distributions to shareholders in order to satisfy the annual distribution requirement and/or the excise tax distribution requirement, even though it will have not received any corresponding cash payments.

Income from Repurchases and Transfers of Shares. A repurchase of Shares by the Fund will be a taxable transaction to the selling shareholder for U.S. federal income tax purposes, either as a "sale or exchange," or, under certain circumstances, as a "dividend." In general, the transaction should be treated as a sale or exchange of Shares to the selling shareholder if the receipt of cash results in a meaningful reduction in such shareholder's proportionate interest in the Fund or results in a "complete redemption" of such shareholder's interest, in each case applying certain constructive ownership rules under the Code.

If the repurchase of a shareholder's Shares qualifies for sale or exchange treatment, such selling shareholder generally will recognize gain or loss equal to the difference between the amount received in exchange for the repurchased Shares and the adjusted tax basis of those Shares. Such gain or loss will be capital gain or loss if the repurchased Shares were held by such selling shareholder as capital assets, and generally will be treated as long-term capital gain or loss if the selling shareholder held, or is treated as having held, the repurchased Shares for more than one year, or as short-term capital gain or loss if the selling shareholder held, or is treated as having held, the repurchased Shares for one year or less. However, if a selling shareholder received any long-term capital gain distributions in respect of the repurchased Shares (including, for this purpose, amounts credited as undistributed capital gains in respect of those Shares) and such shareholder held, or is treated as having held, the repurchased Shares for six months or less, any loss realized by such shareholder will be treated as long-term capital loss to the extent that it offsets the long-term capital gain distributions.

If the repurchase of a shareholder's Shares does not qualify for sale or exchange treatment, such shareholder may be treated as having received, in whole or in part, a taxable dividend, a tax-distribution or taxable capital gain, depending on (i) whether the Fund has sufficient earnings and profits to support a dividend and (ii) such shareholder's tax basis in the relevant Shares. The tax basis in the Shares repurchased by the Fund, to the extent remaining after any dividend and tax-free distributions (up to the amount of the shareholder's adjusted basis) with respect to those Shares, will be reallocated, pro rata, among the bases of such shareholder's remaining Shares.

If the Fund repurchases Shares that were purchased by a shareholder on or after January 1, 2012 ("Covered Shares"), the Fund will be required to report to the IRS, and to furnish to each shareholder, the cost basis and holding period for the Covered Shares repurchased by the Fund. The Fund has elected the average cost single category ("ACSC") method as the default cost basis method for purposes of this requirement. If a shareholder wishes to accept the ACSC method as its default cost basis calculation method in respect of the Covered Shares in its account, the shareholder does not need to take any additional action. If, however, a shareholder wishes to affirmatively elect an alternative cost basis calculation method in respect of the Covered Shares in its account, the shareholder must contact the Fund Administrator to obtain and complete a cost basis election form. The cost basis method applicable to a particular Share repurchase may not be changed after the valuation date established by the Fund in respect of that repurchase.

A sale of Shares, other than in the context of a repurchase of Shares by the Fund, generally will have the same tax consequences as described above in respect of a Share repurchase that qualifies for "sale or exchange" treatment.

If a shareholder recognizes a loss with respect to Shares in excess of certain prescribed thresholds (generally, $2 million or more for an individual shareholder or $10 million or more for a corporate shareholder), the shareholder must file with the IRS a disclosure statement on Form 8886. The fact that a loss is reportable as just described does not affect the legal determination of whether the taxpayer's treatment of the loss is proper.

Fund Investments.

Investments in Flow-Through Vehicles. The Fund will invest a portion of its assets in Investment Funds, some of which may be classified as partnerships for U.S. federal income tax purposes. An entity that is treated as a partnership for U.S. federal income tax purposes (and not an association or publicly traded partnership taxable as a corporation) is not itself generally subject to U.S. federal income tax. Instead, each partner of the partnership is required to take into account such shareholder's distributive share of the partnership's net capital gain or loss, net short-term capital gain or loss, deduction, credit and other items of ordinary income or loss (including all items of income, gain, loss, deduction and credit allocable to that partnership from investments in other partnerships) for each taxable year of the partnership ending with or within the partner's taxable year in order to compute such shareholder's U.S. federal income tax liability. Each such item will have the same character to a partner, and generally will have the same source (either United States or foreign), as though the partner realized the item directly. Partners of a partnership must report these items regardless of the extent to which, or whether, the partnership or the partners receive cash distributions for such taxable year. Accordingly, the Fund may be required to recognize items of taxable income and gain prior to the time that any corresponding cash distributions are made to or by the Fund and certain Investment Funds (including in circumstances where investments by the Investment Funds, such as investments in debt instrument with "original issue discount," generate income prior to a corresponding receipt of cash). In such case, the Fund may have to dispose of assets, including interests in Investment Funds, which it might otherwise have continued to hold in order to generate cash. Similarly, the Fund may have to withdraw from or dispose of interests in Investment Funds that it would otherwise have continued to hold, or devise other methods of cure, to the extent certain Investment Funds earn income of a type that is not qualifying income for purposes of the 90% gross income test or hold assets that could cause the Fund not to satisfy the diversification test.

