Viking Global Equities LP

Financial Statements

December 31, 2010

Viking Global Performance LLC, the Commodity Pool Operator of Viking Global Equities LP, operates under a claim for exemption made pursuant to §4.7 of Regulations issued pursuant to the Commodity Exchange Act, as amended.

Affirmation Required by Commodity Exchange Act, Regulation §4.7(b)(3)(i) and §4.22(h)

I, Barrett C. Brown, hereby affirm that, to the best of my knowledge and belief, the information contained in the attached financial statements of Viking Global Equities LP for the year ended December 31, 2010 is accurate and complete.

Barrett C. Brown
Chief Financial Officer of Viking Global Performance LLC,
Commodity Pool Operator of Viking Global Equities LP

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Report of Independent Auditors

To the General and Limited Partners of
Viking Global Equities LP:

In our opinion, the accompanying statement of financial condition, including the condensed schedule of investments, and the related statements of operations and incentive allocation, of changes in partners' capital and of cash flows present fairly, in all material respects, the financial position of Viking Global Equities LP at December 31, 2010, and the results of its operations, the changes in its partners' capital and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the General Partner. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the General Partner, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

March 8, 2011

Viking Global Equities LP
Statement of Financial Condition
December 31, 2010

Assets	
Investments, at fair value (cost of $4,206,474,898) including $6,435,000 of securities loaned	$ 4,716,656,780
Due from brokers	2,004,561,615
Cash and cash equivalents at counterparties, pledged as collateral	70,213,837
Cash equivalents	4,695,639
Fair value of swap contracts (net upfront payments of $6,048,648)	5,684,581
Net unrealized appreciation on forward contracts	1,991,586
Interest and dividends receivable	3,850,935
Other assets	68,321,275
Total assets	$ 6,875,976,248
Liabilities and Partners' Capital	
Liabilities	
Securities sold short, at fair value (proceeds of $2,443,606,888)	$ 2,620,111,399
Net unrealized depreciation on forward contracts	3,656,086
Fair value of swap contracts (net upfront receipts of $504,836)	3,353,679
Withdrawals payable	116,784,543
Contributions received in advance	42,500,000
Payable on return of securities loaned	7,200,000
Interest and dividends payable	3,367,036
Other liabilities	1,369,830
Total liabilities	2,798,342,573
Partners' capital	4,077,633,675
Total liabilities and partners' capital	$ 6,875,976,248

The accompanying notes are an integral part of these financial statements.

Viking Global Equities LP
Condensed Schedule of Investments
December 31, 2010

Investments		Fair Value	Percentage of Partners' Capital
Common Stock			
North America			
Consumer Discretionary	$	865,662,631	21.3 %
Consumer Staples		219,292,434	5.4 %
Energy		219,238,497	5.4 %
Financials		997,335,708	24.5 %
Includes a 5.7% investment in Citigroup Inc. (49,113,800 shares) and a 6.8% investment in Invesco Ltd. (11,572,150 shares) with fair values of $232,308,274 and $278,425,929, respectively			
Health Care		603,830,945	14.8 %
Industrials		98,277,313	2.4 %
Information Technology		314,979,321	7.7 %
Materials		165,737,578	4.0 %
Telecommunication Services		201,147,905	4.9 %
Total North America (cost $3,243,505,675)		3,685,502,332	90.4 %
Includes 81.2% of investments in the United States with an aggregate fair value of $3,313,007,009			
Great Britain and Continental Europe			
Financials		51,111,219	1.2 %
Health Care		18,564,262	0.4 %
Industrials		50,895,499	1.3 %
Information Technology		44,414,226	1.1 %
Materials		75,578,177	1.9 %
Total Great Britain and Continental Europe (cost $218,034,555)		240,563,383	5.9 %
Japan			
Financials		23,555,476	0.6 %
Industrials		51,406,218	1.2 %
Information Technology		49,087,484	1.2 %
Telecommunication Services		51,796,608	1.3 %
Total Japan (cost $159,591,678)		175,845,786	4.3 %
Other Asia			
Consumer Discretionary		27,777,083	0.7 %
Consumer Staples		870,873	0.0 %
Financials		89,479,790	2.2 %
Industrials		13,492,225	0.3 %
Information Technology		156,916,534	3.9 %
Total Other Asia (cost $303,729,660)		288,536,505	7.1 %
Scandinavia			
Industrials		122,711,212	3.0 %
Total Scandinavia (cost $92,054,210)		122,711,212	3.0 %
South America			
Consumer Discretionary		8,006,030	0.2 %
Total South America (cost $8,723,562)		8,006,030	0.2 %
Total Common Stock (cost $4,025,639,340)	$	4,521,165,248	110.9 %

The accompanying notes are an integral part of these financial statements.

Viking Global Equities LP
Condensed Schedule of Investments
December 31, 2010

Investments (continued)		Fair Value	Percentage of Partners' Capital
Preferred Securities			
North America			
Financials	$	5,786,712	0.1 %
Total North America (cost $5,370,000)		5,786,712	0.1 %
Great Britain and Continental Europe			
Consumer Discretionary		33,418,750	0.8 %
Total Great Britain and Continental Europe (cost $30,917,330)		33,418,750	0.8 %
Total Preferred Securities (cost $36,287,330)	$	39,205,462	0.9 %
Corporate Debt Securities			
North America			
Consumer Discretionary	$	59,504,596	1.5 %
Utilities		2	0.0 %
Total North America (cost $53,432,331)		59,504,598	1.5 %
Great Britain and Continental Europe			
Financials		16,252,264	0.4 %
Total Great Britain and Continental Europe (cost $17,665,928)		16,252,264	0.4 %
Total Corporate Debt Securities (cost $71,098,259)	$	75,756,862	1.9 %
Loans			
North America			
Consumer Discretionary	$	80,452,555	2.0 %
Total North America (cost $62,133,249)		80,452,555	2.0 %
Great Britain and Continental Europe			
Consumer Discretionary		-	0.0 %
Total Great Britain and Continental Europe (cost $3,877,109)		-	0.0 %
Total Loans (cost $66,010,358)	$	80,452,555	2.0 %
Investments in Other Funds and Private Placements			
North America			
Other	$	66,804	0.0 %
Total North America (cost $7,420,919)		66,804	0.0 %
Japan			
Other		9,849	0.0 %
Total Japan (cost $18,692)		9,849	0.0 %
Total Investments in Other Funds and Private Placements (cost $7,439,611)	$	76,653	0.0 %
Total Investments (cost $4,206,474,898)	$	4,716,656,780	115.7 %

The accompanying notes are an integral part of these financial statements.

Viking Global Equities LP
Condensed Schedule of Investments
December 31, 2010

Derivative Instruments

	Notional	Fair Value	Percentage of Partners' Capital
Equity Swaps - Long Positions			
Great Britain and Continental Europe	$ 79,094	$ 150	0.0 %
Other Asia	5,347,740	67,081	0.0 %
South America	2,640,812	(255,936)	0.0 %
Total Equity Swaps - Long Positions	$ 8,067,646	$ (188,705)	0.0 %
Credit Default Swaps - Protection Sold			
North America	$ 11,885,000	$ (336,525)	0.0 %
Total Credit Default Swaps - Protection Sold (Net upfront receipts of $2,471,438)	$ 11,885,000	$ (336,525)	0.0 %

	Contracted Amount	Fair Value	Percentage of Partners' Capital
Forward Contracts - Long Positions			
Australian Dollar	$ 6,122,887	$ 113,023	0.0 %
Brazilian Real	35,697,791	663,533	0.0 %
British Pound	8,244,474	(12,505)	0.0 %
Canadian Dollar	114,458,725	1,296,471	0.0 %
Euro	80,370,954	609,557	0.0 %
Hong Kong Dollar	23,258,405	12,116	0.0 %
Hungarian Forint	18,754,280	286,197	0.0 %
Indian Rupee	858,368	9,929	0.0 %
Indonesian Rupiah	675,459	(738)	0.0 %
Japanese Yen	31,646,307	865,273	0.0 %
Mexican Peso	9,876,016	108,442	0.0 %
Turkish Lira	19,218,020	(243,066)	0.0 %
South Korean Won	57,107,191	906,941	0.0 %
Swedish Krona	1,443,593	12,983	0.0 %
Swiss Franc	28,039,753	1,404,199	0.1 %
Total Forward Contracts - Long Positions	$ 435,772,223	$ 6,032,355	0.1 %

The accompanying notes are an integral part of these financial statements.