Investments in Passive Foreign Investment Companies. A substantial portion of the Fund's assets may be invested in non-U.S. Investment Funds that are classified as PFICs. The Fund may be subject to U.S. federal income tax, at ordinary income rates, on a portion of any "excess distribution" (within the meaning of the Code) or gain from the disposition of such interests even if such income is distributed as a taxable dividend by the Fund to its shareholders. Additional charges in the nature of interest may be imposed on the Fund in respect of deferred taxes arising from such distributions or gains. If an election is made to treat the PFIC as a "qualified electing fund" under the Code (a "QEF"), then the Fund would be required, in lieu of the foregoing requirements, to include in income each year a portion of the QEF's ordinary earnings and net capital gain (at ordinary income and capital gains rates, respectively), even if such gain were not distributed to the Fund. Any required inclusions from the QEF will be considered qualifying income for purposes of the 90% gross income test. If the QEF incurs losses for a taxable year, these losses will not pass through to the Fund and, accordingly, cannot offset other income and/or gains of the Fund. The QEF election may not be able to be made with respect to certain PFICs because of certain requirements that the PFICs themselves would have to satisfy. Alternatively, in certain cases, an election can be made to mark-to-market at the end of each taxable year the shares in a PFIC. In this case, the Fund would recognize as ordinary income its share of any increase in the value of such shares, and as ordinary loss its share of any decrease in their value, to the extent it did not exceed its share of prior increases in income. Under either election, the Fund might be required to recognize income in excess of its distributions from PFICs and its proceeds from dispositions of PFIC stock during the applicable year and such income would nevertheless be subject to the distribution requirement and would be taken into account under prescribed timing rules for purposes of the 4% excise tax (described above). Dividends paid by PFICs will not be treated as "qualified dividend income." In certain cases, the Fund will not be the party legally permitted to make the mark-to-market election or QEF election in respect of indirectly held PFICs and, in such cases, will not have control over whether the party within the chain of ownership that is legally permitted to make the mark-to-market election or QEF election will do so. The Fund intends to make a mark-to-market election with respect to certain of its non-U.S. Investment Funds that are PFICs, with the result that a substantial portion of the Fund's income and gains may be ordinary in nature (and not eligible for distribution to shareholders as capital gain dividends or as "qualified dividend income"). In addition, in certain circumstances, amounts included in the Fund's income as a result of holding the stock of a PFIC may impact the Fund's ability to meet the requirements necessary to continue to qualify as RIC.

Investments in Controlled Foreign Corporations. If the Fund holds more than 10% of the shares in a foreign corporation that is treated as a CFC, the Fund may be treated as receiving a deemed distribution (taxable as ordinary income or, if eligible, the preferential rates that apply to "qualified dividend income") each year from such foreign corporation in an amount equal to its pro rata share of the foreign corporation's income for the tax year (including both ordinary earnings and capital gains), whether or not the foreign corporation makes an actual distribution during such year. This deemed distribution is required to be included in the income of a U.S. shareholder of a CFC regardless of whether the shareholder has made a QEF election with respect to such CFC (as discussed above). In general, a foreign corporation will be classified as a CFC if more than 50% of the shares of the corporation, measured by reference to combined voting power or value, is owned (directly, indirectly or by attribution) by U.S. shareholders. A "U.S. shareholder," for this purpose, is any U.S. person that possesses (actually or constructively) 10% or more of the combined value or voting power of all classes of shares of a corporation. If the Fund is treated as receiving a deemed distribution from a CFC, the Fund will be required to include such distribution in its investment company taxable income regardless of whether the Fund receives any actual distributions from such CFC, and the Fund must distribute such income to satisfy the Annual Distribution Requirement and the Excise Tax Distribution Requirement. Income inclusions from a foreign corporation that is a CFC is "good income" for purposes of the 90% Gross Income Test regardless of whether the Fund receives timely distributions of such income from the foreign corporation.