Securities Sold Short

		Fair Value	Percentage of Partners' Capital
Common Stock			
North America			
Consumer Discretionary	$	(262,465,091)	(6.5)%
Consumer Staples		(125,603,876)	(3.1)%
Energy		(116,826,880)	(2.9)%
Financials		(602,622,778)	(14.8)%
Health Care		(322,078,824)	(7.9)%
Industrials		(295,911,259)	(7.2)%
Information Technology		(429,914,124)	(10.5)%
Telecommunication Services		(59,961,273)	(1.5)%
Utilities		(25,612,764)	(0.6)%
Total North America (proceeds $2,083,289,025)		(2,240,996,869)	(55.0)%
Includes (51.6%) of investments in the United States with an aggregate fair value of ($2,104,578,895)			
Great Britain and Continental Europe			
Consumer Staples		(19,191,507)	(0.5)%
Financials		(116,356,237)	(2.8)%
Health Care		(53,133,481)	(1.3)%
Industrials		(21,567,957)	(0.5)%
Information Technology		(31,640,938)	(0.8)%
Telecommunication Services		(41,052,792)	(1.0)%
Total Great Britain and Continental Europe (proceeds $278,369,481)		(282,942,912)	(6.9)%
Scandinavia			
Consumer Discretionary		(22,740,464)	(0.6)%
Industrials		(24,243,159)	(0.6)%
Total Scandinavia (proceeds $33,464,629)		(46,983,623)	(1.2)%
Other Asia			
Consumer Staples		(11,244,305)	(0.3)%
Financials		(14,140,854)	(0.3)%
Materials		(15,468,502)	(0.4)%
Total Other Asia (proceeds $40,315,216)		(40,853,661)	(1.0)%
Total Common Stock (proceeds $2,435,438,351)	$	(2,611,777,065)	(64.1)%
Corporate Debt Securities			
Great Britain and Continental Europe			
Financials	$	(8,334,334)	(0.2)%
Total Great Britain and Continental Europe (proceeds $8,168,537)		(8,334,334)	(0.2)%
Total Corporate Debt Securities (proceeds $8,168,537)	$	(8,334,334)	(0.2)%
Total Securities Sold Short (proceeds $2,443,606,888)	$	(2,620,111,399)	(64.3)%

The accompanying notes are an integral part of these financial statements.

Viking Global Equities LP
Condensed Schedule of Investments
December 31, 2010

Derivative Instruments

	Notional	Fair Value	Percentage of Partners' Capital
Equity Swaps - Short Positions			
Japan	$ (57,050,839) $	(1,640,607)	0.0 %
Great Britain and Continental Europe	(29,192,867)	488,591	0.0 %
Other Asia	(118,888,841)	(5,394,655)	(0.1)%
South America	(42,506,869)	5,603,823	0.1 %
Total Equity Swaps - Short Positions	$(247,639,416) $	(942,848)	0.0 %
Credit Default Swaps - Protection Purchased			
North America	$ (66,595,000) $	3,353,258	0.1 %
Great Britain and Continental Europe	(124,515,000)	492,911	0.0 %
Scandinavia	(10,170,000)	(47,189)	0.0 %
Total Credit Default Swaps - Protection Purchased (Net upfront payments of $8,015,250)	$(201,280,000) $	3,798,980	0.1 %

	Contracted Amount	Fair Value	Percentage of Partners' Capital
Forward Contracts - Short Positions			
Australian Dollar	$ (36,407,965) $	(1,557,485)	0.0 %
Brazilian Real	(4,801,873)	(161,398)	0.0 %
British Pound	(107,274,752)	1,027,943	0.0 %
Canadian Dollar	(12,904,638)	(176,448)	0.0 %
Chinese Yuan	(3,532,280)	553	0.0 %
Euro	(30,542,368)	(382,197)	0.0 %
Hong Kong Dollar	(100,076,905)	49,800	0.0 %
Hungarian Forint	(1,663,710)	(25,246)	0.0 %
Indian Rupee	(13,794,696)	(209,805)	0.0 %
Indonesian Rupiah	(3,023,218)	3,469	0.0 %
Japanese Yen	(176,794,146)	(4,845,296)	(0.1)%
Mexican Peso	(1,711,308)	(8,491)	0.0 %
South Korean Won	(3,336,572)	(97,573)	0.0 %
Swedish Krona	(42,726,066)	(978,303)	0.0 %
Swiss Franc	(9,710,329)	(336,378)	0.0 %
Total Forward Contracts - Short Positions	$(548,300,826) $	(7,696,855)	(0.1)%

The accompanying notes are an integral part of these financial statements.

Viking Global Equities LP
Statement of Operations and Incentive Allocation
Year Ended December 31, 2010

Investment income	
Dividends (net of withholding taxes of $3,803,815)	$ 56,018,274
Interest	8,021,485
Other	263,045
Total investment income	64,302,804
Expenses	
Management fees	48,207,757
Dividends on securities sold short	42,707,003
Interest	6,279,590
Professional fees and other	6,185,495
Total expenses	103,379,845
Net investment loss	(39,077,041)
Net gains from investment transactions	
Net realized gains (losses) on	
Investments and securities sold short	165,726,414
Swap contracts	20,805,890
Forward contracts	(24,700,118)
Futures contracts (net of commissions of $10,702)	1,906,264
Foreign currency transactions	(928,494)
Net realized gains	162,809,956
Net change in unrealized appreciation (depreciation) on	
Investments and securities sold short	87,465,160
Swap contracts	(5,581,813)
Forward contracts	(9,331,568)
Futures contracts	3,857,981
Net change in unrealized appreciation	76,409,760
Net realized gains and net change in unrealized appreciation from investment transactions	239,219,716
Net increase in partners' capital resulting from operations before incentive allocation to the General Partner	200,142,675
Less: Incentive allocation to the General Partner (Note 7)	32,116,953
Net increase in partners' capital resulting from operations available for pro-rata distribution to all partners	$ 168,025,722

The accompanying notes are an integral part of these financial statements.

Viking Global Equities LP
Statement of Changes in Partners' Capital
Year Ended December 31, 2010

	General Partner	Limited Partners	Total
Balance at December 31, 2009	$ 9,575,909	$ 3,953,570,430	$ 3,963,146,339
Contributions	4,000,000	408,394,978	412,394,978
Withdrawals	(27,944,325)	(470,105,992)	(498,050,317)
Pro-rata allocation of net increase in partners' capital resulting from operations	(8,757)	200,151,432	200,142,675
Incentive allocation to the General Partner	32,116,953	(32,116,953)	-
Balance at December 31, 2010	$ 17,739,780	$ 4,059,893,895	$ 4,077,633,675

The accompanying notes are an integral part of these financial statements.

Viking Global Equities LP
Statement of Cash Flows
Year Ended December 31, 2010

Cash flows from operating activities	
Net increase in partners' capital resulting from operations before incentive allocation to the General Partner	$ 200,142,675
Adjustments to reconcile net increase in partners' capital resulting from operations before incentive allocation to the General Partner to net cash provided by operating activities:	
Purchases of securities	(12,983,842,947)
Purchases to cover securities sold short	(7,776,607,182)
Proceeds from sales of securities	12,730,526,181
Proceeds from securities sold short	8,130,483,489
Proceeds from withdrawals from investments in other funds	2,569,011
Net realized gain on investments and securities sold short	(165,726,414)
Net change in unrealized appreciation on investments and securities sold short	(87,465,160)
Net change in unrealized appreciation on swap contracts	5,581,813
Net change in unrealized appreciation on forward contracts	9,331,568
Net change in net upfront payments on swap contracts	(3,578,688)
Net change in unrealized depreciation on futures contracts	(3,857,981)
Changes in operating assets and liabilities:	
Due from brokers	36,093,681
Interest and dividends receivable	(405,358)
Other assets	(68,286,833)
Payable on return of securities loaned	6,158,606
Interest and dividends payable	1,612,111
Other liabilities	226,108
Net cash provided by operating activities	32,954,680
Cash flows from financing activities	
Contributions	433,976,645
Withdrawals	(575,748,671)
Net cash used in financing activities	(141,772,026)
Change in cash	(108,817,346)
Cash[a]	
Beginning of year	183,726,822
End of year	$ 74,909,476
Supplemental disclosure of cash flow information	
Interest paid	$ 6,063,384

[a] Cash includes cash equivalents and cash and cash equivalents at counterparties, pledged as collateral

The accompanying notes are an integral part of these financial statements.

1. Organization

Viking Global Equities LP (the "Partnership") commenced operations as a Delaware limited partnership on September 8, 1999. The Partnership is registered with the Commodity Futures Trading Commission and the National Futures Association as a commodity pool. The Partnership will terminate on the earliest of: December 31, 2050; the termination, bankruptcy, insolvency, or dissolution of the general partner, Viking Global Performance LLC (the "General Partner"); or such time as the General Partner, in its sole discretion, chooses to dissolve the Partnership. The General Partner is registered with the Commodity Futures Trading Commission as a commodity pool operator.

The Partnership's overall objective is to achieve maximum capital appreciation commensurate with reasonable risk. In pursuing this objective, the General Partner uses fundamental analysis to select investments primarily in equity securities, but also in debt, credit, derivative, and other financial instruments. The Partnership invests in companies located around the world that operate in a wide range of industries. The Partnership takes short positions as well as long positions and may use other forms of leverage.

Viking Global Investors LP, a Delaware limited partnership (the "Management Company"), provides certain administrative and managerial services for the Partnership.

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Investment Transactions and Related Income

Security transactions are recorded on a trade-date basis. Realized gains and losses from security transactions are computed on the basis of the identified cost of the securities sold or covered. Dividend income and expense are recorded on the ex-dividend date and interest income and expense are recorded on the accrual basis. Dividend and interest income are recorded net of foreign withholding taxes.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the General Partner to make estimates and assumptions that affect the fair value of investments, the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in partners' capital from operations during the reporting period. Actual results could differ from those estimates and the differences could be material.

Investment Valuation

The following summarizes the specific methodologies used by the General Partner to value securities and other investments:

Equities: Equities are generally valued at last sale on the primary exchange or the consolidated tape in the case of equities listed on the Nasdaq National Market System. If last sale is not available, long positions are valued at the bid and short positions are valued at the ask.

Warrants: Warrants are generally valued at their intrinsic value (underlying security price less strike price).

Futures: Exchange traded futures are valued at last sale.

Equity Swaps: Equity swaps are generally valued based on the value of the underlying security, accrued interest and the terms of the specific contract.

Listed Options: Listed options are valued at last sale. If last sale is not available, long positions are valued at the bid and short positions are valued at the ask.

Over-the-Counter ("OTC") Options: OTC options are modeled using inputs from market participants.

Forward Currency Contracts: Forward currency contracts are valued using spot rates and forward points interpolated on a straight-line basis.

Corporate Bonds: Corporate bonds are valued using Financial Industry Regulatory Authority, Inc. ("FINRA") TRACE. If a FINRA TRACE price is not available, corporate bonds are valued via broker quotes, using multiple quotes when available and deemed reliable.

Credit Default Swaps: Credit default swaps are valued based upon industry standard models and values are obtained from a third-party valuation source.

Loans: Loans are valued based upon pricing obtained from a third-party valuation source.

Investments in Other Funds: Investments in other funds are valued using valuations received from the administrator or investment manager of the relevant fund.

In the event the Partnership acquires securities or other investments for which market quotations or inputs are not available, such securities or investments are valued at their fair value as determined by the General Partner. Had an active market existed for such investments, the fair value assigned to such positions could have been different and the difference could be material. The factors used by the General Partner to estimate fair value are described in Note 3.

Securities Sold Short

The Partnership sells securities that it does not own, and it will therefore be obligated to purchase such securities at a future date. Upon entering into a short position, the Partnership recognizes the proceeds received as due from brokers in the Statement of Financial Condition and an offsetting liability is established for securities due under the short sale agreement. Such liability is subsequently marked-to-market. The Partnership records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of the open short position and records a realized gain or loss when the short position is closed out.

Options

The Partnership may buy or write put and call options through listed exchanges and the OTC market. The buyer has the right to purchase (in the case of a call option) or sell (in the case of a put option) a specified quantity of a specific security or other underlying asset at a specified price prior to or on a specified expiration date. The writer of an option is exposed to the risk of loss if the market price of the underlying asset declines (in the case of a put option) or increases (in the case of a call option). The writer of an option can never profit by more than the premium paid by the buyer but can lose an unlimited amount in the case of written call options.

The premium paid for the purchase of an option is included in the Statement of Financial Condition as an investment and is subsequently marked-to-market to reflect the current fair value of the option. If an option expires on the stipulated expiration date, the Partnership realizes a loss equal to the premium of the option. If the Partnership enters into a closing sale transaction, the Partnership realizes a gain or loss, depending on whether the proceeds from the closing sale transaction are greater than or less than the premium of the option. If the Partnership exercises a call option, the cost of the securities acquired upon exercise is increased by the premium paid to buy the call. If the Partnership exercises a put option, the Partnership realizes a gain or loss from the sale of the underlying securities, and the proceeds are reduced by the premium originally paid.

When the Partnership writes an option, an amount equal to the premium received is included in the Statement of Financial Condition as an asset and an equivalent liability. The liability is subsequently marked-to-market to reflect the current value of the option. If an option expires on its stipulated expiration date, the Partnership realizes a gain equal to the proceeds originally received. If the Partnership enters into a closing purchase transaction, the Partnership realizes a gain or loss depending on whether the cost of the closing purchase is less than or greater than the premium received when the option was written. If a written call option is exercised, the Partnership realizes a gain or loss from the sale of the underlying security and the proceeds of the sale are increased by the premium received. If a written put option is exercised, the amount of the premium received reduces the cost of the security which the Partnership purchases upon exercise of the option.

Forward Currency Contracts
The Partnership may enter into forward currency contracts with counterparties to attempt to hedge against currency fluctuations of its assets and liabilities. Forward contracts are over-the-counter contracts for delayed delivery of securities or currency in which the buyer agrees to buy and the seller agrees to deliver a specified security or currency at a specified price on a specified date. As the terms of forward contracts are not standardized, they are not traded on organized exchanges and generally can be terminated or closed-out only by agreement of both parties to the contract. All commitments are marked-to-market on each valuation date at the applicable forward foreign exchange rate and any resulting unrealized gain or loss is recorded on such date. The Partnership realizes gains and losses at the time forward contracts are extinguished or closed upon entering into an offsetting contract. Such realized gain or loss is equal to the difference between proceeds from (or cost of) the closeout of the contract and the original contract price.