Portfolio Transactions. Gains and losses realized from portfolio transactions generally will be treated as capital gains and losses. However, generally, a portion of the gain or loss realized from the disposition of foreign currencies (including foreign currency denominated bank deposits) and non-U.S. dollar denominated securities (including debt instruments and certain futures or forward contracts and options), will be treated as ordinary income or loss. Similarly, gains or losses attributable to fluctuations in exchange rates that occur between the time the Fund accrues interest or other receivables or accrues expenses or other liabilities denominated in a foreign currency and the time such receivables are collected or the time that the liabilities are paid generally will be treated as ordinary income or loss. In addition, all or a portion of any gains realized from the sale or other disposition of certain market discount bonds generally will be treated as ordinary income, and all or a portion of the gain realized from engaging in "conversion transactions" (generally including certain transactions designed to convert ordinary income into capital gain) generally will be treated as ordinary income.

Hedging and Derivative Transactions. Gain or loss, if any, realized from certain financial futures or forward contracts and options transactions ("Section 1256 contracts") held by the Fund or an Investment Fund generally is treated as 60% long-term capital gain or loss and 40% short-term capital gain or loss. Gain or loss will arise upon exercise or lapse of Section 1256 contracts. In addition, any Section 1256 contracts remaining unexercised at the end of the holder's taxable year are treated as sold for their then fair market value, resulting in the recognition of gain or loss characterized in the manner described above.

Offsetting positions held by the Fund, or the Investment Funds, involving certain financial futures or forward contracts or options transactions with respect to actively traded personal property may be considered to constitute "straddles" for U.S. federal income tax purposes and may be subject to constructive sales rules, described below. To the extent the straddle rules under the Code apply to positions established by the Fund, or the Investment Funds, losses realized by the Fund may be deferred to the extent of unrealized gain in the offsetting positions. Further, short-term capital loss on straddle positions may be recharacterized as long-term capital loss, and long-term capital gains on straddle positions may be treated as short-term capital gains or ordinary income. Moreover, the Fund's or an Investment Fund's holding period with respect to such a period may be terminated when it enters into a straddle, and certain interest and carrying charges with respect to positions in a straddle may be required to be capitalized. Certain of the straddle positions held by the Fund, or the Investment Funds, may constitute "mixed straddles" within the meaning of the Code. One or more elections may be made in respect of the U.S. federal income tax treatment of "mixed straddles," resulting in different tax consequences. In certain circumstances, the provisions governing the tax treatment of straddles override or modify certain of the provisions discussed above.

If the Fund, or, in certain cases, an Investment Fund, either (i) holds an appreciated financial position with respect to stock, certain debt obligations or partnership interests ("appreciated financial position"), and then enters into a short sale, futures, forward, or offsetting notional principal contract (collectively, a "Contract") with respect to the same or substantially identical property, or (ii) holds an appreciated financial position that is a Contract and then acquires property that is the same as, or substantially identical to, the underlying property, the Fund may be taxed as if the appreciated financial position were sold at its fair market value on the date the Fund, or such Investment Fund, enters into the financial position or acquires the property, respectively. The foregoing will not apply, however, to any transaction during any taxable year that otherwise would be treated as a constructive sale if the transaction is closed within 30 days after the end of that year and the appreciated financial position is held unhedged for 60 days after that closing (*i.e.*, at no time during that 60-day period is the risk of loss relating to the appreciated financial position reduced by reason of certain specified transactions with respect to substantially identical or related property, such as by reason of an option to sell, being contractually obligated to sell, making a short sale, or granting an option to buy substantially identical stock or securities).

If the Fund or, in certain circumstances, an Investment Fund enters into certain derivatives (including forward contracts, long positions under notional principal contracts, and related puts and calls) with respect to equity interests in certain pass-thru entities (including other RICs, REITs, partnerships, real estate mortgage investment conduits and certain trusts and foreign corporations), long-term capital gain with respect to the derivative may be recharacterized as ordinary income to the extent it exceeds the long-term capital gain that would have been realized had the interest in the pass-thru entity been held directly during the term of the derivative contract. Any gain recharacterized as ordinary income will be treated as accruing at a constant rate over the term of the derivative contract and may be subject to an interest charge. The Treasury has authority to issue regulations expanding the application of these rules to derivatives with respect to debt instruments and/or stock in corporations that are not pass-thru entities.