Futures Contracts
The Partnership may seek to offset economic exposure to all or a portion of its investments or to maintain a fully invested position through the use of futures contracts. Upon entering into a futures contract, the Partnership is required to deposit an amount ("initial margin") equal to a certain percentage of the contract value. Pursuant to the contract, the Partnership agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments are known as "variation margin" and are recorded by the Partnership as unrealized gains or losses. When the contract is closed, the Partnership records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

Swap Agreements

The Partnership may enter into various types of swap agreements to exchange one return or cash flow for another return or cash flow in an attempt to hedge against unfavorable changes in the value of securities or underlying reference entities or to remain fully invested and to reduce transaction costs.

An equity swap is a contract under which two parties agree to make periodic payments to each other based on the value of a security, specified interest rates, an index or the value of some other instrument applied to a stated or "notional" amount. An equity swap is a customized derivative instrument that entitles the counterparty to certain payments on the gain or loss of value of an underlying equity security. When an equity swap is reset or terminated, the Partnership records a realized gain or loss equal to the difference between the close-out or reset price and the original contract price. Equity swaps are subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operational risk. In certain cases, the Partnership's potential liability under equity swap contracts is open ended and can exceed the amount on the Statement of Financial Condition.

The Partnership may invest in credit default swap ("CDS") contracts, including, without limitation, index CDS, to offset economic exposure and/or for investment purposes. The buyer in a CDS is obligated to pay the seller a periodic stream of payments over the term of the contract provided that no event of default on an underlying obligation has occurred. If a credit event occurs, the seller must pay the buyer the full notional value, or par value, of the obligation. CDS transactions are either physical settled or cash settled. Physical settlement entails the actual delivery by the buyer of the reference asset to the seller in exchange for the payment of the full par value of the reference asset. Cash settlement entails a net cash payment from the seller to the buyer based on the difference of the par value of the reference asset and the fair value of the reference asset. The Partnership may be either the buyer or seller in a CDS transaction. At December 31, 2010, the Partnership was a seller and buyer of CDS contracts with notional values of $11,885,000 and $201,280,000 respectively.

Swap agreements are stated at fair value and are presented net by counterparty as an asset or liability on the Statement of Financial Condition. A realized gain or loss is recorded upon termination of the swap or on a reset date when the Partnership receives or makes payment.

Portfolio Securities on Loan

The Partnership may loan securities during the year to certain brokers. Upon such loan, the Partnership receives collateral which is maintained by the broker and either earns or pays a negotiated lender's fee on such loaned securities which is included in interest income or expense, respectively, in the Statement of Operations and Incentive Allocation. On a daily basis, the Partnership monitors the fair value of securities loaned and maintains collateral against the securities loaned in an amount not significantly less than the fair value of the securities loaned. The Partnership receives collateral primarily in the form of cash. Risks may arise upon entering into securities lending to the extent that the fair value of the collateral is less than the fair value of the securities loaned due to changes in the fair value of loaned securities or the fair value of the collateral if other than cash. At December 31, 2010, the value of the securities loaned and related cash held as collateral was $6,435,000 and $7,200,000, respectively.

Currency Translation

Assets and liabilities denominated in foreign currencies are translated to U.S. dollar equivalents at the closing rates of exchange at the end of the year with the resulting differences included in the net realized gain on the Statement of Operations and Incentive Allocation. Purchases and sales of investments, and related items of income and expense, which occur during the year are transacted at the rates of exchange prevailing on the respective dates of the transaction. Net realized currency transaction gains or losses include the effects of currency movements between trade and settlement dates on securities transactions and the difference between foreign amounts accrued and amounts received or paid upon settlement. Changes in foreign exchange rates on investments and securities sold short are not segregated from the fluctuations arising from changes in market prices of securities held or sold short.

Cash Equivalents

The Partnership considers highly liquid short term investments, held at banks or prime brokers, with original maturities of ninety days or less from the time of purchase to be considered cash equivalents.

Due from Brokers and Cash and Cash Equivalents at Counterparties

Due from brokers includes cash balances maintained at the Partnership's prime brokers and banks and any amounts related to unsettled security transactions, including spot contracts, at December 31, 2010. Cash and cash equivalents at counterparties includes cash and cash equivalents required to be posted as collateral in connection with open swap and forward contracts. This collateral amount includes any initial margin requirements and any unrealized gains or losses on the open swap and forward contracts, subject to minimum transfer amounts.

If the Partnership's account with any prime broker has a debit balance, the prime broker has the right to rehypothecate the Partnership's investments in securities. Rehypothecation does not restrict the Partnership's ability to buy or sell securities and also does not affect the protections afforded the Partnership's under such arrangements. However, rehypothecation exposes the Partnership to counterparty risk. At December 31, 2010, in order for the Partnership to maintain its current asset value at its prime brokers, the required minimum cash and investments totaled $959,526,594.

Other Assets

Included within other assets is $65,434,770 of a subscription made in advance to a private investment fund managed by a third party. The investment was accepted in February 2011, whereby $28,228,383 remained invested with the third party and $37,206,387 was returned to the Partnership. Upon acceptance, the investment was classified as level 3 (see Note 3).

Withdrawals Payable

The Partnership recognizes withdrawals as liabilities, net of incentive allocation, when the dollar amount requested in the withdrawal notice becomes fixed. This generally may occur either at the time of the receipt of the notice or on the last day of a fiscal period, depending on the nature of the request. As a result, withdrawals in the amount of $115,984,543 were paid in January 2011, but based upon year-end values, are reflected in withdrawals payable at December 31, 2010. Fixed withdrawals due after January 3, 2011 amounted to $800,000 and are also included in withdrawals payable at December 31, 2010. Withdrawal notices received for which the dollar amounts are not fixed or determinable remain in partners' capital until the amounts become fixed.

Special Purpose Vehicles

The Partnership may invest in special purpose vehicles in which other funds affiliated with the General Partner may also invest. In such cases, the Condensed Schedule of Investments reflects the Partnership's proportionate share of such underlying investment.

Income Taxes

The Partnership intends to be treated as a partnership for U.S. income tax purposes and, as such, is not subject to U.S. federal, state or local income taxes; such taxes are the responsibility of individual partners. Accordingly, no provision has been made in the accompanying financial statements for any U.S. federal, state, or local income taxes. The General Partner intends to conduct the business of the Partnership to the maximum extent practicable so that the Partnership's activities do not create a taxable presence in any non-U.S. jurisdiction. Dividends and other income received by the Partnership from sources outside the U.S. may be subject to, and reflected net of, foreign withholding tax. Interest, dividends and other income realized by the Partnership from non-U.S. sources and capital gains realized on the sale of non-U.S. issues may be subject to withholding taxes and other taxes levied by the jurisdiction in which the income is sourced in addition to amounts already included in the accompanying financial statements.

The Partnership recognizes a tax benefit from an uncertain position only if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authority's widely understood administrative practices and precedents. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. No reserve for uncertain tax positions has been made in the accompanying financial statements.

The Partnership files income tax returns in the U.S. federal jurisdiction and various other state and local jurisdictions. The Partnership is subject to examinations by certain taxing authorities for all periods, which vary by jurisdiction, since its inception. The General Partner does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

3. Fair Value Measurement

The Partnership has adopted GAAP's fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the General Partner. The General Partner considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the General Partner's perceived risk of that instrument.

In determining an instrument's placement within the hierarchy, the General Partner separates the Partnership's investment portfolio into two categories: investments and derivative instruments. Each of these categories can further be divided between those held long or sold short.

Investments: Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, include primarily actively traded equities. The General Partner does not adjust the quoted price for such instruments, even in situations where the Partnership holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These may include investment-grade corporate bonds, certain bank loans and less liquid listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include investments in other funds, less liquid bank loans, corporate debt securities (including distressed debt instruments) and private placements. When observable prices are not available for these securities, the General Partner uses one or more valuation techniques (e.g., the market approach or the income approach) for which sufficient and reliable data is available.

The inputs used by the General Partner in estimating the value of level 3 investments include recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the General Partner in the absence of market information. Assumptions used by the General Partner due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Partnership's results of operations.

Derivative Instruments: Derivative instruments can be exchange-traded or privately negotiated OTC. Exchange-traded derivatives, such as futures contracts and exchange traded option contracts, are typically classified within level 1 or level 2 of the fair value hierarchy depending on whether or not they are deemed to be actively traded.

OTC derivatives, including forwards, CDS and equity swaps, are valued by the General Partner using observable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used for applicable OTC option contracts, the value depends upon the contractual terms of, and specific risks inherent in the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, spot rates, forward points, yield curves, credit curves, measures of volatility, and correlations of such inputs. At December 31, 2010, all OTC derivatives had inputs that could be corroborated by market data and are thus classified as level 2.

The following table presents the financial instruments carried on the Statement of Financial Condition by caption and by level within the valuation hierarchy as of December 31, 2010.

Assets at Fair Value as of December 31, 2010

	Level 1	Level 2	Level 3	Total
Common Stock	$ 4,521,165,248	$ -	$ -	$ 4,521,165,248
Preferred Securities	33,418,750	5,786,712	-	39,205,462
Corporate Debt Securities	-	75,756,814	48	75,756,862
Loans	-	80,452,555	-	80,452,555
Investments in Other Funds and Private Placements	-	-	76,653	76,653
Cash Equivalents	49,415,639	-	-	49,415,639
Equity Swaps	-	1,488,229	-	1,488,229
Forward Contracts	-	1,991,586	-	1,991,586
Credit Default Swaps	-	4,196,352	-	4,196,352
	$ 4,603,999,637	$ 169,672,248	$ 76,701	$ 4,773,748,586

Liabilities at Fair Value as of December 31, 2010

	Level 1	Level 2	Level 3	Total
Common Stock	$ (2,611,776,923)	$ -	$ (142)	$ (2,611,777,065)
Corporate Debt Securities	-	(8,334,334)	-	(8,334,334)
Equity Swaps	-	(2,619,782)	-	(2,619,782)
Forward Contracts	-	(3,656,086)	-	(3,656,086)
Credit Default Swaps	-	(733,897)	-	(733,897)
	$ (2,611,776,923)	$ (15,344,099)	$ (142)	$ (2,627,121,164)

The following table presents a roll forward of the financial instruments classified within level 3 for the year ended December 31, 2010. The classification of a financial instrument within level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement. The change in unrealized depreciation on level 3 investments held as of December 31, 2010 was $1,168,147.

	Fair Value Measurements using Level 3 inputs - Long Positions			
	Corporate Debt Securities	Loans	Investments in Other Funds and, Private Placements	Total
Balance at December 31, 2009	$ 21,230,996	$ -	$ 2,618,836	$ 23,849,832
Net Transfers	2	-	-	2
Cost of Purchases [a]	-	(3,877,109)	(10,400)	(3,887,509)
Proceeds from Sales	(24,759,800)	(113,117)	(2,569,011)	(27,441,928)
Realized Gains/Losses	9,882,708	18,402	1,519,011	11,420,121
Change in Unrealized Gains/Losses	(6,353,858)	3,971,824	(1,481,783)	(3,863,817)
Balance at December 31, 2010	$ 48	$ -	$ 76,653	$ 76,701

[a] These amounts include any applicable cost basis adjustments.

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying Statement of Operations and Incentive Allocation.

4. Derivative Instruments

In the normal course of business, the Partnership enters into swaps to reduce risk or to simulate positions that are unavailable in the market. The Partnership also attempts to reduce foreign exchange risk by entering into forward currency contracts. Generally, these financial instruments represent future commitments to purchase, sell, or exchange other financial instruments on specific terms at specified future dates. The total notional or contractual amounts and fair values of derivative instruments by contract type have been disclosed on the Condensed Schedule of Investments. The realized and change in unrealized gains and losses on derivative instruments by contract type are included on the Statement of Operations and Incentive Allocation for the year ended December 31, 2010. At December 31, 2010, the Partnership maintained a collateral balance of $71,888,297 with counterparty dealers in connection with short and long swap agreements. The significant accounting policies relating to the recording of derivatives and the related realized gains and losses have been summarized in Note 2.

Certain of the Partnership's agreements with derivative counterparties contain provisions whereby if any trigger/criterion, as applicable, or breach of credit covenants were enacted (in certain situations, there exists provisions to cure such breaches), the counterparty could demand additional collateral or require termination or replacement of derivative instruments in a net liability position at the particular counterparty. The aggregate fair value of all derivative instruments with such credit-risk related contingent features that are in a net liability position per counterparty on December 31, 2010 was $2,028,806, for which the Partnership has either posted cash as collateral or cross-collateralized against the Partnership's net equity with that counterparty. If the credit-risk related contingent features underlying these agreements were triggered on December 31, 2010, the Partnership may be required to post additional collateral or potentially settle the contract in an amount equal to the agreed-upon fair value.

The following table summarizes the realized and change in unrealized gains and losses on derivatives, by contract type, as included in the Statement of Operations and Incentive Allocation for the year ended December 31, 2010.

Derivative Type		**For the year ended December 31, 2010**
Equity Swaps	$	16,087,190
Credit Default Swaps		(863,113)
Forward Currency Contracts		(34,031,686)
Futures		5,764,245
Total	**$**	**(13,043,364)**

The following table lists fair value of derivatives by contract type as included on the Statement of Financial Condition:

		Gross Derivative Assets		**Gross Derivative Liabilities**
Credit Default Swaps	$	6,204,914	$	(2,742,459)
Equity Swaps		7,408,744		(8,540,297)
Forward Contracts		7,577,774		(9,242,274)
Netting *		(13,515,265)		13,515,265
Carrying value of derivatives on the Statement of Financial Condition	$	7,676,167	$	(7,009,765)

* Note: Derivative assets and liabilities are presented net on the Statement of Financial Condition when a master netting agreement exists between the Partnership and a derivative counterparty.

The notional amounts reflected in the Condensed Schedule of Investments are indicative of the volume of credit default swap transactions for the Partnership during the year ended December 31, 2010. The average contracted amount for forward contracts during the year ended December 31, 2010 was $267,753,337. For the year ended December 31, 2010, the average mark-to-market notional on equity swaps was $126,877,404.

The notional amounts of CDS are not recorded in the financial statements; however the notional amount does approximate the maximum potential amount of future payments that the Partnership could be required to make if the Partnership were the seller of protection and a credit event were to occur.

Those CDS for which the Partnership is providing protection as of December 31, 2010 are summarized as follows:

Reference Asset		Single Name Credit Default Swaps Corporate Debt
Fair value of written credit derivatives	$	(336,525)
Maximum potential amount of future payments		11,885,000
Recourse provisions with third parties to recover any amounts paid under the credit derivative (e.g., offsetting purchased credit protection)		-
Collateral held by the Partnership or other third parties which the Partnership can obtain upon occurrence of triggering event		-

The following table summarizes the Partnership's CDS terms on open contracts for which the Partnership is providing protection, by period and by credit spread.