Foreign Taxes. The Fund's direct or indirect investment in non-U.S. stocks or securities may be subject to withholding and other taxes imposed by countries outside the United States. In that case, the Fund's yield on those stocks or securities would be decreased. Income tax treaties between certain countries and the United States may reduce or eliminate such taxes. If more than 50% of the Fund's assets at year-end consists of the stock or securities of foreign corporations, the Fund may elect to permit its shareholders to claim a credit or deduction on their income tax returns for their pro rata portion of qualified taxes paid or deemed paid by the Fund to foreign countries in respect of foreign stock or securities the Fund has held for at least the minimum period specified in the Code. In such a case, shareholders of the Fund will include in gross income from foreign sources their pro rata shares of such taxes.

Backup Withholding. The Fund may be required to withhold, for U.S. federal income taxes, a portion of all taxable distributions payable to shareholders (a) who fail to provide the Fund with their correct taxpayer identification numbers (TINs) or who otherwise fail to make required certifications, or (b) with respect to whom the IRS notifies the Fund that such shareholder is subject to backup withholding. Certain shareholders specified in the Code and the Treasury regulations promulgated thereunder are exempt from backup withholding, but may be required to provide documentation to establish their exempt status. Backup withholding is not an additional tax. Any amounts withheld will be allowed as a refund or a credit against the shareholder's U.S. federal income tax liability if the appropriate information is timely provided to the IRS. Failure by a shareholder to furnish a certified TIN to the Fund could subject the shareholder to a $50 penalty imposed by the IRS.

Taxation of Non-U.S. Shareholders

Generally, a shareholder who, as to the United States, is a nonresident alien individual, a foreign trust or estate, or a foreign corporation (a "non-U.S. shareholder") as defined in the Code, will be subject to U.S. federal income tax on distributions received from the Fund or upon dispositions of Shares if the Fund is "effectively connected" with a U.S. trade or business carried on by the non-U.S. shareholder.

Income Not Effectively Connected. If the income from the Fund is not "effectively connected" with a U.S. trade or business carried on by the non-U.S. shareholder, distributions of investment company taxable income may be subject to a U.S. tax of 30% (or lower treaty rate, except in the case of any "excess inclusion income" allocated to the non-U.S. shareholder), which tax generally is withheld from such distributions by the Fund. All non-U.S. shareholders are urged to consult their tax advisors to determine the appropriate tax forms to provide to the Fund to claim a reduced rate or exemption from U.S. federal withholding taxes, and the proper completion of those forms.

Capital gain dividends and any amounts retained by the Fund that are properly reported by the Fund as undistributed capital gains will not be subject to U.S. tax at the rate of 30% (or applicable lower treaty rate) unless the non-U.S. shareholder is a nonresident alien individual and is physically present in the United States for more than 182 days during the taxable year and meets certain other requirements.

Notwithstanding the foregoing, properly reported dividends generally are exempt from U.S. withholding tax where they (i) are paid in respect of the Fund's "qualified net interest income" (generally, the Fund's U.S. source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which the Fund is at least a 10% equity holder, reduced by expenses that are allocable to such income) or (ii) are paid in respect of the Fund's "qualified short-term capital gains" (generally, the excess of the Fund's net short-term capital gain over the Fund's long-term capital loss for such taxable year). However, depending on its circumstances, the Fund may report all, some or none of its potentially eligible dividends as qualified net interest income or as qualified short-term capital gains, and/or treat such dividends, in whole or in part, as ineligible for this exemption from withholding. In order to qualify for this exemption from withholding, a non-U.S. shareholder will need to comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing the correct IRS Form W-8). In the case of Shares held through an intermediary, the intermediary may withhold even if the Fund designates the payment as qualified net interest income or qualified short-term capital gain. As discussed above at "Income from Repurchases and Transfers of Shares," if a repurchase of a shareholder's Shares by the Fund does not qualify for sale or exchange treatment, the shareholder may, in connection with such repurchase, be treated as having received, in whole or in part, a taxable dividend, a tax-free dividend, or capital gain, depending on (i) whether the Fund has sufficient earnings and profits to support a dividend and (ii) the shareholder's tax basis in the relevant Shares repurchased. If the repurchase qualifies as a sale or exchange, the shareholder generally will realize capital gain or loss equal to the difference between the amount received in exchange for the repurchased Shares and the adjusted tax basis of those Shares.