Maximum Potential Amount of Future Payments by Contract Term

Current credit spread [(a)] on underlying (in basis points)		2-3 Years
500	$	11,885,000
Total	$	11,885,000

[(a)] The credit spread on the underlying asset is generally indicative of the current status of the underlying risk of the Partnership having to perform. The spread also reflects the cost of buying/selling protection and may include the upfront payments required to be made to enter into a contract. Higher credit spreads with a shorter contract term are indicative of a higher likelihood of performance by the Partnership.

5. Partners' Capital Accounts

Capital Contributions

The Partnership no longer accepts contributions to Class A and Class B Interests but currently offers Class H and Class I Interests, which generally correspond to Class A and Class B Interests but differ with regards to certain withdrawal rights and incentive allocation provisions. Interests are offered at such times as determined by the General Partner.

As of December 31, 2010, limited partner capital for Class A and Class H was $3,483,280,647, and for Class B and Class I was $576,613,248. Included in the amount for Class A and Class H capital is capital belonging to certain affiliates of the Management Company who do not pay management fees, are not subject to the incentive allocation and whose capital is subject to monthly liquidity.

Capital Withdrawals

Generally, upon at least forty-five days' prior written notice, a Class A and Class H limited partner may withdraw all or a portion of its capital account as of the end of the fourth full calendar quarter or twelfth full calendar month, respectively, following the date such Interest was purchased and a Class B and Class I limited partner may withdraw all or a portion of its capital account as of the end of the twelfth full calendar quarter or thirty-sixth full calendar month, respectively, following the date such Interest was purchased. Each such restricted period is referred to as a "Lock-Up Period." Notwithstanding any Lock-up Periods, partners may withdraw amounts on an annual basis corresponding to the estimated tax liability allocated to their respective capital accounts for the preceding year.

Class A, Class H and Class I Interests may make withdrawals at the end of any calendar month upon forty-five days' prior written notice, subject to an exit fee payable to the Partnership. Class A Interests, however, are limited to 25% in the aggregate, of the balance of such Class A Interest's capital account as of the beginning of its applicable Lock-Up Period adjusted by the net capital appreciation and net capital depreciation allocated to the Class A Interest. Class B interests do not have an early withdrawal provision. In addition, aggregate Class H and Class I withdrawal requests received for any withdrawal date may be limited to an amount equal to 15% of the aggregate Class H and Class I limited partners' capital as of such date. A withdrawal request that is not fully satisfied as of the intended date because of this restriction will be satisfied as of the next available month-end, provided however, that any such withdrawal request will be fully satisfied before satisfying any later withdrawal requests. It is the intention of the General Partner that if a withdrawal request is not satisfied at the end of six consecutive months as a result of withdrawals being limited, the General Partner will give full effect to such withdrawal request as of the next subsequent month-end.

The General Partner may, in its sole discretion, require a limited partner to withdraw all or any part of its capital account at any time for any reason upon not less than five days' prior written notice. In addition, the General Partner may suspend withdrawal rights for any or all limited partners in the Partnership at any time when the General Partner believes the disposal of part or all of the assets of the Partnership, or the calculation of partners' capital, would not be reasonable or practicable or would be prejudicial to the limited partners.

In the case of partial withdrawals, payment of the aggregate withdrawal proceeds (based on estimated, unaudited data) generally will be made as soon as practicable but not later than ten business days after the withdrawal date. If a limited partner elects to withdraw more than 95% of its capital account in connection with a class of Interests, 95% of the estimated withdrawal proceeds (on the basis of estimated, unaudited data) will be paid as soon as practicable but not later than ten business days after the withdrawal date. The Partnership will pay such limited partner the balance of the withdrawal proceeds, with interest thereon, at the average per annum short-term (13-week) U.S. Treasury Bill rate, at or prior to the end of the calendar quarter following the withdrawal date.

6. Allocation of Net Profits and Net Losses

In accordance with the Partnership Agreement, except for "new issues" and management fees, net investment income (loss) and net realized and net change in unrealized appreciation (depreciation) on investment transactions are allocated to the partners based on their respective capital account balances at the beginning of each month subject to reallocation to the General Partner as described in Note 7.

Gains and losses related to "new issues", as defined by FINRA, will only be allocated to partners eligible to receive such gains and losses. For the year ended December 31, 2010, the Partnership recognized net gains of $10,714,992 from "new issues". The General Partner does not participate in "new issues".

7. Management Fees, Incentive Allocation and Related Party Transactions

The Partnership pays the Management Company, at the beginning of each month, a management fee equal to 1.5% per annum of the opening capital account balance of each limited partner at such time (the "Management Fee"). The General Partner may, in its sole discretion, elect to waive all or a portion of the Management Fee with respect to any limited partner, including limited partners that are affiliates of the General Partner and their respective family members.

Generally, at the end of each fiscal year of the Partnership, 20% (in the case of Class A and Class H limited partners) or 17.5% (in the case of Class B and Class I limited partners) of the net capital appreciation allocated to a limited partner's capital account for such year will be reallocated to the General Partner (the "Incentive Allocation"). The General Partner may, in its sole discretion, elect to waive all or any portion of the Incentive Allocation with respect to any limited partner, including limited partners that are affiliates of the General Partner and their respective family members. The Incentive Allocation for the year ended December 31, 2010 amounted to $32,116,953.

If, upon the expiration of a Lock-Up Period, a limited partner elects to convert its Interests (or portion thereof) with respect to the applicable capital account into a different class of Interests and such conversion occurs on a date that does not correspond with the fiscal year-end of the Partnership, the Incentive Allocation rate for such Interests for the fiscal year in which the conversion was made shall be the time-weighted average (based on the date of conversion) of the Incentive Allocation rate applicable to the class of Interest converted and the Incentive Allocation rate applied to the new class of Interests. Thereafter, the Incentive Allocation rate will be the Incentive Allocation rate applicable to the new class of Interest.

Where applicable, the Partnership maintains a memorandum loss recovery account (a "Loss Recovery Account") for a limited partner's capital account. For each fiscal year, each Loss Recovery Account will be debited with the net capital depreciation, if any, allocated to such limited partner's capital account for such fiscal year (after payment of the Management Fee) and credited, but not beyond zero, by the net capital appreciation allocated to such limited partner's capital account for such fiscal year (after payment of the Management Fee). The General Partner will not be allocated any Incentive Allocation with respect to a limited partner's capital account until such capital account has recovered any amounts debited to its Loss Recovery Account. The amount which must be recovered will be proportionately adjusted for withdrawals and distributions of capital, if any. The General Partner may, in its sole discretion, reset any Loss Recovery Account applicable to a Class H or Class I Interest to zero as of the beginning of any calendar month provided that, in such event, the General Partner provides such Interests the right to withdraw.

The Partnership's confidential memorandum contains a further description of the above calculations and terms.

Affiliated Transactions
The Management Company generally allocates investments between the Partnership and other investment vehicles, for which it serves as investment manager, on a basis which it deems equitable considering each investment vehicle's assets under management and investment strategy. In order to maintain such allocations, the Partnership may sell securities to or purchase securities from affiliated investment vehicles.

At December 31, 2010, members of the General Partner and affiliates of the Management Company also had investments in the Partnership as limited partners. The aggregate amount of such investments was approximately $780 million as of December 31, 2010.

8. Risk Considerations

The following highlights certain significant risks of the Partnership. This list is not meant to be all inclusive and should only be read in conjunction with the risk factors detailed in the confidential memorandum of the Partnership.

General Market Risk
The success of the Partnership's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Partnership's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity of the Partnership's investments. Volatility and/or illiquidity could impair the Partnership's profitability or result in losses. The Partnership could incur material losses even if the General Partner reacts quickly to difficult market conditions, and there can be no assurance that the Partnership will not suffer material losses and other adverse effects from broad and rapid changes in market conditions in the future. Financial instruments in which the Partnership invests can correlate strongly with each other at times or in ways that are difficult for the General Partner to predict. Even a well-analyzed approach may not protect the Partnership from significant losses under certain market conditions.

The equity and debt markets of the world have been marked by extreme uncertainty and volatility in recent years. In reaction to these events, regulators in the U.S. and several other countries undertook unprecedented regulatory actions. Today, such regulators continue to consider and implement additional measures to stabilize and encourage growth in the U.S. and global financial markets. Nevertheless, it is uncertain whether the regulatory actions taken by regulators or any other regulatory actions will be able to prevent further losses and volatility in security markets, or stimulate the credit markets. The Partnership may be materially and adversely affected by the foregoing events, or by similar or other events in the future. In the long term, there may be significant new regulations that could limit the Partnership's activities and investment opportunities or change the functioning of capital markets, and there is a possibility the severe worldwide economic downturn could continue for a period of years. Consequently, the Partnership may not be capable of, or successful at, preserving the value of its assets, generating positive investment returns or effectively managing its risks.

Business and Regulatory Risk
Legal, tax and regulatory changes are likely to occur during the term of the Partnership and some of these changes may adversely affect the Partnership, perhaps materially. The financial services industry generally, and the activities of hedge funds and their managers, in particular, have been

subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Partnership's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on the General Partner, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may direct the General Partner's time, attention and resources from portfolio management activities.

In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The U.S. Securities and Exchange Commission (the "SEC"), other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which aims to reform various aspects of the U.S. financial markets, covers a broad range of market participants including banks, non-banks, rating agencies, mortgage brokers, credit unions, insurance companies, payday lenders, broker-dealers and investment advisers. The Dodd-Frank Act directly affects the Partnership by requiring registration with the SEC and mandating additional new reporting requirements, including, but not limited to, position information, use of leverage and counterparty and credit risk exposure. Until the SEC implements the new reporting requirements, it is unknown how burdensome such new reporting requirements will be. The Dodd-Frank Act may also affect the Partnership in a number of other ways. The Dodd-Frank Act creates the Financial Stability Oversight Council (the "Council") that is charged with monitoring and mitigating systemic risk. As part of this responsibility, the Council would have the authority to subject banks and other financial firms to regulation by the Federal Reserve Board, which could limit the amount of risk-taking engaged in by the Partnership. In the area of derivatives, the Dodd-Frank Act requires that swaps and security-based swaps be traded through an exchange with few exceptions. This may limit the Partnership's ability to hedge certain risks or otherwise pursue certain investment interests. In addition, because the Dodd-Frank Act requires that dealers and other swap counterparties post initial and variation margin, counterparties to swaps and security-based swaps may pass along those obligations and require that the Partnership post initial and variation margin.

It is impossible to predict what, if any, changes in regulation applicable to the Partnership, the General Partner, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. The effect of any future regulatory change on the Partnership could be substantial and adverse.

Counterparty Risk

In addition to trading in exchange-based markets, the Partnership may transact in the over-the-counter or inter-dealer markets. The participants in such markets are typically not subject to the same level of credit evaluation and regulatory oversight as are members of exchange based markets. This exposes the Partnership to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing the Partnership to suffer a loss. In addition, in the case of a default, the Partnership could become subject to adverse market movements while replacement transactions are executed. Such counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Partnership has concentrated its transactions with a single counterparty or small group of counterparties. The Partnership is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Partnership has a limited internal credit function which evaluates the creditworthiness of its counterparties. The ability of the Partnership to transact business with any one or more counterparties, the lack of complete evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Partnership.

Systemic Risk
Credit risk may arise through a default by one of several institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Partnership interacts on a daily basis. A systemic failure could have material adverse consequences on the Partnership and on the markets for the financial instruments in which the Partnership seeks to invest.

Leverage Risk
The Partnership may leverage its investment positions by borrowing funds from securities broker-dealers, banks or others and may also invest in derivatives and other financial instruments that are inherently leveraged. From time to time, the Partnership may leverage its investment positions to take advantage of perceived opportunities. The amount of the Partnership's borrowings and the interest rates on those borrowings, which will fluctuate, may have a significant adverse effect on the Partnership's profitability. While leverage presents opportunities for increasing the Partnership's total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment would be magnified to the extent the Partnership is leveraged. The cumulative effect of the use of leverage by the Partnership in a market that moves adversely to the Partnership's investments could result in a substantial loss to the Partnership, which would be greater than if the Partnership was not leveraged. Leverage will increase the exposure of the Partnership to adverse economic factors such as significantly rising interest rates, severe economic downturns or deterioration in the condition of the Partnership's investments or their corresponding markets.

In transactions involving margin borrowings and derivative instruments, counterparties and lenders will likely require the Partnership to post its investments and assets as collateral to support its obligations. Should the instruments and other assets pledged as collateral decline in value, or should brokers increase their maintenance margin requirements (*i.e.*, reduce the percentage of a position that can be financed), the Partnership could be subject to a "margin call," pursuant to which it must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged assets to compensate for the decline in value. The Partnership might not be able to liquidate assets quickly enough to pay off the margin debt or provide additional collateral and may suffer mandatory liquidation of positions in a declining market at relatively low prices, thereby incurring substantial losses.

Furthermore, secured counterparties and lenders generally will have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of collateral posted by the Partnership. This could increase exposure to the risk of a counterparty default since, under such circumstances, the Partnership may be unable to recover the posted collateral promptly or may be unable to recover all of the posted collateral. The occurrence of defaults may trigger cross-defaults under the Partnership's agreements with other brokers, lenders, clearing firms or other counterparties, creating or increasing a material adverse effect on the performance of the Partnership.

Credit Risk

The Partnership may invest a portion of its assets in bonds and other fixed income instruments. The value of fixed income instruments changes in response to fluctuations in interest rates. When interest rates rise, the value of debt instruments can be expected to decline. Debt instruments with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. It is likely that many of the debt instruments in which the Partnership invests may be unrated, and whether or not rated, the debt instruments may have speculative characteristics. Fixed income instruments may include, among other securities: debt securities issued or guaranteed by the U.S. government or by a non-U.S. government; municipal securities; mortgaged-backed securities and asset-backed securities; and bonds, notes and debentures issued by corporations. These instruments may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed income 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 price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

CDS Risk

CDS transactions can be used to address the perception of the General Partner that a particular credit, or group of credits, may experience credit improvement or deterioration. In the case of expected credit improvement, the Partnership may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Partnership to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Partnership may also buy credit default protection with respect to a reference entity if, in the judgment of the General Partner, there is a high likelihood of perceived credit deterioration or for risk management purposes. In such instance, the Partnership will pay a premium regardless of whether there is a credit event.

If the Partnership is a buyer and no credit event occurs, the Partnership will have made a series of periodic payments and recover nothing of monetary value. However, if a credit event occurs, the Partnership (if the buyer) will receive the full notional value of the reference obligation either through a cash or physical settlement. As a seller, the Partnership receives a fixed rate of income throughout the term of the contract, which typically is between six months and five years (but may be longer), provided that there is no credit event. CDS transactions may involve greater risks than if the Partnership had invested in the reference obligation directly. The CDS market in high yield securities is comparatively new and rapidly evolving compared to the CDS market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid and it may be difficult to exit or enter into a particular transaction. In addition, CDS carry, like all derivative contracts, the additional risk that even if the value of the CDS contract increases, the counterparty to the CDS trade may default on its obligation to pay the amount due.

Hedging Risk

The Partnership may utilize a variety of derivatives and other financial instruments both for investment purposes and for risk management purposes. However, the General Partner is not obligated to, and may not, hedge against risks. While the Partnership may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Partnership than if it had not engaged in any such hedging transaction. Moreover, it should be noted that the portfolio will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties).