Any capital gain that a non-U.S. shareholder realizes upon a repurchase of Shares or otherwise upon a sale or exchange of Shares will ordinarily be exempt from U.S. tax unless (i) in the case of a non-U.S. shareholder that is a nonresident alien individual, the gain is U.S. source income and such shareholder is physically present in the United States for more than 182 days during the taxable year and meets certain other requirements, or (ii) at any time during the shorter of the period during which the non-U.S. shareholder held such Shares and the five-year period ending on the date of the disposition of those

Shares, the Fund was a "United States real property holding corporation" (as such term is defined in the Code) and the non-U.S. shareholder actually or constructively held more than 5% of the Fund's Shares.

Income Effectively Connected. If the income from the Fund is "effectively connected" with a U.S. trade or business carried on by a non-U.S. shareholder, then distributions of investment company taxable income and capital gain dividends, any amounts retained by the Fund that are reported by the Fund as undistributed capital gains, and any gains realized upon the sale or exchange of Shares will be subject to U.S. income tax at the graduated rates applicable to U.S. citizens, residents and domestic corporations, and such taxable amounts may subject a non-U.S. shareholder to U.S. tax filing obligations. Foreign corporate shareholders may also be subject to the branch profits tax imposed by the Code.

In the case of a non-U.S. shareholder, the Fund may be required to withhold U.S. federal income tax from distributions and repurchase proceeds that are otherwise exempt from withholding tax (or taxable at a reduced treaty rate), unless the non-U.S. shareholder certifies his foreign status under penalties of perjury or otherwise establishes an exemption. See "—Backup Withholding" above.

The tax consequences to a non-U.S. shareholder entitled to claim the benefits of an applicable tax treaty may differ from those described herein.

Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act ("FATCA")

Under FATCA, certain payments of U.S. source interest, dividends, and other fixed or determinable annual or periodical gains, profits and income, which are made to a "foreign financial institution" (which term may include certain non-U.S. shareholders and certain non-U.S. Investment Funds and investments) may be subject to a 30% withholding tax, if the foreign financial institution does not, among other things, comply, under an agreement with the Secretary of the U.S. Treasury or his/her delegate or the terms of an applicable intergovernmental agreement, with prescribed due diligence requirements necessary to determine which of its accounts (including equity interests in the foreign financial institution) are held by specified U.S. persons or U.S. owned foreign entities (such accounts, "United States accounts"), and prescribed reporting requirements in respect of its United States accounts. FATCA also generally imposes a 30% withholding tax on payments to non-financial foreign beneficial owners, unless the entity certifies that it does not have any substantial U.S. owners or provides the name, address and taxpayer identification number of each substantial U.S. owner, and meets certain other specified requirements. No assurance can be given that some or all of the income of the Fund, any Investment Fund, any investment and/or certain of the Fund's shareholders will not be subject to any of the above-described withholding taxes or that information will not be required to be reported to the IRS or any other person in respect of a shareholder's interest in the Fund. To comply with the requirements of FATCA, the Fund may, in appropriate circumstances, require shareholders to provide information and tax documentation regarding their direct and indirect owners, and shareholders of the Fund will be required to waive the application of any non-U.S. laws that, but for such waiver, would prevent the Fund or any other person or entity from reporting information in respect of any United States account in accordance with FATCA, including under any agreement described in Section 1471(b) of the Code (and, if necessary to effectuate the information reporting contemplated by FATCA, shareholders will be required to obtain similar waivers from their direct and indirect owners).

FATCA also imposes information reporting requirements on specified individuals and specified domestic entities that hold certain interest(s) in one or more "specified foreign financial assets." Significant penalties can apply upon a failure to make the required disclosure and in respect of understatements of tax attributable to undisclosed foreign financial assets.

ERISA CONSIDERATIONS

Persons who are fiduciaries with respect to an employee benefit plan or other arrangements or entities subject to ERISA (an "ERISA Plan"), and persons who are fiduciaries with respect to an individual retirement account ("IRA") or Keogh Plan or other arrangement or entity, which is not subject to ERISA but is subject to the prohibited transaction rules of Section 4975 of the Code (together with ERISA Plans, "Benefit Plans") should consider, among other things, the matters described below before determining whether to invest in the Fund.

ERISA imposes certain general and specific responsibilities on persons who are fiduciaries with respect to an ERISA Plan, including prudence, diversification, an obligation not to engage in a non-exempt prohibited transaction and other standards. In determining whether a particular investment is appropriate for an ERISA Plan, U.S. Department of Labor ("DOL") regulations provide that a fiduciary of an ERISA Plan must give appropriate consideration to, among other things, the role that the investment plays in the ERISA Plan's portfolio, taking into consideration whether the investment is designed reasonably to further the ERISA Plan's purposes, an examination of the risk and return factors, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan, the income tax consequences of the investment (see "Prospectus Summary—ERISA Plans and Other Tax-Exempt Entities" in the Fund's Prospectus) and the projected return of the total portfolio relative to the ERISA Plan's funding objectives. Before investing the assets of an ERISA Plan in the Fund, a fiduciary should determine whether such an investment is consistent with its fiduciary responsibilities and the foregoing regulations. For example, a fiduciary should consider whether an investment in the Fund may be too illiquid or too speculative for a particular ERISA Plan, and whether the assets of the ERISA Plan would be sufficiently diversified. Fiduciaries of such plans or arrangements should also confirm that investment in the Fund is consistent, and complies, with the governing provisions of the plan or arrangement, including any eligibility and nondiscrimination requirements that may be applicable under law with respect to any "benefit, right or feature" affecting the qualified status of the plan or arrangement, which may be of particular importance for participant-directed plans given that the Fund sells Shares only to Qualified Investors, as described in the Fund's Prospectus. If a fiduciary with respect to any such ERISA Plan breaches their responsibilities with regard to selecting an investment or an investment course of action for such ERISA Plan, the fiduciary themself may be held liable for losses incurred by the ERISA Plan as a result of such breach. A fiduciary with respect to arrangements governed by Section 4975 of the Code (such as IRAs and Keoghs) but not subject to ERISA should undertake a similar analysis in light of their fiduciary duties.

The DOL has adopted regulations at 29 C.F.R. §2510.3-101, as modified by Section 3(42) of ERISA (the "Plan Assets Rules"), that treat the assets of certain pooled investment vehicles as "plan assets" for purposes of, and subject to, Title I of ERISA and Section 4975 of the Code ("Plan Assets"). The Plan Assets Rules provide, however, that, in general, funds registered as investment companies under the Investment Company Act are not deemed to be subject to the fiduciary responsibility and prohibited transaction provisions of ERISA or Section 4975 of the Code merely because of investments made in the fund by Benefit Plans. Accordingly, the underlying assets of the Fund should not be considered to be the Plan Assets of the Benefit Plans investing in the Fund for purposes of ERISA's (or the Code's) fiduciary responsibility and prohibited transaction rules. Thus, the Adviser should not be considered a fiduciary within the meaning of ERISA or the Code by reason of its authority with respect to the Fund.

The Fund requires a Benefit Plan (and each person causing such Benefit Plan to purchase or hold an Interest in the Fund) to represent that it, and any such fiduciaries responsible for such Benefit Plan's investments, are aware of and understand the Fund's investment objective, policies and strategies, that the decision to invest Plan Assets in the Fund was made with appropriate consideration of relevant investment factors with regard to the Benefit Plan and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under ERISA and/or the Code.

Certain prospective Benefit Plan investors may currently maintain relationships with the Adviser, the Distributor or other entities that are affiliated with the Adviser or the Distributor. Each of such persons may be deemed to be a party in interest or a disqualified person to and/or a fiduciary of any Benefit Plan to which it provides investment management, investment advisory or other services. ERISA prohibits (and the Code penalizes) the use of Benefit Plan assets for the benefit of a party in interest (or a disqualified person) and also prohibits (or penalizes) a Benefit Plan fiduciary from using its position to cause such Benefit Plan to make an investment from which it or certain third parties in which such fiduciary has an interest would receive a fee or other consideration. Benefit Plan investors should consult with counsel to determine if participation in the Fund is a transaction which is prohibited by ERISA or the Code. Fiduciaries of Benefit Plan investors are required to represent that the decision to invest in the Fund was made by them as fiduciaries that are independent of such affiliated persons (except under certain limited circumstances and only pursuant to an applicable exemption from the prohibited transaction rules of ERISA and Section 4975 of the Code), that such fiduciaries are duly authorized to make such investment decision, that they have not relied on any advice or recommendation of such affiliated persons as a basis for the decision to invest in the Fund (except under such limited circumstances referred to above and only pursuant to any such applicable exemption) and that any information provided by the Fund and the affiliated persons is not a recommendation to invest in the Fund.