Short Selling Risk

Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the prices of securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Partnership of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further in the event of a lack of supply, thereby exacerbating the loss. For instance, a so-called "short squeeze" can occur if multiple short sellers seek to cover their short positions by purchasing the security and the price of a security starts to rise rapidly. If enough short sellers buy back the security, the price is pushed even higher, thereby making it more expensive for other short sellers to cover their short positions. Restrictions on short selling (including wholesale bans) and public disclosure requirements with respect to the General Partner's short selling activities were recently enacted in the U.S. and several other jurisdictions. In some of these jurisdictions, these restrictions were temporary and were permitted to lapse; in other countries, they continue to exist in the same or a modified form. If additional short-selling restrictions and disclosure requirements are enacted, the prices of the instruments in which the Partnership invests may be materially affected and the ability of the General Partner to take advantage of opportunities for short-selling may be significantly reduced.

Foreign Exchange Risk

A portion of the Partnership's assets may be invested in equity securities denominated in currencies other than the U.S. dollar and in other financial instruments, the price of which is calculated with reference to currencies other than the U.S. dollar. The Partnership, however, values its securities and other assets and liabilities in U.S. dollars. To the extent unhedged, the value of the Partnership's assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the Partnership's investments in the various local markets. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the assets of the Partnership are invested reduces the U.S. dollar value of non-U.S. dollar securities held by the Partnership. Conversely, a decrease in the value of the U.S. dollar has the opposite effect of increasing the U.S. dollar value of non-U.S. dollar securities held by the Partnership. The Partnership also may utilize options and forward contracts to attempt to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Non-U.S. Investment Risk

The Partnership may invest in securities of non-U.S. companies. Investing in securities of non-U.S. companies involves certain considerations not usually associated with investing in securities of U.S. companies, including political and economic considerations, such as: greater risks of expropriation and nationalization, imposition of withholding tax or other taxes on dividends, interest, capital gains or other income, the potential difficulty of repatriating funds and general social, political and economic instability; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies, costs associated with currency conversion and the potential risk of the imposition by non-U.S. regulatory authorities of restrictions on currency conversion; and certain government policies that may restrict the Partnership's investment opportunities. In addition, accounting and financial reporting standards that prevail in non-U.S. countries generally are not equivalent to standards in the United States and, consequently, less information may be available to investors in companies located in non-U.S. countries than is available to investors in companies located in the United States. There is also less regulation, generally, of the securities markets in non-U.S. countries than there is in the United States.

Forward Trading Risk
The Partnership may invest in forward contracts and options thereon, which, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable.

Limited Diversification
The Partnership at times may hold relatively large concentrations in a particular market, industry, sector, geographic region or financial instrument. This limited diversification could expose the Partnership to losses disproportionate to market movements in general. Losses incurred in such investments could have a material adverse effect on the Partnership's overall financial condition.

Liquidity Risk
Liquidity is important to the Partnership's business. The Partnership's portfolio may include relatively illiquid investments and under certain market conditions, such as during volatile markets or when trading in an instrument or market is otherwise impaired, the liquidity of the Partnership's relatively liquid portfolio positions may be reduced. During such times, the Partnership may be unable to dispose of certain assets, which would adversely affect the Partnership's ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force the Partnership to dispose of assets at reduced prices, thereby adversely affecting the Partnership's performance.

Tax Risk
The Partnership may take positions with respect to certain tax matters, in the U.S. or in other countries, which depend on legal conclusions not yet addressed by courts or other appropriate tax tribunals. In addition, the Partnership, from time to time, may invest in certain portfolio companies through special purpose vehicles that claim eligibility for treaty relief. Should any such positions be successfully challenged by the applicable tax authorities, the Partnership may be found to have a tax liability that has not been recorded in the accompanying financial statements. In addition, if the Partnership is adjudicated to not be in compliance with laws or other regulations, the Partnership may be assessed significant penalties.

Compliance Risk
Certain of the Partnership's prime broker and trading agreements contain termination provisions allowing the counterparty to terminate the relevant agreement if the Partnership does not maintain a predetermined level of assets, and/or the Partnership's capital declines by a specified percentage over specified periods. If these termination provisions are triggered, then the counterparty could elect to terminate the relevant agreement, which could result in immediate payment by the Partnership of the mark-to-market position, or net liability, under the agreement.

Litigation Risk
With regard to certain of the Partnership's investments, it is possible that the General Partner and/or the Partnership may be plaintiffs or defendants in civil proceedings, including bankruptcy court proceedings. The expense of prosecuting claims, for which there is no guarantee of success, and/or the expense of defending against claims by third parties and paying any amounts pursuant to

settlements or judgments would generally be borne by the Partnership and would reduce partners' capital or may, pursuant to applicable law, require limited partners to return to the Partnership distributed capital and earnings.

Indemnification Risk

In the normal course of business, the Partnership enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Partnership's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Partnership that have not yet occurred. However, based on experience, the General Partner expects the risk of loss to be remote.

9. Financial Highlights – Limited Partners

Financial highlights for the year ended December 31, 2010 were as follows:

	Class A		Class B		Class H		Class I	
	New Issue Eligible Partners	New Issue Ineligible Partners	New Issue Eligible Partners	New Issue Ineligible Partners	New Issue Eligible Partners	New Issue Ineligible Partners	New Issue Eligible Partners	New Issue Ineligible Partners
Total return before incentive allocation (a)	4.8%	4.4%	4.8%	4.4%	4.8%	4.4%	4.8%	4.4%
Less: Incentive allocation (b)	(0.9%)	(0.9%)	(0.8%)	(0.7%)	(0.9%)	(0.9%)	(0.8%)	(0.7%)
Total return after incentive allocation	3.9%	3.5%	4.0%	3.7%	3.9%	3.5%	4.0%	3.7%
Supplemental Data								
Ratio of total expenses to average partners' capital (c)	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Incentive allocation (b)	0.9%	0.9%	0.8%	0.8%	1.2%	0.9%	0.8%	2.1%
Ratio of total expenses and incentive allocation to average partners' capital	3.8%	3.8%	3.7%	3.7%	4.1%	3.8%	3.7%	5.0%
Ratio of net investment loss to average partners' capital (d)	(1.3%)	(1.3%)	(1.3%)	(1.3%)	(1.3%)	(1.3%)	(1.3%)	(1.3%)

Total return and supplemental ratios (expense and net investment loss to average limited partners' capital) are calculated for each class, excluding the capital of certain affiliates of the Management Company who do not pay management fees and are not subject to the Incentive Allocation. An individual limited partner's total return and supplemental ratios may differ depending on the timing of capital transactions.

(a) Total return is calculated based on geometric linking of returns. Monthly rates of return are compounded to derive total return for the year.

(b) The incentive allocation considers any cumulative loss carry-forward.

(c) This ratio is calculated using total expenses as stated per the Statement of Operations and Incentive Allocation and does not include the incentive allocation.

(d) This ratio is calculated using net investment loss as stated per the Statement of Operations and Incentive Allocation and does not include the incentive allocation.

10. Subsequent Events

Subsequent events have been evaluated through March 8, 2011, which is the date the financial statements were available to be issued and are as follows:

Effective January 1, 2011, there were capital contributions of $108,500,000. Also, the partners withdrew $115,984,543, which is included in withdrawals payable on the accompanying Statement of Financial Condition.

Effective February 1, 2011, there were capital contributions of $129,000,000. Also, the partners withdrew $41,143,891.

Effective March 1, 2011, there were capital contributions of $58,940,000 and withdrawals of approximately $28,356,044 by the partners.