Benefit Plan investors subject to ERISA may be required to report certain compensation paid by the Fund (or by third parties) to the Fund's service providers as "reportable indirect compensation" on Schedule C to Internal Revenue Service Form 5500 ("Form 5500"). To the extent that any compensation arrangements described herein or in the Fund's Prospectus constitute reportable indirect compensation, any such descriptions are intended to satisfy the disclosure requirements for the alternative reporting option for "eligible indirect compensation," as defined for purposes of Schedule C to Form 5500.

The provisions of ERISA and the Code are subject to extensive and continuing administrative and judicial interpretation and review. The discussion of ERISA and the Code contained in this SAI is general, does not purport to be a thorough analysis of ERISA or the Code, may be affected by future publication of regulations and rulings and should not be considered legal advice. Potential Benefit Plan investors and their fiduciaries should consult their legal advisers regarding the consequences under ERISA and the Code of the acquisition and ownership of Shares.

Employee benefit plans that are not subject to the requirements of ERISA or Section 4975 of the Code (such as governmental plans, foreign plans and certain church plans) may be subject to similar rules under other applicable laws or documents, and should consult their own advisers as to the propriety of an investment in the Fund. In particular, "governmental plans" (as defined in Section 3(32) of ERISA) are not subject to Title I of ERISA or Section 4975 of the Code. However, state laws applicable to certain governmental plans have provisions that impose restrictions on the investments and management of the assets of such plans that are, in some cases, similar to those under ERISA and the Code discussed above. It is uncertain whether exemptions and interpretations under ERISA would be recognized by the respective state authorities in such cases. Also, some state laws prohibit or impose percentage limitations on investments of a particular type, in obligations or securities of foreign governments or entities, or bar investments in particular countries or businesses operating in such countries. Fiduciaries of governmental plans, in consultation with their advisers, should consider the impact of their respective state pension laws and regulations on investments in the Fund, as well as the considerations discussed above to the extent applicable.

BROKERAGE

Each Investment Manager is directly responsible for the execution of portfolio transactions and the allocation of brokerage for its Investment Funds. Transactions on U.S. stock exchanges and on some foreign stock exchanges involve the payment of negotiated brokerage commissions. On the great majority of foreign stock exchanges, commissions are fixed. No stated commission generally is applicable to securities traded in OTC markets, but the prices of those securities include undisclosed commissions or mark-ups. Investment Funds may not necessarily pay the lowest available commissions or mark-ups or mark-downs on each securities transaction.

The Fund did not pay brokerage commissions during the fiscal years ended March 31, 2023, March 31, 2022 and March 31, 2021.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND LEGAL COUNSEL

Ernst & Young LLP ("EY") serves as the independent registered public accounting firm of the Fund. Its principal business address is One Manhattan West, New York, New York 10001.

Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022, acts as legal counsel to the Fund.

CUSTODIAN

The Bank of New York Mellon (the "Custodian") serves as the primary custodian of the assets of the Fund, and may maintain custody of such assets with domestic and foreign subcustodians (which may be banks, trust companies, securities depositories and clearing agencies) approved by the Trustees. Assets of the Fund are not held by the Adviser or commingled with the assets of other accounts other than to the extent that securities are held in the name of a custodian in a securities depository, clearing agency or omnibus customer account of such custodian. The Custodian's principal business address is 225 Liberty Street, New York, New York 10286.

FINANCIAL STATEMENTS

The financial statements of the Fund for the fiscal year ended March 31, 2023, as audited by EY, and the report of EY are incorporated herein by reference in their entirety from the Fund's 2023 Annual Report, as filed with the SEC on Form N-CSR on June 8, 2023. The Annual Report is available on the following website: https://www.ubs.com/us/en/asset-management/individual-investors-and-financial-advisors/products/hedge-funds.html. It also is available upon request and without charge by writing the Fund at c/o UBS Hedge Fund Solutions LLC, 600 Washington Boulevard, Stamford, Connecticut 06901, or by calling (888) 793-8637.